



REPUBLIC OF ZAMBIA

REPORT

OF THE

COMMITTEE ON PARASTATAL BODIES

ON THE

**REPORT OF THE AUDITOR GENERAL ON ACCOUNTS OF PARASTATAL
BODIES AND OTHER STATUTORY INSTITUTIONS**

FOR THE

FINANCIAL YEARS ENDED 31ST DECEMBER 2013, 2014, 2015 AND 2016

FOR THE

**SECOND SESSION OF THE TWELFTH NATIONAL ASSEMBLY
APPOINTED ON 21ST SEPTEMBER 2017**

Printed by the National Assembly of Zambia

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REPORT OF THE COMMITTEE ON PARASTATAL BODIES ON THE REPORT OF THE AUDITOR GENERAL ON ACCOUNTS OF PARASTATAL BODIES AND OTHER STATUTORY INSTITUTIONS FOR THE FINANCIAL YEARS ENDED 31ST DECEMBER 2013, 2014, 2015 AND 2016 FOR THE SECOND SESSION OF THE TWELFTH NATIONAL ASSEMBLY, APPOINTED ON WEDNESDAY, 21ST SEPTEMBER, 2017

i. Composition of the Committee

Mr P M W Daka, MP (Chairperson); Ms P C Mwashingwele, MP (Vice Chairperson); Ms M Lubezhi, MP; Mr A Kasandwe, MP; Mr G Chiyalika, MP; Mr M L Kafwaya, MP; Mr D M Syakalima, MP; Mr B Kambita, MP; Mr J Malanji, MP and Mr M Mukumbuta, MP.

Following the appointment of Mr J Malanji as Minister of Foreign Affairs, Mrs M J Phiri, MP, was appointed to replace him on the Committee in accordance with Standing Order Number 135(3).

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir

Your Committee has the honour to present its Report for the Second Session of the Twelfth National Assembly.

ii. Functions of the Committee

In accordance with Standing Order No 157(2), the functions of the Committee are to:

- i) study, report and make appropriate recommendations to the Government through the House on the mandate, management and operations of the Government ministries, departments and/or agencies under its portfolio;
- ii) carry out detailed scrutiny of certain activities being undertaken by the Government ministries, departments and/or agencies under its portfolio and make appropriate recommendations to the House for ultimate consideration by the Government;
- iii) make, if considered necessary, recommendations to the Government on the need to review certain policies and certain existing legislation;
- iv) examine annual reports of Government ministries and departments under its portfolio in the context of the autonomy and efficiency of Government ministries and departments and determine whether the affairs of the said bodies are being managed according to relevant Acts of Parliament, established regulations, rules and general orders;
- v) consider any Bills that may be referred to it by the House;

- vi) consider international agreements and treaties in accordance with Article 63 of the Constitution;
- vii) consider special audit reports referred to it by the Speaker or an Order of the House;
- viii) where appropriate, hold public hearings on a matter under its consideration; and
- ix) consider any matter referred to it by the Speaker on an order of the House.

However, the main focus of your Committee is to:

- i. consider annual reports and accounts of parastatal bodies;
- ii. consider reports, if any, of the Auditor General on parastatal bodies;
- iii. consider, in the context of the autonomy and efficiency, the operations of parastatal bodies, whether the affairs of the parastatal bodies are being managed in accordance with, the relevant regulations, rules and general orders, sound business principles and prudent commercial practice;
- iv. report and make appropriate recommendations to the Executive through the House on the mandate, management and operations of parastatal bodies;
- v. examine the instruments relating to the acquisition and disposal of parastatal companies and ensure that such exercises are conducted in a fair and prudent manner;
- vi. carry out detailed scrutiny of activities being undertaken by parastatal bodies and make appropriate recommendations to the House for ultimate consideration by the Executive;
- vii. make, if considered necessary, recommendations to the Executive on the need to review certain policies and existing legislation relating to parastatal bodies; and
- viii. consider any matter that may be referred to it by the Speaker or Order of the House.

iii. Meetings of the Committee

Your Committee held fourteen meetings to consider submissions on the Report of the Auditor General on Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial Years Ended 31st December, 2013, 2014, 2015 and 2016.

iv. Procedure adopted by the Committee

With technical guidance from the Auditor General, your Committee considered both oral and written submissions from Controlling Officers and Chief Executive Officers of the twenty-two institutions that were cited in the audit report. Additionally, the Secretary to the Treasury was requested to comment on fourteen institutions which failed to submit audited financial statements.

This Report contains the observations and recommendations of your Committee and includes proposed remedial measures to correct identified irregularities. The Report is in three parts: Part I deals with the Auditor General's comments and the response from the Secretary to the Treasury; Part II captures the responses from Controlling Officers on the individual audit queries; and Part III contains your Committee's general observations and recommendations arising from the Auditor General's Report. The annex attached to this report is a report on outstanding issues with corresponding comments by the Secretary to the Treasury on the recommendations of the Public Accounts Committee, which have not been implemented.

PART I

1.0. Auditor General's Comments

The Auditor General's Report had been produced in accordance with Article 250 of the *Constitution of Zambia (Amendment) Act, No. 2 of 2016*, the *Public Finance Act, No. 15 of 2004* and *Public Audit Act, Chapter 378 of the Laws of Zambia*.

The Auditor General stated that during the audit process, there were various levels at which the Office interacted and communicated with Chief Executive Officers whose statements were audited. The purpose of this interaction was to provide an opportunity for the Chief Executive Officers to clarify and take corrective action on the findings of the audits. The Report contained paragraphs on twenty two institutions out of which four were under the Industrial Development Corporation (IDC), and three paragraphs on water utility companies.

The Report listed fourteen institutions that had not produced audited financial statements for the financial years up to 31st December, 2016 contrary to their enabling Acts and the tenets of good corporate governance. The report also raised issues of non-remittance of statutory contributions (NAPSA and ZRA), unsupported payments, unaccounted for stores and unretired imprest, among other issues.

Submission by Secretary to the Treasury

The facts were as stated in the Report of the Auditor General and the Secretary to the Treasury acknowledged that the audit of statements of the twenty – two Parastatal Bodies and Other Statutory Institutions for the Financial Years Ended 31st December, 2013, 2014, 2015 and 2016, was done within the provisions of the *Constitution of Zambia (Amendment) Act, No. 2 of 2016*, the *Public Finance Act, No. 15 of 2004* and the *Public Audit Act, Chapter 378 of the Laws of Zambia*.

The Secretary to the Treasury acknowledged the audit of information communication technology (ICT) that the audited parastatal bodies and other statutory institutions had been implementing to improve on the efficiency and effectiveness of service delivery.

2.0. Scope

The Report is as a result of a programme of test checks and reviews of audited statements of selected parastatal bodies and other statutory institutions for the financial years ended 31st December, 2013 to 2016.

Submission by the Secretary to the Treasury

The Secretary to the Treasury acknowledged that the scope of audit by the Auditor General was correct as it covered test checks and review of statements of the financial years ended 31st

December, 2013, 2014, 2015 and 2016 for the twenty – two selected parastatal bodies and other statutory institutions.

The interaction of the Auditor General with Chief Executive Officers through their Controlling Officers was appreciated as it upheld good corporate governance values in the management of parastatal bodies and other statutory institutions entrusted with the responsibility of managing public resources. In this regard, he thanked the Office of the Auditor General for availing vital information in his report and to assist Parliament in its oversight responsibilities with respect to management of public resources.

3.0. Internal Control

In the Auditor General's Report, specific mention was made of non-preparation of financial statements, failure to remit statutory contributions, weaknesses in procurement procedures, irregular payments and poor financial performance, among other issues, by the respective institutions. These were clear indicators of internal control lapses in most parastatal bodies and other statutory institutions.

Submission by the Secretary to the Treasury

The Secretary to the Treasury submitted that he took note of the lapses in internal controls in parastatal bodies and other statutory institutions that had specifically led to weaknesses in procurement procedures, irregular payments and poor financial performance, among other issues, by the respective institutions. In order to address these shortcomings, the Treasury had since enhanced its supervisory role through the inclusion of fiduciary responsibilities and penalties for erring Controlling Officers and Chief Executive Officers of parastatal bodies and other statutory institutions, in the revised *Public Finance Act, No.1 of 2018*. This was expected to enhance internal controls in all parastatal bodies and other statutory institutions.

In the interim, the Board of Directors and Management had been engaged to enhance internal control systems and adherence to the *Public Finance Act, No.15 of 2004* and the Financial Regulations of 2006, in the management of public funds.

4.0. INDUSTRIAL DEVELOPMENT CORPORATION'S PORTFOLIO

4.1. Dividend Declaration by State Owned Enterprises

The Controlling Officer, IDC, submitted that the low number of enterprises declaring dividends was attributed to unprofitable performance and a lack of motivation for the enterprises to declare dividends. He submitted that two key measures have been taken to improve the capacity of enterprises in the group to pay dividends, namely, improving profitability and introduction of the dividend policy as explained below:

a) **Measures to Improve Profitability**

- i) IDC as an active shareholder had devised performance monitoring mechanisms with the overarching one being the introduction and signing of annual performance contracts with Boards of enterprises under its charge and the Chief Executive Officers of state-owned-enterprises (SOEs). A specimen performance contract was available for audit verification.
- ii) IDC demanded the submission of strategic plans for SOEs with a focus on goal alignment with the IDC's overall mandate.
- iii) IDC demanded the submission of annual budgets, which detailed performance targets for the year.
- iv) Regular monitoring of performance through enterprise quarterly reporting and regular financial reporting.

b) **Measures to Motivate Dividend Paying**

- i) The IDC board in 2017 approved the dividend policy to provide guidance on the basis of computing and declaring dividends. The introduction of the dividend policy would result in improved dividend pay-out, predictability and consistency. A copy of the IDC dividend policy was available for audit verification.

With these interventions, there had been an increase in the number of subsidiaries declaring dividends from two in 2015 to eight in 2017 as shown in the table below.

S/N	SUBSIDIARY	2015	2016	2017
1	Indo-Zambia Bank	-	11,648,000	27,064,000
2	Indeni Petroleum Refinery	-	23,067,500	7,392,610
3	ZANACO	-	9,203,907	-
4	Mulungushi Village Complex	-	-	400,000
5	Kagem	43,466,500	51,300,000	-
6	Lusaka Trust Hospital	-	-	85,000
7	ZAFFICO	-	-	8,826,070
8	Nanga Farms	3,296,419.59	4,481,938.47	6,656,967
9	Zamcargo	-	-	972,870
10	AFROX	-	3,180,000	1,500,000
	TOTAL	46,762,920	102,881,345	52,897,518

Nanga farms and Afrox did pay the dividends in 2015 and 2016 amounting to K10, 958,358.06. The dividends were paid to the Ministry of Finance. Records would be corrected to reflect the dividend income from Nanga and Afrox in the books of IDC for the period.

5.0. INSTITUTIONS THAT HAD NOT SUBMITTED AUDITED FINANCIAL STATEMENTS

5.1 Submission by the Secretary to the Treasury

The Secretary to the Treasury submitted on the institutions under his charge as set out below.

5.1.1. Zambia Education Publishing House

The Institution was engaged based on the previous reports and had since cleared the backlog. Therefore, only the 2016 statements were yet to be audited and presented. A follow up would be made to ensure that they were completed before the end of 2018.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the Secretary to the Treasury to ensure that there is strict adherence to financial regulations at ZEPH and further that the 2016 statements be audited and presented for approval. Your Committee resolves to await a progress report on the matter.

5.1.2. Zambia Printing Company

The matter was noted and the Treasury would follow up and ensure that the financial statements were prepared and audited before the end of 2018.

Committee's Observations and Recommendations

Your Committee directs the Secretary to the Treasury to sternly caution management at Zambia Printing Company not to be lax but ensure that the statements for all the outstanding years are audited without any further delay. Your Committee resolves to await a progress report on the matter.

5.1.3. Mulungushi Textiles Limited

The Institution was engaged based on the previous reports and had since cleared the backlog. In this regard, only 2016 statements were yet to be audited and presented. A follow up would be made to ensure that they were completed before the end of 2018.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the Secretary to the Treasury to ensure that there is strict adherence to financial regulations at Mulungushi Textiles Limited and further that the 2016 statements are audited and presented for approval. Your Committee resolves to await a progress report on the matter.

5.1.4. Zambia Institute of Mass Communication (ZAMCOM)

The Board of Trustees and Management, with the assistance of the Treasury, had since prepared the statements for 2015 and 2016, which were awaiting Board approval after the external auditors engaged completed the audit.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the Secretary to the Treasury to ensure that there is strict adherence to financial regulations at ZAMCOM and further that both the 2015 and 2016 statements be presented for approval without further delay. Your Committee resolves to await a progress report on the matter.

5.1.5. Zambia Environmental Management Agency (ZEMA)

The Secretary to the Treasury noted the matter and indicated that he would follow up and ensure that the financial statements were prepared and audited before the end of 2018.

Committee's Observations and Recommendations

Your Committee directs the Secretary to the Treasury to sternly caution management at ZEMA not to be lax and ensure that the statements for all the outstanding years are audited without any further delay. Your Committee resolves to await a progress report on the matter.

5.1.6. Engineering Services Corporation Limited (ESCO)

The Institution was engaged based on the previous reports and had since cleared the back log. In this regard, only the 2016 financial statements were yet to be audited and presented to the Board. A follow up would be made to ensure that they were completed before the end of 2018.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the Secretary to the Treasury to ensure that there is strict adherence to financial regulations at ESCO and further that, the 2016 financial statements are presented for approval without any further delay. Your Committee resolves to await a progress report on the matter.

5.1.7. Citizens Economic Empowerment Commission

The Secretary to the Treasury noted with regret the failure to submit the audited financial statements for the years 2013 to 2016 by the Citizens Economic Empowerment Commission. He, therefore, reported that the Commission had since completed the audit of financial statements for the year 2013 and was currently working on clearing the backlog for 2014 to 2016, before the end of 2018. Progress would be reported once the Commission completed the exercise.

Committee's Observations and Recommendations

Your Committee is disappointed that such a financial institution would lag behind in preparing financial statements with impunity and urges the Secretary to the Treasury to ensure that management is sternly cautioned for this failure so that in future, the Commission must strictly adhere to financial regulations. Further, your Committee strongly urges management to ensure

that the financial statements for the remaining years are audited and presented for approval without any further delay. Your Committee resolves to await a progress report on the matter.

5.1.8. Food Reserve Agency

The Auditors' observations were indeed correct. The Treasury regretted the delay by the Institution to conclude the audit of statements for the financial years ending 31st December 2013 to 2016, due to the pending process of obtaining professional clearance from the previous external auditors and the demand by the previous Board Members to get indemnity before they could sign the financial statements. Progress would be reported once the issues of clearance and the indemnity were resolved.

Committee's Observations and Recommendations

Your Committee is disappointed that the Food Reserve Agency which handles colossal sums of public funds would lag behind in preparation of financial statements with impunity. The Secretary to the Treasury is urged to ensure to sternly caution the management team and remind them that, for this failure in future, they must strictly adhere to the financial regulations. Further, management should ensure that all outstanding financial statements are audited and presented for approval without any further delay. Your Committee resolves to await a progress report on the matter.

5.1.9. Business Regulatory Review Agency (BRRA)

The Secretary to the Treasury noted the matter and assured your Committee that the Treasury would follow up and ensure that the financial statements were prepared and audited before the end of 2018.

Committee's Observations and Recommendations

Your Committee directs the Secretary to the Treasury to sternly caution management at BRRA to desist from their laxity and ensure that the statements for all the outstanding years are audited without any further delay. Your Committee resolves to await a progress report on the matter.

5.1.10. Nitrogen Chemicals of Zambia (NCZ)

The Institution had since resolved the audit of the statements of 2006 and 2007 and was currently working on clearing the backlog of 2008 to 2016. Progress would be reported once the Institution cleared the backlog.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the Secretary to the Secretary to the Treasury to ensure that there is strict adherence to financial regulations at NCZ and further that the remaining statements are presented for approval without any further delay. Your Committee further urges

the Secretary to the Treasury to sternly caution the management of NCZ against such laxity. Your Committee resolves to await a progress report on the matter.

5.1.11. Zambia Postal Services Corporation (ZAMPOST)

The Secretary to the Treasury undertook to follow up and ensure that the financial statements were prepared and audited before the end of 2018.

Committee's Observations and Recommendations

Your Committee directs the Secretary to the Treasury to sternly caution management at ZAMPOST to desist from their laxity and ensure that the financial statements for all the outstanding years are audited without any further delay. Your Committee resolves to await a progress report on the matter.

5.1.12. Luapula Water and Sewerage Company

The Secretary to the Treasury regretted that Luapula Water and Sewerage Company had failed to clear the backlog of the audited Financial Statements for the period 2008 to 2016, despite an assurance by the Controlling Officer to assist the Institution with funds to engage external auditors. The Treasury would engage the current Controlling Officer to resolve this matter expeditiously, following the realignment of the Institution to the Ministry of Water and Sanitation.

Committee's Observations and Recommendations

Your Committee directs the Secretary to the Treasury to sternly caution the previous Controlling Officer for failure to perform his duty as was assigned. Further, the Secretary to the Treasury is urged to ensure that Luapula Water and Sewerage Company management is sternly cautioned to desist from their laxity and ensure that the statements for all the outstanding years are audited without any further delay. Your Committee resolves to await a progress report on the matter.

5.1.13. Kwame Nkrumah University

The Secretary to the Treasury noted with regret the failure by the Kwame Nkrumah University to submit the audited financial statements for the years 2013 to 2016. The non-preparation of the audited financial statements was due to the non-availability of the governing Council, which was recently dissolved and was earmarked for realignment. Progress would be reported once the realignment was concluded.

Committee's Observations and Recommendations

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

5.1.14. Chambeshi Water and Sewerage Company

The Secretary to the Treasury regrettably noted the failure to submit the audited financial statements for the years 2012 to 2016 by the above institution even though the failure was reportedly due to the loss of financial information following the crushing of the accounting software. The Institution had since replaced the accounting software. Using the newly acquired package, management was still reconstructing the available pieces of information in order to clear the backlog after training of staff in the use of the new accounting package. Progress would be reported once the backlog was cleared.

Committee's Observations and Recommendations

Your Committee directs the Secretary to the Treasury to sternly caution management at Chambishi Water and Sewage Company, to desist from their laxity and ensure that the statements for all the outstanding years are audited without any further delay. Your Committee resolves to await a progress report on the matter.

5.2. Submission by the Industrial Development Corporation

Your Committee was informed that the IDC was effectively responsible for four enterprises whose audit status was individually indicated in the table below.

	SUBSIDIARY	CAUSE FOR NON-PRODUCTION OF AUDITED FINANCIAL STATEMENTS	CORRECTIVE ACTION
1	Mulungushi Textiles Limited	Entity under care and maintenance. Management statements prepared to 31 December 2016.	None
2	Zambia Printing Company	Entity not fully operational. Management statements prepared to 31 December 2016.	None
3	Nitrogen Chemicals of Zambia	Prepared and submitted 2005-2016 Financial Statements and corrections are being made.	Audit in progress
4	Engineering Services Corporation Limited	Signing of 2015 financial statements was delayed.	Audit for 2016 initiated.

The Controlling Officer submitted that non-operational SOEs were not able to undertake audits as this was viewed uneconomical. This was why management statements were prepared as opposed to audit. He further indicated that SOEs were categorised in two groups, those incorporated under the *Companies Act* and those established by specific statutes to provide a specific service. Statutory Corporations fell under the line ministries, which supervised their operations, while those incorporated under the *Companies Act* fell under the IDC supervision.

Chapter 349 of the Laws of Zambia mandated the Minister responsible for Finance to hold on behalf of the Government, among others, assets, shares and titles and therefore, had interest in the financial performance of the SOEs. As observed by the Auditor General, most of the SOEs did not declare dividends. The reason for non-declaration of dividends was that they faced operational challenges which resulted in underperformance. Non submission of audited financial statements by some SOEs was mainly attributed to financial challenges as well as weaknesses in monitoring and supervision by the relevant Boards. In addition, the IDC noted that the dual ownership functional roles between line ministries and the IDC posed a challenge in supervising and monitoring of statutory institutions.

In this regard, the Ministry of Finance had in place an SOE policy framework which was yet to be implemented. The IDC was in the process of developing a reporting framework that would enhance supervision and monitoring of SOEs. Further, the SOE policy document highlighted the need to harmonise the various pieces of legislation governing SOEs by the enactment of specific legislation which would bring all SOEs under one umbrella. The Act would strengthen governance of SOEs, enhance the dual ownership functions, stipulate SOEs reporting lines and define the roles of the line ministries, funding of non – commercial activities, enhance production of annual reports and payment of dividends.

In addition, the IDC had put in place measures to enhance the financial performance of SOEs, which included debt swaps, balance sheet restructuring and reforming governance structures.

Committee’s Observations and Recommendations

Your Committee directs the Secretary to the Treasury to ensure that the statements for all the outstanding years are audited without any further delay. Your Committee resolves to await a progress report on the matter.

PART II

6.0. EASTERN WATER AND SEWERAGE COMPANY

Review of Operations

A review of the operations for the financial years ended 31st December, 2013 to 2016, revealed various irregularities, to which the Controlling Officers responded as set out below.

6.1. *Lack of Board of Directors*

The Controlling Officer acknowledged that the observation by the Auditor General that the company had been operating without a Board of Directors for the period under review was correct. The delay in appointing the Board of Directors was mainly caused by the transition from the Ministry of Local Government and Housing to the new Ministry of Water Development, Sanitation and Environmental Protection (MWDSEP). The Controlling Officer further submitted

that the company had submitted names from stakeholders to the Ministry for appointment as Board Members. The Board was expected to be appointed by end of March, 2018.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that, there was no Board due to the transition of the Ministry from local Government and Housing to the new Ministry of Water Development Sanitation and Environmental Protection. Your Committee further finds it unacceptable that the transition process took such a long time. Your Committee also finds it unacceptable that the Permanent Secretary assumed the role of interim Board in the absence of the Board as this was not provided for in the law. Your Committee urges the Controlling Officer to ensure that a Board is put in place expeditiously, and resolves to await a progress report on the matter.

6.2. *Financial Performance – Statement of Comprehensive Income for the year ended 31st December 2013 to 2016*

(i) Recurring Losses

The Controlling Officer acknowledged that the observation by the Auditor General that there had been recurring losses was correct. This was due to carried over dilapidated water and sewerage infrastructure, which led to high production and maintenance costs. He further informed the Committee that there were capital investment projects which were ongoing in an effort to overhaul the water production and distribution systems. The capital investment projects were at 44 percent and efforts were being made to target the remaining 56 percent.

Committee's Observations and Recommendations

Your Committee notes the submission with concern over the fact that the Company has been operating with recurring losses for over four years. Your Committee recommends that the Controlling Officer should expedite the implementation of capital investment projects, which will enhance production and, in turn, the company's revenue. Your Committee will await a progress report on the matter.

(ii) Net profit Margin Ratio

The Controlling Officer acknowledged that the observation by the Auditor General that the net profit margin worsened was correct. This was due to carried over dilapidated water and sewerage infrastructure, which led to high production and maintenance costs. The other reason for deteriorating reserves was as a result of exchange losses that saw the Kwacha-Dollar exchange rates increase from K6.20 to about K11.00, as most of the maintenance materials were not locally produced and thus were susceptible to the exchange rate fluctuations. However, there were capital investment projects, which had been carried out to overhaul the water production and distribution systems. The capital investment projects were at 44 percent and efforts were being made to target the remaining 56 percent.

Committee's Observations and Recommendations

Your Committee notes the submission with concern over the fact that the Company's net profit margin had continued to decline over the period of four years. Your Committee recommends that the Controlling Officer should expedite the implementation of capital investment projects, which will enhance production and, in turn, the company's revenue. Your Committee will await a progress report.

(iii) Staff costs to Operating Expenses

The Controlling Officer acknowledged the Auditor General's observation on increased staff costs. This was due to measures undertaken to attract and retain qualified staff within the company to improve operational efficiency. Further, the increased staff cost was attributed to the cost of living adjustment in line with inflation trends. In order to address the problem of increased staff costs, there were capital investment projects which had been carried out to overhaul the water production and distribution systems. With this, the revenue base would be increased. Further, the company was in the process of restructuring in an effort to manage the staff costs whilst maintaining high efficiencies.

Committee's Observations and Recommendations

Your Committee notes that the staff costs had increased due to measures that were taken to attract and retain qualified staff in an effort to improve operational efficiency. However, your Committee is concerned that apart from the restructuring efforts, the company does not have other cost cutting measures to contain staff costs. Your Committee urges the Controlling Officer to formulate cost cutting measures and resolves to await a progress report.

6.3. *Financial Position – Statements of Financial Position*

Liquidity Position

The Controlling Officer acknowledged that the observation by the Auditor General that the liquidity ratio was below the recommended ratio was correct. This was due to carried over dilapidated water and sewerage infrastructure, which led to high production and maintenance costs. The other reason was exchange losses that saw the Kwacha-Dollar exchange rates increase from K6.20 to about K11.00 as most of the maintenance materials were not locally produced and thus susceptible to the exchange fluctuations. However, there were capital investment projects which had been carried out to overhaul the water production and distribution systems. The capital investment projects were at 44 percent and efforts were being made to target the remaining 56 percent.

Committee's Observations and Recommendations

Your Committee notes the submission but is concerned that the Company was unable to pay off its short term liabilities as and when they fell due using its current assets. Your Committee urges

the Controlling Officer to ensure that the company expedites the process of overhauling the water production and distribution systems, which would, in turn, improve the company's revenue base. Your Committee resolves to await a progress report.

6.4. *Comparative Performance in the Water and Sanitation Sector*

(i) Increase in Non-Revenue Water

The Controlling Officer acknowledged as correct the Auditor General's observation that the non-revenue water was above the national benchmark of 25 percent. This was due to dilapidated infrastructure. However, there were capital investment projects which had been carried out to overhaul the water production and distribution systems. The capital investment projects were at 44 percent and efforts were being made to target the remaining 56 percent.

Committee's Observations and Recommendations

Your Committee observes with concern that the percentage of non revenue water is above the recommended benchmark of 25 percent. Your Committee urges the Controlling Officer to expedite the implementation of the capital investment projects. Your Committee resolves to await a progress report on the matter.

(ii) Operational Cost Coverage by Collection

The Controlling Officer acknowledged as correct the Auditor General's observation that the operational cost coverage by collection had declined during the period under review. This was due to increased infrastructure maintenance cost, high non-revenue water and low customer base. The Controlling Officer hoped that implementation of the capital investments projects would help grow the revenue base and reduce non-revenue water.

Committee's Observations and Recommendations

Your Committee notes the submission and urges the Controlling Officer to ensure that implementation of the capital investment projects is expedited. Your Committee resolves to await a progress report on the matter.

(iii) Total Costs Coverage by Total Revenue

The Controlling Officer acknowledged as correct the Auditor General's observation that the company could not cover its costs with its total revenue. This was due to low sales caused by non-revenue water, and low customer base coupled with high operational and maintenance costs arising from dilapidated infrastructure. However, with the capital investment project aimed at overhauling the water production and distribution system, there was hope to grow the revenue base and reduce non-revenue water.

Committee's Observations and Recommendations

Your Committee observes with concern that there is no timeframe given as to when the company will complete implementation of the capital investment projects to improve its revenue base. Your Committee resolves to await a progress report on the matter.

(iv) Sanitation Coverage

The Controlling Officer acknowledged that the observation by the Auditor General's that the company was operating below the sanitation coverage standard was correct. This was due to inadequate sewerage infrastructure. However, the company was engaging the Ministry of Water Development, Sanitation and Environmental to lobby cooperating partners to fund sewerage infrastructure development.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that fifty four years after independence, the country is still grappling with lack of proper sanitation. Your Committee cautions the Controlling Officer to ensure that issues of sanitation are resolved expeditiously so as to curb water borne diseases. Your Committee urges the Controlling Officer to engage the Treasury and lobby for funds for the development of water and sewerage infrastructure. Your Committee will await a progress report.

(v) Staff Cost in Relation to Billing and Collection

The Controlling Officer acknowledged that the observation by the Auditor General's observation as being correct that the company was operating above the industrial benchmark of 0.4 was correct. This was due to increased remuneration to retain qualified staff in the utility with a view to increase efficiencies. However, the company had embarked on restructuring the company and enhancing the implementation of the performance management system.

Committee's Observations and Recommendations

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

6.5. Fuel Procurements

The Controlling Officer acknowledged that the fuel disposal details were not available at the time of audit as they were misplaced. However, the documents were available and ready for verification by the Auditor. Further, a system had been put in place to enhance the filing system.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that fuel disposal details which were not available during the time of audit are now available, making the documentation questionable. Your Committee urges the Controlling Officer to institute disciplinary measures immediately, against the erring

officers who failed to produce these documents at the time of audit. Your Committee resolves to close the matter subject to audit verification.

6.6. *Inadequately Supported Payment Vouchers*

The Controlling Officer acknowledged that payment vouchers did not have supporting documents at the time of audit as they were misfiled. The supporting documents stated above were mainly receipts from suppliers outside the province, whose payments were done by bank transfers and cheque deposits. However, the documents had been traced and were ready for verification. Further, an officer had been assigned to manage and ensure proper compiling and filing of documents.

Committee's Observations and Recommendations

Your Committee notes the efforts that have been made to ensure proper filing of documents, but cautions the Controlling Officer to ensure that documents are available at the time of audit and not after an audit has been completed as this raises doubt on the authenticity of the documents. Your Committee resolves to close the matter subject to audit verification.

6.7. *Missing Payment vouchers*

The Controlling Officer acknowledged that payment vouchers were not available at the time of audit as they were misplaced. However, the documents had since been traced and were ready for verification. Further, an officer had been assigned to ensure proper compiling and filing of documents.

Committee's Observations and Recommendations

Your Committee notes the efforts that have been made to ensure proper filing of documents, but cautions the Controlling Officer to ensure that documents are available at the time of audit and not after an audit has been completed. Your Committee resolves to close the matter subject to audit verification.

6.8. *Unretired Imprest*

The Controlling Officer acknowledged that the company had unretired imprest totalling K786,296 at the time of audit. This was due to misfiling of retirement details. However, retirement details for the K786,296 had since been traced and ready for verification. Further, management had enhanced internal reviews.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the company had unretired imprest of K 786,296. Your Committee urges the Controlling officer to institute disciplinary action against all erring officers in accordance with applicable regulations. Your Committee further implores the Controlling

Officer to be proactive and not wait for the audit to unearth irregularities. Your Committee resolves to close the matter subject to audit verification.

6.9. *Unaccounted for Stores - K1,000,418*

The Controlling Officer acknowledged that the observation by the Auditor General that various items procured in the period under review costing K1,000,418 were unaccounted for was correct. This was due to misfiling and misplacement of documents. However, management had put in place a digital system, which would help to address misfiling or misplacement of documents.

Committee's Observations and Recommendations

Your Committee notes the submission and urges the Controlling Officer to ensure that the missing documents are found and availed to the Auditor General's office. Further, the Controlling Officer should institute disciplinary action against the officers who failed to avail these documents to the auditors. Your Committee resolves to await a progress report on this matter.

6.10. *Non Remittance of Taxes*

The Controlling Officer acknowledged the Auditor General's observation that the company did not remit taxes during the period under review was correct. This was due to low revenue base, high non-revenue water and high operation and maintenance costs in the delivery of the service. However, the company was currently remitting its obligations every month to ZRA, NAPSA, LASF and Workers' Compensation Fund Board. Documents were also availed for verification.

Committee's Observations and Recommendations

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

6.11. *Failure to Disconnect Past Due Customers*

The Controlling Officer submitted that the company failed to disconnect past due customers because the company was exploring other avenues of making the defaulting customers pay. Further, new engagement platforms with customers had been created, which included e-platforms to enhance recovery of past due amounts from customers as well as enhancing the staff performance management system, with emphasis on collection targets and extensive customer engagements, in order to enhance revenue collections.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to await a progress report on the 464 active customers who still owe the Company.

6.12. *Failure to Remove Dormant Statements from the System*

The Controlling Officer submitted that the company failed to remove dormant statements from the system because it was in the process of conducting physical verification of the details on dormant account holders. However, the company had since isolated all dormant statements and therefore, the accumulation of service charges had since stopped. Further, a request was sent to the Ministry of Water Development, Sanitation and Environmental Protection for debt write-off including the accumulated service charges.

Committee's Observations and Recommendations

Your Committee notes the submission and resolves to await a progress report on the request sent to the Ministry of Water Development, Sanitation and Environmental Protection for a debt write-off, including such accumulated service charges.

7.0. ELECTORAL COMMISSION OF ZAMBIA

Review of Operations

An examination of accounting and other records at the ECZ headquarters and selected councils for the period from 1st January, 2015 to 31st December, 2016, carried out in September, 2017 revealed various irregularities, to which the Controlling Officer responded as set out below.

7.1. *Delay in Paying Suppliers and Allowances to Officers*

The Controlling Officer submitted that the delay by the Commission to clear the arrears arising from the August 2016 elections was as a result of delayed, erratic and inadequate funding by the Treasury. The Commission had continued to engage the Treasury to ensure that this issue was resolved. The Commission had been receiving funding from the Treasury from time to time and the debt had since reduced from K51,249,990 to K19,649,255.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to urgently liaise with the Secretary to the Treasury to ensure that the funds are released to enable ECZ clear the arrears arising from the August, 2016 elections. Your Committee resolves to keep the matter open and await a progress report, including the timeline within which this matter will be finalised.

7.2. *Unaccounted for Stores*

The Controlling Officer informed your Committee that all the documents referred to were available for verification.

Committee's Observations and Recommendations

Your Committee expresses disappointment that ECZ could not account for stores during the audit. Your Committee further reiterates that they find it unacceptable that documents could not be availed to the auditors to facilitate smooth auditing of the institution. Your Committee therefore, sternly warns the ECZ to ensure that all documents are availed to the auditors timely in future audits. Your Committee resolves to close the matter subject to audit verification.

7.3. Unretired Accountable Imprest

The Controlling Officer submitted that documents relating to the unretired accountable imprest had since been retrieved from the districts and were available for verification.

Committee's Observations and Recommendation

Your Committee expresses disappointment that ECZ could not account for imprest due to non availability of the documents. Your Committee finds it unacceptable that the documents were not availed and reiterates that this can be attributed to poor records management at the institution. Your Committee cautions the Controlling Officer to sternly warn the staff for failing to avail the documents to the auditors. Your Committee resolves to close the matter subject to audit verification.

7.4. Unvouched Expenditure

The Controlling Officer submitted that documents relating to the unvouched expenditure had since been retrieved from the districts and were available for verification.

Committee's Observations and Recommendations

Your Committee reiterates that record keeping is very important in accounting and expresses extreme disappointment over the attitude displayed by ECZ management on their poor records management. Your Committee cautions the Controlling Officers to take disciplinary action against the erring staff for failure to avail the documents to the auditor. Your Committee resolves to close the matter subject to audit verification.

7.5. Questionable Payment of Overtime Allowance

The Controlling Officer submitted that the amount in question was not overtime pay, but a special allowance that was paid to all employees of the Electoral Commission during a general election. Treasury authority was sought before payment was made through the budget process. Management further submitted that the allowance was paid out of the approved elections budget and not under Personal Emoluments and as such could not be paid through the payroll. The necessary taxes were deducted and remitted to the Zambia Revenue Authority.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that Management at ECZ had failed to adhere to the circular issued by Cabinet Office (Circular No 11 of 2013) directing that payment of allowances to be done through payroll for easy tracking of such expenditure, to avoid abuse of public resources. Your Committee sternly warns the ECZ to desist from abrogating laid down procedures and guidelines aimed at enhancing prudent public financial management. Your Committee reiterates that in there is need by the ECZ to harmonise the Treasury Authority to pay allowances with the Cabinet circular to avoid such audit queries in future. Your Committee resolves to close the matter subject to audit verification.

7.6. Weaknesses in the Management of Contracts

i) Black Dot Media Limited

Inadequacies in contract documents

The contract stipulated the documents which formed part of the contract. These included the bid document and service provider's bid (submission), which bound the supplier on the completion dates or delivery period. However, the omission of the date on the contract was noted by management.

Failure to seek approval from the Attorney General

In awarding this Contract, the Commission relied on the provisions of Section 4(1) of the *Public Procurement Act, No. 12 of 2008* which states that:

"A procuring entity shall, before entering into any international agreement relating to procurement, obtain the approval of the Authority, and the advice of the Attorney-General."

In this case, the contract with Black Dot Media Limited did not constitute an international agreement.

Committee's Observations and Recommendations

Your Committee observes that the ECZ failed to adhere to the provisions of the Constitution of Zambia under Article 177 (5) (d), as the supreme law requiring that all contracts or agreements entered into by the public entity must be cleared by the Office of the Attorney General. Your Committee is concerned that the negligence displayed by ECZ could be onerous on the Government and admonishes that, in future, the Commission must desist from entering into contracts without seeking a "*No Objection*" from the Attorney General. Your Committee further urges the Controlling officer to take stern action against officers responsible for this lapse and to submit a report on the matter.

ii) Bauer Logistics

Failure to avail procurement records for the supply of ballot boxes and seals

The Controlling Officer submitted that the contract, bid documents, evaluation report and Tender Committee meeting minutes were available for verification. In addition, the Controlling Officer submitted that receipt and distribution records were also available for verification.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the documents were not availed to the Auditor General's Office during the audit. Your Committee expresses disappointment at the failure by the Commission to comply to audit regulations. The matter is, however, recommended for closure subject to audit verification.

iii) Mulungushi International Conference Centre

Failure to avail Contract and Procurement Documents

The Controlling Officer submitted that procurement documentation such as purchase order; Zambia Public Procurement Authority (ZPPA) approval and Tender Committee meeting minutes were available for verification. The Controlling Officer submitted that the contract had since been regularised.

Committee's Observations and Recommendations

Your Committee reiterates that it is unacceptable that the Commission failed to avail the necessary documents during the audit. Your Committee issues a stern warning to the Commission for this anomaly and resolves to close the matter subject to audit verification.

iv) Giraffe Media

Failure to Seek Approval from the Attorney General

According to the Controlling Officer, in awarding this contract, the Commission relied on the provision of Section 4(1) of the *Public Procurement Act, No. 12 of 2008* which states that:

"A procuring entity shall, before entering into any international agreement relating to procurement, obtain the approval of the Authority, and the advice of the Attorney-General."

In this case, the contract with Giraffe Media did not constitute an international agreement.

Committee’s Observations and Recommendations

Your Committee reiterates that the ECZ failed to adhere to Article 177 (5) (d) of the Constitution of Zambia as the supreme law read together with Section 58 of the Public Procurement Act requiring that all contracts or agreements entered into by a public entity must be cleared by the Office of the Attorney General. Your Committee is concerned that the negligence displayed by ECZ could be onerous on the Government and urges that, in future, the Commission must desist from entering into contracts without seeking a “*No objection*” from the Attorney General. Your Committee urges the Controlling Officer to institute disciplinary action against officers responsible for this lapse and submit a report to it on the matter.

Inadequacies in the Contract

The Controlling Officer submitted that the contract stipulated the documents forming part of the contract. These included the bid document and service provider’s bid (submission) that bound the supplier on the completion dates or delivery period. Management, however, acknowledged the omission of the date on the contract.

Committee’s Observations and Recommendations

Your Committee notes the submission by the Commission and expresses disappointment at the failure by Management to notice the omission of the date on the contract which was so important in stating how long the contract would be binding for the two parties. Your Committee sternly warns the management to ensure that, in future, all contracts are validated and cleared by the Attorney General. Your Committee recommends that the dates be included in the contracts and resolves to await progress report.

7.7. *Contract with Black Dot Media Limited*

i. Lack of Defined Tools or Mechanism to Monitor Electronic Media Aired Adverts

The Controlling Officer submitted that the Commission had put in place a monitoring mechanism through the engagement of IPSOS Ltd (Consultants), under the support of the United Nations Development Programme (UNDP project). Their role was to specifically monitor the electronic media aired adverts. The Consultant’s report was available for verification.

Committee’s Observations and Recommendations

Your Committee finds it unacceptable that the Commission failed to put in place clearly defined tools and mechanisms to monitor and confirm the performance of the contract deliverables, for a contract of such huge amounts. Your Committee reiterates that failure by the Commission to put in place mechanisms to monitor performance of the contract can result in wastage of public resources. Your Committee sternly warns the Commission over this matter and resolves to have the matter closed subject to audit verification.

ii. Failure to Refer Contract Variations to Attorney General

The Controlling Officer informed your Committee that the principal contract was not referred to the Attorney General for approval because it was not an international agreement. Consequently it was not necessary to seek approval of the Attorney General for variation.

Committee's Observations and Recommendations

Your Committee reiterates that the ECZ failed to adhere to Article 177 (5) (d) of the Constitution of Zambia as the supreme law as read together with Section 58(3) of the Public Procurement Act, requiring all contracts or agreements entered into by a public entity to be cleared by the Office of the Attorney General. Your Committee sternly warns the Commission over this matter and resolves to keep the matter in view in future audits.

iii. Payments Made without Attaching Invoices From Media Companies

Your Committee was informed by the Controlling Officer that the contract was with Black Dot Media Limited and not with media companies. In making payments, the Commission relied on documents from Black Dot.

Committee's Observations and Recommendations

Your Committee is dismayed by the negligent attitude of the Commission and its failure to track expenditures against deliverables as provided for in the contract. Your Committee finds it unacceptable that the payment certificates to Black Dot Media were not verified to justify payment and keep a record of the services rendered. Your Committee recommends that the Commission undertakes a verification of the services provided against the payments made. Your Committee awaits a progress report on the matter.

7.8. *Delaying in Paying Hired Vehicles*

The Controlling Officer submitted that the delay by the Commission to clear the arrears arising from the August, 2016 general election was as a result of delayed, erratic and inadequate funding by the Treasury. The Commission has continued to engage the Treasury to ensure that this issue was resolved. Your Committee was further informed that all the car hire firms had since been fully paid.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the Commission would take such a long time to clear arrears arising from the 2016 elections as funds were provided for and appropriated by Parliament. Your Committee further urges the Secretary to the Treasury to ensure that budgeted funds for elections must be disbursed on time to avoid the Commission accumulating arrears. Your Committee resolves to close the matter subject to verification.

7.9. Disbursements to Districts

i. Funds not Received

The Controlling Officer submitted that the funds in question were remitted in June, 2016 to the Commission's bank as per the statements in the districts, to undertake the continuous voter registration and inspection exercise. Bank statements were available for verification.

Committee's Observations and Recommendations

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

ii. Misapplication of Funds

The Commission assured your Committee that they would make a follow up on this query as soon as the breakdown of the districts involved was made available by the office of the Auditor General.

Management further submitted that in the case of Sesheke District Council, the money meant for the construction of ramps was used for inspection of polling stations and not for council operations. The Controlling Officer submitted that documentation was available for verification.

Committee's Observations and Recommendations

Your Committee appreciates the submission made by the Commission but is concerned as to why funds meant for the construction of ramps at the polling stations were varied without seeking Treasury Authority. Your Committee reiterates that this is a serious offence and the Commission is sternly cautioned to follow public financial management regulations. Your Committee resolves to keep the matter open and await progress report on the construction of ramps at the polling stations.

iii. Unexplained Expenditure – Kitwe

The Controlling Officer submitted that the Kitwe City Council had fully accounted for all the election funds disbursed to them for the 2016 elections. The reimbursement referred to was in respect of allowances paid to uniformed officers for the polls because of delayed remittances by the Commission. The documents were available for verification.

Committee's Observations and Recommendations

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

8.0. FOOD RESERVE AGENCY

Review of Operations

A review carried out in July 2017 on the operations of the Agency at headquarters, regional offices and selected district offices for the period from January, 2015 to 31st December, 2016, revealed various irregularities, to which the Controlling Officer responded as set out below.

8.1. Failure to Prepare Annual Reports

The Controlling Officer submitted that the Auditors' observations were correct. Your Committee was further informed that, from the time of the audit, the Agency had so far managed to have financial statements for 2013 and 2014 audited and signed, whilst audit work of financial statements for 2015 and 2016 was currently under way. The copies of the signed financial statements for 2013 and 2014 and a status report from the external auditors were available for verification. The Controlling Officer informed your Committee that FRA management would be up to date with the financial statements by close of the second quarter of 2018.

The Controlling Officer submitted that the delay in the preparation and submission of the financial statement was attributed to a number of factors, some of which were outside the control of management of the Agency. Some of the reasons that contributed to the delay were as follows:

- i. The dissolution of the Board of Directors in mid-2004, 2009, 2011 and 2015
When the new Board of Directors was appointed in November, 2004, they could not sign the Statements relating to the previous financial years, on account of the fact that they were not yet on the FRA Board. In order to have comfort, the members requested to be indemnified before they could sign the statements, which request was not granted until the Board was dissolved in August, 2009. Financial statements were only signed in 2013 when the new Board was appointed. However, this Board was also dissolved in May, 2015. The current Board was only appointed in April, 2016.

Your Committee was reminded to note that audit procedures required that Auditors could not proceed to audit the subsequent years until the current audits had been cleared, hence the backlog.

- ii. In 2012, a decision was made to replace the Auditors (Grant Thornton), who had been the Agency's Auditors since inception, with Moores Rowland – now operating as PKF Accountants and Business Advisers. These auditors were contracted to undertake audits for the years 2009 to 2016. However, there was a delay in getting professional clearance from the outgoing Auditors before the incoming Auditors could commence work. This took a period of over one year and PKF was only able to commence their work at the end of 2013.

The Controlling Officer reported that Management was seriously addressing this matter, as evidenced in the progress made so far. The audited financial statements had been done, up to the financial year ending 31st December, 2014. For the financial years ending 31st December,

2015, 80 percent of the work had been done, while work on the 2016 financial statements had also commenced. Your Committee was informed that the preparation of the financial statements for the financial years ending 31st December, 2015 and 2016 would be concluded within the second quarter of 2018.

The Controlling Officer submitted that they were happy with Management for the progress recorded so far, considering that during the previous audit review, the Agency financial statements relating to six financial years as arrears, has since been reduced to two financial years, which had also been partly audited to be concluded by 30th June, 2018.

The Controlling Officer submitted that the delay in getting professional clearance, the demand by the previous Board Members to get indemnity, among others, affected completion of the audit of financial statements on time. This explains the delays in finalising the Annual reports for the financial years under review as the financial statements formed an integral part of the Annual Report.

Committee's Observation and Recommendation

Your Committee finds it unacceptable that the Food Reserve Agency could not prepare financial statement in line with the provision of *Section 12 (3) and 13(1), (2) and (3) of the Food Reserve Agency Act, Chapter 225*. Your Committee sternly warns the Controlling Officer that this kind of attitude towards work must not be tolerated going forward, and that Management must be guided. Your Committee recommends that the Controlling Officer must ensure that the financial statements for the financial years ending 31st December, 2015 and 2016 must be expeditiously finalised and submitted by 30th June, 2018. Your Committee resolves to await progress on this matter.

8.2. *Purchase, Marketing and Distribution of the Grain*

i. *Failure to Meet Gazetted National Food Strategic Reserve*

The Controlling Officer noted the concerns raised regarding the failure by the Agency to meet planned targets for maize and rice in 2016. In 2016, the estimated national maize production was 2,873,052 metric tonnes while rice was 26,787 metric tonnes. In that year, private sector participation in the marketing of maize was very high, due to the very high regional export market, where the private sector anticipated to sell the maize. Further, the private sector offered higher prices than the price of K85 per bag of maize offered by the Agency. The Agency only bought 280,884 metric tons of maize. The private sector bought more maize than the Agency.

Further the Agency bought 68 metric tonnes of rice in 2015 and 19 metric tonnes in 2016 against 2,100 metric tonnes targeted for each of the years in reference. The Controlling Officer submitted that the private sector had been active in the buying of rice. The Agency price had been fixed at K60 per 50kg bag from 2010 to 2016.

The Controlling Officer further submitted that the Agency relied on government grants for the procurement of the designated agricultural commodities. In the case of 2016, when the Agency purchased less maize and rice than the targeted quantities, the budget line was limited and management could not increase the price of the two commodities to compete with the private sector who offered higher prices.

However, as per provisions of the Act, the Agency was mandated to meet national shortfalls of the reserves by purchasing the crop from either local or foreign markets. On the basis of this provision, the Agency advertised for the shortfall (locally) of 220,000 metric tonnes for maize. The prices quoted by the traders from the advertisement were higher than the price that the Agency had bought maize from the farmers. It was further submitted that, even if the Agency did not meet the target, the country had enough carryover maize stocks held by the private sector and the Agency and therefore, it was deemed unnecessary to procure the additional 220,000 metric tonnes of maize.

Committee's Observation and Recommendation

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

ii. Delays in Paying Transporters of Designated Commodities

The Controlling Officer submitted that the observations made by auditors were correct. He further stated that it was regrettable that there had been delays in paying transporters of designated commodities. The Committee was further informed that during the 2016 financial year, Government, through Parliament, appropriated a total of K750 million for the procurement and maintenance of strategic food reserves.

Based on this allocation, the Agency could only manage to procure a total of 132,500 metric tonnes of white maize after taking into account attendant costs to run the programme such as wages, packaging materials, fumigation, bank commissions, transportation, monitoring and repayment of bank loans which were contracted in 2012.

The Controlling Officer further submitted that the Agency ended up procuring a total of 280,548 metric tonnes of white maize, which resulted in most service providers remaining unpaid due to inadequate funds. This state of affairs spilled into the 2017 financial year, as no funds were allocated in the 2017 budget for the clearance of the carry over debt.

The Controlling Officer indicated that the Agency was waiting for funding from the Treasury to ensure smooth implementation of the programme. As at 13th February, 2018, a total of K150 million remained outstanding to transporters. The Controlling officer further submitted that some of the amounts which had remained outstanding for a long period related to claims that had been referred back to the clients, due to inadequate supporting documentation for the claims. The Committee was informed that transporters moved maize on a daily basis and as such the transportation bill could not be nil.

Committee's Observations and Recommendations

Your Committee expresses disappointment that the FRA could not pay the transporters on time, thereby, accumulating arrears in debt. Your Committee reiterates that the transporters provided a service and funds were appropriated by Parliament to meet the cost of transportation of maize. Your Committee is concerned because the failure to pay transporters on time has ripple effect on the farmers, whose crop gets damaged due to delays in transporting the maize to the holding depots. Your Committee calls upon the Secretary to the Treasury Officer to ensure that adequate funds are leased so as to address this matter expeditiously. A progress report is awaited.

8.3. *Management of Storage Facilities - Renting of Excess Storage Facilities*

The Controlling Officer noted the concerns raised by the auditors regarding rentals. The Controlling Officer submitted that it was worth noting that at the end of April, 2015, a period covered by the audit review, the Agency had carried forward 1,136,482 metric tonnes before the new crop of 596,193 metric tons was purchased in that year. Most of the new stock was kept in Lusaka (455,785MT), where the Agency pre-positioned it for sale to millers. The carryover stock and the new stock (1,136,482 + 596,193MT) could not all be kept within the Agency storage facilities as the capacity was inadequate. The Agency, therefore, rented in privately owned storage facilities on the Copperbelt and Lusaka, which were high consumption areas. It was further submitted that priority for the sale of the maize commodity during the period under review was placed on rented sheds, with the view to reducing the expenditure on rentals. As at 31st December, 2016, the Agency had reduced the rented storage space to 100,000 metric tonnes, valued at K696,267 per month. Management ensured that this tonnage was reduced to the barest minimum and as at the end of June, 2017; the Agency had further reduced the rent storage space to 27,800 metric tonnes worth of rented storage valued at K365,620 per month.

The Controlling Officer submitted that in addressing these perennial challenges of storage, FRA management had put in place a storage investment plan to rehabilitate existing storage infrastructure and construct new sheds and silos. This plan was also reflected in the Seventh National Development Plan. Your Committee was informed that the tight fiscal expenditure by the Treasury may delay the implementation of the programme. Uneven distribution of FRA storage facilities with only 23 percent in the northern regions (Northern, Luapula and Muchinga Provinces) which had been buying over 80 percent of the designated agricultural commodities for the National Strategic Food Reserve, renting of storage facilities in the locations along the line of rail was inevitable to secure the crop, whose wastage had for the past four years been reduced to below one percent.

Committee's Observations and Recommendation

Your Committee notes the submission made by the Controlling Officer, but finds it unacceptable that FRA would rent excess storage space resulting in wastage of public resources. Your Committee warns the Controlling Officer to ensure that Management at FRA desist from renting storage space which was in excess of what the Agency needed for their use. Your Committee resolves to keep the matter in view of future audits.

8.4. Poor Management of Construction Projects

a) Chipata

The Controlling Officer submitted that the Agency had taken note of the concerns raised regarding this contract. It was, however, submitted that during the execution of the project, land boundary disputes ensued between the Agency and neighbouring entities namely; Tobacco Board of Zambia and Cargil. The parties had since agreed that Cargil should surrender the title and allow for the Commissioner of Lands to re-demarcate and re-define the boundaries for all the three parties.

Construction was currently underway on the unaffected portions of the proposed boundary wall. The contractor requested for extension of time which was granted.

b) Lundazi

The Controlling Officer submitted that the Agency had taken note of the concerns raised regarding this contract. However, he submitted during the execution of the project, a land dispute ensued between the Agency and the Mgubudu Multi-purpose Co-operative Society. The contractor was instructed to halt works while the issue was being addressed. This resulted in the delay to complete the works. Your Committee was informed that the contract for the construction of offices and ablution blocks at Lumezi and Mgubudu were under one lot.

Your Committee was informed that the contract was extended without costs and the contractor had since re-mobilised at Lumezi, and was awaiting the conclusion of the land dispute at Mgubudu depot.

c) Kaoma

The Controlling Officer submitted that the Agency had taken note of the concerns raised regarding this contract. Your Committee was informed that, the Agency delayed to honour Interim Payment Certificates due to the contractors and this contributed to the delay in completion of the project. Your Committee was further informed that Clause 44.2 of the General Conditions of Contract (GCC 44.2) stated that, *“payments shall be adjusted for deductions for advance payment and retention. In this regard, the client shall pay the contractor the amounts certified by the project manager within 28 days of the date of each certificate. If the client makes a late payment, the contractor shall be paid interest in the next payment. Interest shall be calculated from the date by which the payment should have been made up to when the late payment was made, at the prevailing rate of interest for commercial borrowing for each of the currencies in which payments were made”*.

The contractor requested for extension of time, which had since been granted and the works are going on.

Committee's Observations and Recommendations

Your Committee is dismayed at the poor management of the contract as revealed by the Auditor General. Your Committee recommends that the Controlling Officer engages the Ministry of Lands to have the matter relating to demarcation of land resolved expeditiously, and enable construction works commence smoothly, without any disruption. In addition, your Committee further recommends that the Controlling Officer ensures that the FRA honours the Interim Payment Certificate to the contractor at Kaoma to avoid accruing interest and penalties. Your Committee resolves to wait for a progress report on this matter.

8.5. *Poor Storage of Tarpaulins*

The Controlling Officer submitted that, the concerns raised by the Auditor General had been noted. The Controlling Officer further submitted that due to inadequate storage space at the FRA depots, tarpaulins had by and large been kept outside. Your Committee was informed that the Agency was constrained by limited covered storage space and sometimes Management had to make decisions as to which commodities to prioritise between storing of agricultural commodities and equipment in the available limited storage facilities.

The Controlling Officer further informed your Committee that, tarpaulins by their very nature were made of rubber, thus were susceptible to wear and tear. In addition, the tarpaulins that the Agency had in stock, were purchased in 2010 and 2011, and had since worn out.

In addition, your Committee was informed that one tarpaulin on average weighed about 600kg and required about 12-15 men to lift and the Agency lacked machinery for lifting these tarpaulins. It was further submitted that Management had provided guidelines to all its personnel on tarpaulin handling and such guidelines were available for reference. Further, the Agency had procured 750 additional tarpaulins in 2017 to replace the worn out ones.

Committee's Observations and Recommendations

Your Committee is extremely disappointed that the Agency failed to take care of public property costing huge sums of money. Your Committee adds that this is wastage of public resources and Management at FRA has the responsibility to come up with measures for storing properties, to avoid damage and wastage of resources. Your Committee calls on the Secretary to the Treasury to support the Agency by mobilizing resources to improve its storage capacity for both agricultural commodities and equipment such as tarpaulins. Your Committee cautions the Controlling Officer to ensure that Management at FRA comes up with lasting measures to ensure safe storage of equipment so as to preserve public properties from damage. Your Committee resolves to await progress on this matter.

8.6. *Poor Storage Facilities*

i Mwinilunga Sheds

The Controlling Officer submitted that the observations made by the auditors during their visit to Mwinilunga had been noted. The Controlling Officer further submitted that the cracks observed by the auditors were due to the collapse of a maize stack onto the section of the wall. Remedial works were urgently undertaken to prevent the destruction of the maize stacks that were stored in the shed at the time. The repair works had since been undertaken and certified and were ready for inspection.

Committee's Observations and Recommendations

While noting the submission by the Controlling Officer, your Committee, nevertheless expresses disappointment at the lack of periodic maintenance of the property owned by the Agency, resulting in damages. Your Committee bemoans that, due to poor maintenance, the cost of rehabilitating the storage sheds will be extremely high, resulting in wastage of government resources. Your Committee resolves to close the matter subject to audit verification.

ii New Sheds in Mwinilunga

The Controlling Officer submitted that the cracks observed in the newly constructed sheds had been mainly due to settlement of the building. The cracks occurred after the defects liability period had elapsed and were noticed after all the maize stocks were removed from the shed. The works had been prioritised and would be attended to once the shed was emptied.

Committee's Observations and Recommendations

Your Committee sternly cautions the Controlling Officer to ensure that the cracks at the new storage shed in Mwinilunga are repaired expeditiously to avoid further damage to the property. Your Committee further recommends that, the Controlling Officer should ensure that the Agency undertakes periodic maintenance of the properties. Your Committee resolves to await a progress report on this issue.

iii Poor Security at Mansa District Depot

The Controlling Officer submitted that Management agreed with the observation made by the auditors during the audit inspection. He further submitted that the premises were guarded on a 24 hour basis by heavily armed state police officers. In addition, your Committee was informed that maintenance works had been budgeted for under the Routine Maintenance workplan for 2018. The works for the repair of the fence had since been done and were ready for inspection.

Committee's Observations and Recommendations

Your Committee reiterates that, the security lighting must be installed at the Mansa depot in addition to the state police officers stationed at the depot, to enhance security and safeguard the property from vandalism. Your Committee further recommends that, the Controlling Officer must ensure that the installation of security lights at Mansa depot is carried out as planned in 2018. Your Committee resolves to await progress on this matter.

9.0. INDENI PETROLEUM REFINERY COMPANY LIMITED

Review of Operations

A review of accounting and other records maintained at the company, for the financial years ended 31st December, 2013, 2014, 2015 and 2016 carried out during the period from February to April, 2017 revealed various irregularities to which the Controlling Officer responded as set out below.

9.1. *Lack of a Board of Directors*

The Controlling Officer submitted that the IDC appointed the Board of Directors of Indeni and inducted it on 24th June, 2017. The Board had since assumed its role as per the Articles of Association.

Committee's Observations and Recommendations

Your Committee notes the submission made by the Controlling Officer and resolves to have the matter closed.

9.2. *Profitability - Financial Analysis – Statement of Comprehensive Income*

The Controlling Officer submitted that the Auditor General's observation that profit posted by Indeni reduced by 74 percent in 2016 compared to 2015 was correct. The reduction of 74 percent was attributed to reduced production days on account of delayed arrival of crude oil cargo and rising maintenance costs. The Controlling Officer also informed your Committee that the current business model, where importation of crude oil was undertaken by the Government of the Republic of Zambia (in conjunction with TAZAMA) was defined by a signed contract valid up to 2019 or upon importation of 1,440,000 metric tonnes supply, whichever came earlier. Arising from the above arrangement, Indeni had no direct control of the delivery of crude oil.

As a mitigating measure against the risk of delayed delivery of crude oil, the Government of Republic of Zambia signed a feedstock supply agreement with another supplier to improve supply reliability. It was further submitted that to ensure quality, Indeni had enhanced its mechanisms for internal control.

Committee's Observation and Recommendation

Your Committee appreciates the submission but reiterates that management needs to come up with strategic measures aimed at reducing the plant maintenance cost, which in turn will improve the profitability of the institution. Your Committee resolves to await a progress report.

9.3. Statement of Financial Position

i. Overdue Receivables

The Controlling Officer submitted that the overdue receivables were attributed to amounts owed by the Government of the Republic of Zambia through the Ministry of Energy as explained below.

- (i) of the K51 million outstanding at the audit report date, K13 million represented unpaid invoices for laboratory and other services provided to TAZAMA; and
- (ii) Indeni invoiced TAZAMA for onward settlement by the Government of Republic of Zambia.

The Controlling Officer also informed your Committee that Indeni had proposed a debt swap for the long outstanding amount of K17 million for laboratory analysis and weighbridge services against the unrecovered advance processing fees the Ministry of Energy had paid during the annual shutdown. It was mentioned that Indeni had been follow ups on this matter and a response from the Ministry of Energy was being awaited.

Committee's Observation and Recommendation

Your Committee reiterates that the Controlling Officer must engage the Ministry of Energy to expeditiously finalise the debt swap, in order to clear the overdue receivables. Your Committee resolves to await a progress report and the timeline within which this issue would be finalised.

ii. Receivable Turnover Days/Debt Collection Period

The Controlling Officer informed your Committee that Indeni's receivable turnover days/debt collection period increased because of long outstanding invoices for laboratory services due from the Ministry of Energy, which increased from K5 million in 2013 to K17 million in 2017. Indeni's average receivable days for processing fees excluding invoices for laboratory services showed that the debtors days in fact reduced to twenty five days during the year 2017, whilst the industry average debtors' days was thirty days. The Controlling Officer also informed your Committee that the main contributor to the cited high debtors' days was the non-payment by the Ministry of Energy for Laboratory Services provided. Consequently, Indeni had proposed a debt swap of the amount due to the Ministry of Energy for the 2011 prepaid processing fees, of K19,967,413, against the long outstanding laboratory services invoices of K17,907,187. The net amount of K2,060,226 was due to the Ministry of Energy.

Committee's Observation and Recommendation

Your Committee notes the submission and urges the Controlling Officer to engage the Ministry of Energy to finalise the debt swap in order to clear the overdue receivables, which are contributing to higher receivable turnover days. Your Committee resolves to wait for a progress report on this issue.

iii. Return on Capital Employed

The Controlling Officer attributed the decrease of the Return on Capital Employed (ROCE) ratio to the following;

- (i) the ROCE for Indeni decreased from 22 percent in 2015 to 6 percent in 2016, because of reduction in revenue caused by the drop in production days; and
- (ii) the reduction of production days was caused by delayed delivery of crude oil stock.

The Controlling Officer also informed your Committee that to guarantee feedstock supply, the Government of the Republic of Zambia changed the source of supply. In addition, Indeni had since experienced feedstock supply reliability, which had contributed to the increase in turnover from K264 million of 2016 to K356 million in 2017.

Committee's Observations and Recommendations

Your Committee appreciates the efforts made by the Government to improve the Return on Capital Employed Ratio and resolves to seek a progress report on the matter.

9.4. *Non-Payment for Corrosion of Plant Equipment due to Processing of Contaminated Crude Oil*

The Controlling Officer informed your Committee that, Indeni had not been able to collect the K37.9 million for compensation because the Ministry of Energy, which was party to the contract, had not concluded negotiations with the supplier. Subsequent to the initial written claim of 15th December, 2015, Indeni had followed up the matter verbally, to which the Ministry of Energy had not formally responded. It was further submitted that the IDC had directed Management to formally engage the Ministry of Energy and request a joint solution-seeking meeting, at which IDC should be in attendance.

The Controlling Officer also added that delayed refund of the balance for compensation of K19,155,060 was due to the protracted negotiations between the Ministry of Energy and Gunvor SA. As at 31st March, 2017, Indeni was holding 22,675 metric tonnes of contaminated crude oil pending finalisation of the disposal decision by the Ministry of Energy. Indeni acted merely as a custodian with decision making resting with the Ministry of Energy, the owners of the stock. The process of disposing the 22,675 metric tonnes of contaminated crude oil had reached an advanced stages following completion of evaluation of bids by Ministry of Energy. As reported, the IDC had since directed Management at Indeni to formally engage the Ministry of Energy and request a joint solution-seeking meeting at which IDC should be in attendance.

Committee's Observation and Recommendation

Your Committee expresses disappointment over the negligence shown in the procurement of contaminated feedstock and comingled crude oil which is affecting the plant at Indeni. Your Committee reiterates that such negligence resulted in wastage of public resources, as the plant had

to be shut down for repairs due to corrosion. In addition, the Government has to bear the cost of disposing of the 22,675 metric tonnes of contaminated crude oil, which is unacceptable. Your Committee recommends that the Managing Director for Indeni should expeditiously finalise the disposition of the contaminated crude oil with the Ministry of Energy, and also recover the damages from the supplier, Gunvor SA. Your Committee awaits a progress report, which should include the timeline within which this matter will be finalised.

9.5. *Non-Recoverability of Crude Stock*

The Controlling Officer regretted that Management had not demonstrated concerted effort to actively pursue the offer by the Permanent Secretary, Ministry of Energy. The Controlling Officer also informed your Committee that he had since directed Management to formally engage the Ministry of Energy and request a joint solution seeking meeting, at which IDC should be in attendance.

Committee's Observation and Recommendation

Your Committee directs that action be taken without further delay, on the finalisation of this matter between Indeni and the Ministry of Energy. Your Committee will await a progress report on the matter.

9.6. *Wasteful Expenditure on Consultancy Services on the Review of the Organisational Structure*

The Controlling Officer informed your Committee that the IDC regretted that the consultancy project was ineffectively managed and did not yield the intended results. Management had been censured and urged to ensure that future projects had clear terms of reference and in-built process controls for quality assurance.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that Management could enter into a contract without undertaking a due diligence to ascertain if the consultant understood the terms of reference and if the company was familiar with the environment in which it was required to render its service. Your Committee reiterates that such negligence of duty resulted in the wastage of public funds. Your Committee sternly cautions the management at Indeni to ensure that such negligence is avoided in future. The matter is recommended for closure.

9.7. *Non-Delivery of Goods by Apple Connections*

The Controlling Officer informed your Committee that IDC regretted the failure by Management to follow up non-delivery of goods for which advance payments had been made. The cited order value of K395,444 included K151,759 for Heater tubes (pipes), which were delivered but not paid for. Effectively, net funds for which goods had not been delivered amounted to K48,800 (K200,599 net of K151,759). The supplier had confirmed the net amount of ZAR69,526.42 as due

to Indeni and had undertaken to refund Indeni. Subsequent to the confirmation, ZAR21,000 and USD4,000 had since been received.

Committee's Observation and Recommendations

Your Committee recommends that the Controlling Officer pursues the matter and request the refund from the supplier, Apple Connections of South Africa, plus the interest. Your Committee resolves to await progress report on this matter.

10.0. JUDICIARY

Review of Operations

An examination of accounting and other records maintained at the Judiciary headquarters and selected stations carried out in July, 2017 revealed various irregularities to which the Controlling Officer responded as set out below.

10.1. Unfilled Vacancies in the Establishment

The Controlling Officer acknowledged that the Auditor General's observations were correct. The non-filling of the 460 positions was due to lack of fiscal space in the 2016 budget to enable the Judiciary obtain treasury authority from the Ministry of Finance.

Committee's Observations and Recommendations

Your Committee notes that the Judiciary had unfilled vacancies, due to lack of fiscal space in the 2016/2017 budget. Your Committee is, however, concerned that even though the Judiciary has fiscal space to fill the vacancies in the 2018 budget, the funds are not sufficient funded. Your Committee urges the Secretary to the Treasury to ensure that the Judiciary is sufficiently funded. Your Committee is also concerned that the low number of staff in the courts is adversely contributing to the backlog of cases and resolves to close the matter subject to audit verification.

10.2. Failure to Avail Fixed Asset Register

In response, the Controlling Officer acknowledged that the Auditor General's observations were correct. Management however, had conducted an asset numbering exercise in 2012 and began the process of updating its asset register in 2017, but did not complete the exercise, due to insufficient funds. The Judiciary was however, committed to completing the updating of its asset register to include vehicles, land and buildings.

Committee's Observations and Recommendations

Your Committee observes with concern that despite the Judiciary starting the process of updating their asset register in 2012, they have not completed the process due to lack of funding. Your Committee finds it unreasonable that the Judiciary is undertaking the insurance of its buildings

when it does not know their value. Your Committee also observes that most of the old buildings are still under the custody of the Ministry of Works and Supply, and hence, the Judiciary is unable to ascertain the cost of conducting the asset numbering and updating of the register. Your Committee strongly urges the Controlling Officer to pursue this matter and expeditiously ensure that the process is concluded. Your Committee resolves to await a progress report on the matter.

10.3. Lack of Stores Management System

In response, the Controlling Officer acknowledged that the Auditor General's observations were correct. Going forward, Management did manage to recruit stores officers for Ndola and Kitwe, and should there be fiscal space in the 2019 budget, Management planned to recruit additional nine stores officers to be stationed at the remaining provincial centres (i.e. Livingstone, Mongu, Kitwe, Choma, Ndola, Muchinga, Solwezi, Mansa and Chipata). Management had since put in place the stores ledgers and stock cards at Ndola and Kitwe and the documents were available for audit verification.

Committee's Observations and Recommendations

Your Committee notes the efforts undertaken by the Administrative Officer, but finds it unacceptable that the current stores officers, who are handling stores had failed to keep the stores records. Your Committee urges the Controlling Officer to ensure that erring officers are sternly cautioned for this failure. Your Committee resolves to close the matter subject to audit verification.

10.4. Construction of Ndola Main Urban Local Court

In response, the Controlling Officer submitted that at the time of awarding of the contract, a performance bond and advance bond were provided. However, at the time of audit, which was in 2017, the performance bond had expired due to the expiry of the contract. Management did write to the Ministry of Housing and Infrastructure Development for this anomaly to be rectified. The Ministry of Housing and Infrastructure Development had advised that the Judiciary needed to get in touch with the Provincial Buildings Engineer as this project had been supervised by them. Your Committee was informed that on 12th of February, 2018 Management wrote to the Provincial Buildings Engineer - Copperbelt Province, bringing the issues raised in the Auditor General's Report to his attention, as evidenced by the documents that were available for the Auditor to verify.

She also acknowledged that after the contractor submitted the Certificate No. 2 on 2nd May, 2014, amounting to K316,226.44, management could not honour this because an inspection revealed that the works done on site could not amount to the figure on the issued certificate. To this effect, the Judiciary wrote to the Ministry of Housing Infrastructure Development who later wrote to the Provincial Buildings Engineers to seek clarification on the issue. Management was currently awaiting a response.

Furthermore, the Judiciary had written to the Provincial Engineer informing him that the contractor was fully paid the advance payment and he needed to go back on site and proceed accordingly. The Provincial Buildings Engineer accordingly wrote to the contractor instructing him to go back on site. Management was awaiting response. The correspondence was available for verification.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the Judiciary was unable to provide the performance bonds at the time of audit even though they were expired. Your Committee is also dismayed that the reason for lack of the performance bonds at the time of the audit was because the contracts were domiciled in the provinces except for those supervised by the buildings engineer. Your Committee finds the submission misleading as the Controlling officer had been given ample to prepare for the audit. Your Committee urges the Controlling Officer to ensure that the matter does not recur by instituting disciplinary action against erring officers. Your Committee further resolves to await a progress report on the resumption of the works by the contractor.

10.5. Construction of Baluba Urban Local Court

In response the Controlling Officer submitted that at the time of award of contract, a performance bond and advance bond were provided. However, at the time of audit, which was in 2017 the performance bond had expired due to the expiry of the contract. However, Management did write to the Ministry of Housing and Infrastructure Development for this anomaly to be rectified. The Ministry of Housing Infrastructure Development advised that the Judiciary needed to get in touch with the Provincial Buildings Engineer as this project was supervised by them. Management did write on the 12th of February 2018 to the Provincial Buildings Engineer - Copperbelt Province bringing the issues raised in the Auditor General's Report to his attention. Management was awaiting response. The Controlling Officer also submitted that the Judiciary undertook a site visit and took note of the concerns and had since communicated to the Provincial Buildings Engineer on the matter. Management was awaiting response. All the relevant correspondence was available for verification.

Committee's Observations and Recommendations

Your Committee finds it highly unacceptable how the contractors engaged by the Judiciary were handling the projects on construction of local courts. Your Committee is concerned over the colossal sums of money that the Government was spending to construct courts, while the contractors engaged were abandoning project sites. Your Committee strongly urges the Controlling Officer to ensure that the contractors were brought to book, and also completed their projects, failure to which the law should take its course. Your Committee resolves to await a progress report on the matter.

10.6. Construction of Twapia Urban Local Court

In response, the Controlling Officer submitted that at the time of award of contract, a performance bond and advance bond were not provided. However, management did write to the Ministry of Housing and Infrastructure Development for this anomaly to be rectified. In the letter dated 29th January, 2018 the Ministry of Housing and Infrastructure Development did advise that they would communicate to the Provincial Buildings Engineer as this project was supervised by them. Furthermore, Management wrote to the Provincial Buildings Engineer - Copperbelt Province bringing the issues raised in the Auditor General's Report to his attention. Management was awaiting response. The Judiciary during a site visit took note of the concerns and had since communicated to the Provincial Buildings Engineer on the matter. The Judiciary was awaiting a response and all correspondence was available for audit verification.

Committee's Observations and Recommendations

Your Committee is concerned for the poor management of contract records as evidenced by lack of performance bonds and advance bonds. Further, your Committee finds it unacceptable that the judiciary has continued to release payments to contractors who from inception have exhibited lack of commitment to the terms and conditions of the contracts. Your Committee urges the Controlling Officer to ensure that the Judiciary needed to be more proactive in the management of contracts, even those that were managed by the Provincial Buildings Engineers, as the Judiciary was the end beneficiary of the projects. Your Committee notes the responses from the Controlling officer and resolves to await a progress report.

10.7. Construction of Kapiri-Mposhi Urban Local Court

In response, the Controlling Officer stated that the delay was attributed to intermittent funding for the financial years ended December, 2015 and 2016 budgets. The Controlling Officer stated that the Judiciary paid the remaining balance from the amount certified, amounting to K144, 375 and instructed the contractor to get back on site.

She submitted that at the time of award of the contract, a performance bond was not provided. However, management did write to the Ministry of Housing and Infrastructure Development for this anomaly to be rectified. In the letter dated 29th January, 2018 the Ministry of Housing and Infrastructure Development did advise that they will communicate to the Provincial Buildings Engineer as this project was supervised by them. Furthermore, Management did write the 14th of February, 2018 to the Provincial Buildings Engineer - Central Province bringing the issues raised in the Auditor General's Report to his attention. The Judiciary also undertook a site visit, took note of the concerns and had since communicated to the Provincial Buildings Engineer on the matter. The letters in question were available for the auditors to verify. Management was awaiting a response.

Committee's Observations and Recommendations

Your Committee is concerned over the management of construction projects by the Judiciary and urges the Controlling officer to ensure that the concerns raised by the auditors are resolved expeditiously. Your Committee resolves to await a progress report on the matter.

10.8. Construction of Makululu Local Court

In response, the Controlling Officer submitted that at the time of award of contract, a performance bond was not provided. However, management did write to the Ministry of Housing and Infrastructure Development on the 17th of November, 2017 for this anomaly to be rectified. The Ministry of Housing and Infrastructure Development advised in the letter dated 29th January, 2018 that they would communicate to the Provincial Buildings engineers as this project was supervised by them. Furthermore, the Judiciary wrote on 14th of February, 2018 to the Provincial Buildings Engineer - Central Province, bringing the issues raised in the Auditor General's Report to his attention. In addition, the Judiciary undertook a site visit, took note of the concerns and had since communicated to the Provincial Buildings Engineer on the matter. Management was awaiting responses to the letters, copies of which were available for verification.

Committee's Observations and Recommendations

Your Committee expresses serious concern over the poor management of construction projects by the Judiciary and urges the Controlling Officer to ensure that the concerns raised by the auditors are resolved expeditiously. Your Committee resolves to await a progress report on the matter.

10.9. Contract Agreement for Citing, Drilling and Equipping of a Borehole

In response, the Controlling Officer submitted that at the time of award of contract, a performance bond was not provided. However, the Judiciary wrote to the Provincial Buildings Engineer on the 14th February, 2018, requesting for the revalidated performance bond and extension of time as evidenced by the letter that was available for the auditors to verify. Management was awaiting a response.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that government is losing resources through the engagement of contractors of doubtful capacity. Your Committee urges the Controlling Officer to ensure that proper scrutiny processes are undertaken before any advance payments are made to any contractors. It is disturbing to note that it has become fashionable for the contractors to get advance payments and abandon the projects prematurely. Your Committee strongly urges the Controlling Officer to ensure that the matter is resolved without any further delay. Your Committee resolves to await a progress report on the matter.

10.10. Construction of Nkana Rural Local Court

In response, the Controlling Officer submitted that, at the time of award of the contract, a performance bond was not provided. However, management did write to the Ministry of Housing

and Infrastructure Development on 17th of November 2017, for this anomaly to be rectified. The Ministry of Housing and Infrastructure Development advised in the letter dated 29th January 2018 that they would communicate to the Provincial Buildings Engineer as this project was supervised by them. Furthermore, Management wrote to the Provincial Buildings Engineer - Copperbelt Province bringing the issues raised in the Auditor General's Report to his attention. It was further stated that the Judiciary undertook a site visit, took note of the concerns and had since communicated to the Provincial Building Engineer on the matter. Management was awaiting a responses and the correspondence was available for verification.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the government is being losing scarce resources through the engagement of contractors who are not adhering to the contractual terms and conditions. Your Committee urges the Controlling Officer to ensure that proper scrutiny processes are done before any advance payment is made to any contractor. Your Committee strongly urges the Controlling Officer to follow up and ensure that the matter is resolved without any further delay. Your Committee resolves to await a progress report on the matter.

10.11. Construction of Kitwe Local Court

In response, the Controlling Officer submitted that at the time of award of contract, a performance bond was not provided. However, management did write to the Ministry of Housing and Infrastructure Development on the 17th of November, 2017 for this anomaly to be rectified. Ministry of Housing and Infrastructure Development advised in a letter dated 29th January, 2018 that they would communicate to the Provincial Buildings Engineers as this project was supervised by them. Furthermore, the Judiciary wrote on the 12th February 2018, to the Provincial Buildings Engineer - Copperbelt Province, bringing the issues raised in the Auditor General's Report to his attention. The Judiciary also undertook a site visit, took note of the concerns and had since communicated the concerns to the Provincial Buildings Engineer. Management was awaiting responses and the correspondence was available for audit verification.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that contractors engaged to undertake projects for the construction of local courts are not performing their contracts obligation despite colossal sums of money being paid to them. Your Committee strongly urges the Controlling Officer to pursue the matter and ensure that it is resolved without any further delay. Your Committee resolves to await a progress report on the matter.

10.12. Failure to prepare Bank Reconciliations – Choma District

In response, the Controlling Officer submitted that the officers who were in charge at that time had since been dismissed because of the failure to make bank reconciliations, as their failure was associated with not only their incompetence but also theft. Management had since deployed a

trained Clerk of Court who had since prepared the bank reconciliations for the period starting January to December, 2016. The relevant documents were available for audit verification.

Committee's Observations and Recommendations

Your Committee notes the punitive measures taken by the Controlling Officer and resolves to close the matter subject to audit verification.

10.13. Construction of Litoya Local Court in Kaoma District

i Failure to Provide Performance Security against the Contract.

In response, the Controlling Officer submitted that at the time of awarding the contract, a performance bond was not provided. However, the Judiciary did write to the Ministry of Housing and Infrastructure Development on 17th November, 2017 for this anomaly to be rectified. Furthermore, the Judiciary wrote on 29th January, 2018 to the Provincial Buildings Engineer - Western Province bringing the issues raised in the Auditor General's Report to his attention. Responses were being awaited. The correspondence was available for the audit verification.

Committee's Observations and Recommendations

Your Committee strongly urges the Controlling Officer to ensure contractors are more thoroughly scrutinised in future projects. Your Committee urges the Government to ensure that performance bonds are provided, in future contracts. Your Committee resolves to await progress report on the matter.

ii Delays in Completing the Works

In response the Controlling Officer attributed the delays to intermittent funding. She stated that payment details were available for audit verification.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that delays in completing the project works were occasioned by intermittent payments. Further, your Committee calls upon the Judiciary to ensure that in future, projects are only commenced once adequate funds have been secured. Your Committee directs the Controlling Officer to ensure that, works are completed expeditiously, and hence, resolves to await a progress report on the matter.

10.14. Construction of Chirundu Subordinate Court - Chirundu District

i) Failure to Provide Performance Bond

In response the Controlling Officer submitted that the Judiciary had written to the Ministry of Housing and Infrastructure for this anomaly to be rectified. The Ministry of Housing and

Infrastructure advised that the performance bond had since been revalidated and extension of time awarded.

Committee's Observations and Recommendations

Your Committee strongly urges the Controlling Officer to be more thorough in contracting future projects. Your Committee urges the Government to ensure that performance bonds are provided for future contracts. Your Committee resolves to close the matter subject to audit verification.

ii) Failure to Supervise Construction Works by the contract Manager

The Controlling Officer submitted that the Judiciary had since started facilitating site visits and inspections. The non-facilitation of site visits was due to lack of funding from the Ministry of Finance. The relevant minutes were available for auditor to verification.

Committee's Observations and Recommendations

Your Committee is saddened over the failure by the officers responsible to supervise the works in their respective jurisdictions. While noting the response by the Controlling Officer, your Committee does not accept the reason given since all works were undertaken in the areas where these officers operated. Your Committee urges the Controlling Officer to ensure that erring officers are disciplined for this failure. Your Committee will await a progress report on the matter.

iii) Failure to complete the Construction works as per Contract Agreement.

In response the Controlling Officer submitted that the delay in completing the construction works as per contract agreement had been due to boundary disputes and delayed payments. However, the Ministry of Housing and infrastructure had since re-designed the affected part of the structure to fit into the recommended boundary and the contractor had been paid out the entire interim certificate as per correspondence which was available for the auditors to verify. The contractor was now on site and had applied for extension of time.

Committee's Observations and Recommendations

While noting the response by the Controlling Officer, your Committee does not accept the reason given, since all works should have been completed within the contract period. Your Committee, therefore, urges the Controlling Officer to ensure that Management is cautioned and to ensure that works are completed without any further delays. Your Committee awaits a progress report on the matter.

11.0. LOCAL AUTHORITIES SUPERANNUATION FUND

Review of Operations

A review of accounting and other records for the financial years ending 31st December 2014, 2015 and 2016 carried out in September, 2017 revealed various irregularities to which the Controlling Officer responded as set out below.

11.1. Operating without Board of Directors 2012 – 2016

The Controlling Officer acknowledged the observation by the Auditor General. Your Committee was informed that, by practice, when there was no Board, the Controlling Officer took the role of caretaker for administrative purposes. Once the Board was appointed, the issues handled by the Controlling Officer were presented to the Board for ratification. The Fund had since put in place a Board which started operating in February, 2016.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the Authority has been operating without a Board for over three years and that the Controlling Officer could not give reasons for this state of affairs. Your Committee urges the Controlling Officer to ensure that the funds does not operate without a Board at any time and resolves to close the matter subject to audit verification.

11.2. Lack of Segregation of Duties – Director Finance and Pensions Administration

The Controlling Officer informed your Committee that during the restructuring of operations in 2004, the Fund adopted a compressed organisation structure to respond to the declining of operations due to the scheme being closed to new members with effect from 1st February, 2000, when the National Pension Scheme Authority came into existence. The objective was to contain costs relating to staff emoluments given the declining income on pension contributions arising from the impact of the closure of LASF to new members.

In order not to compromise on the efficiency and internal controls, there were two Units below the position of Director Finance and Pensions Administration headed by Senior Managers. The two Units provided for segregation of duties and operated independently. The functions relating to finance and investments were under one Unit, while the functions relating to contributions and benefits were under a separate Unit.

Committee's Observations and Recommendations

Your Committee notes the Authority's intention to contain administrative costs due to the declining financial performance of the fund. However, your Committee finds it imprudent to have two managers reporting to the Director Finance and Pensions Administration. Further, the execution of the core functions of contributions, benefits and finance investment were compromised, as the same officer was receiving contributions and making ultimate decisions on

investments. Your Committee urges the Controlling Officer to consider having the two managers to be reporting directly to the Managing Director and abolish the position of Director Finance and Pensions Administration until the financial performance of the Authority is normalised. Your Committee awaits a progress report on the matter.

11.3. Non Remittance of Statutory Contributions

The Controlling Officer acknowledged the Auditor General's observation that the Fund had not remitted Pay As You Earn (PAYE) Taxes amounting to K25,866,199.00. The major contributing factor was the continued decline of the financial performance due to the impact of the closure of the fund to new members since 1st February, 2000. He also reported that LASF had been remitting current taxes plus K100,000.00 per month towards PAYE arrears effective January, 2017. ZRA had acknowledged the proposal and requested LASF to enter into a Time to Pay Agreement as per the documents available for audit verification.

Committee's Observations and Recommendations

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

11.4. Statement of Changes in Net Assets Available for Benefits for the Financial Years Ended 31st December, 2014, 2015 and 2016

The Controlling Officer acknowledged the following poor financial performance ratios:

- (i) Questionable going concern of the Fund;
- (ii) Low investment performance;
- (iii) Net liability from operations;
- (iv) Poor benefits payout ratio; and
- (v) Administrative expenses as a percentage of total income.

He informed the Committee that the cause of the poor financial performance ratios as indicated in the Auditor General's report was the impact of the closure of the scheme to new members and non-capitalisation of the actuarial deficit. The solution was in Government opening of the scheme to new members and financing of the actuarial deficit. The pension reforms, once implemented, would address the issue of opening the scheme to new members. The draft National Social Security Bill prepared by the Ministries of Labour and Social Security, Finance, Justice and Local Government was scheduled to be presented to Parliament.

Committee's Observations and Recommendations

Your Committee notes the response. However, your Committee urges the Controlling Officer to pursue other recapitalisation avenues to ensure that the fund remains a going concern and is able to sustain itself. Your Committee resolves to await a progress report on the operations of the authority.

11.5. Statement of Financial Position for the Financial Year Ended 31st December, 2014, 2015 and 2016

The Controlling Officer indicated that the cause of the poor financial performance ratios was the impact of the closure of the scheme to new members and non-capitalisation of the actuarial deficit. The solution was in Government's opening of the scheme to new members and financing of the actuarial deficit. The pension reforms once implemented were expected to address the issue of opening the scheme to new members. The draft National Social Security Bill prepared by the Ministries of Labour and Social Security, Finance, Justice and Local Government and was scheduled to be presented in Parliament.

Committee's Observations and Recommendations

Your Committee notes the response. However, your Committee is concerned that the Fund is performing poorly and urges the Controlling Officer to pursue other recapitalisation avenues to ensure that the Authority improves its poor performing ratios. Your Committee resolves to await a progress report on the operations of the Authority.

11.6. Cash Flow Statements for the period ended 31st December, 2014, 2015 and 2016

The Controlling Officer stressed that the cause of the poor financial performance ratios as indicated in the Auditor General's report was the impact of the closure of the scheme to new members and non-capitalisation of the actuarial deficit. The solution was in Government's opening of the scheme to new members and financing of the actuarial deficit. The pension reforms and proposed National Social Security Bill once implemented would address the issue of opening the scheme to new members.

Committee's Observations and Recommendations

Your Committee observes with concern the non availability of cash flow for operating activities for the Fund due to the closure of the Fund to new members. Your Committee awaits progress report on this matter.

11.7. Actuarial and Pension Management Findings

i. Failure to Collect Pension Contributions

The Controlling Officer acknowledged that LASF was owed K140,477,847.80 in form of unremitted pension contributions. Although Councils had financial challenges, the following measures were being pursued in an effort to recover the contributions:

- a. deducting pension contributions at source from the grants sent to Councils;
- b. signing of payment plans as a commitment to pay contributions;
- c. initiatives for land-debt swaps;

- d. LASF and Public Service Pensions Fund jointly submitted a proposal to Ministry of Finance for consideration of a debt equity swap to acquire some shares in ZCCM – IH as part of restructuring the arrears; and
- e. the Board considered and approved the recovery of contributions through the legal process as a last resort.

Your Committee was informed that LASF had acquired twenty nine hectares of land under the debt swap with Chingola Municipal Council amounting to K2,199,059.00 and reduced the debt from K2,649,346.57 to K450,287.57 as at 31st December, 2017. The debt swaps for Chinsali, Solwezi and Kapiri were at an advanced stage. Demand notices had been sent to all Councils requesting them to submit proposals on how to liquidate their contribution arrears, failure to which legal action would be pursued. LASF had since met the Town Clerks and Directors of Finance for Kitwe, Ndola, Lusaka, Mufulira, Kalulushi, Luanshya, Kabwe, Livingstone and Choma. Payment plans were being signed between LASF and the Councils.

Further, the Controlling Officer submitted that, ZESCO Limited had settled K3,075,043.00 in the following month and Lusaka Water & Sewerage Company was also current. LASF would continue to pursue the recovery of contributions through various options such as land-debt swaps, negotiating payment plans, recovery of pension contributions at source through the Ministry, and the legal option as a last resort.

Committee’s Observations and Recommendations

Your Committee notes the positive efforts that have been undertaken to collect outstanding pension contributions. Your Committee urges the Controlling Officer to further expedite the process of recovery as many retired people have not received their pension benefits and are wallowing in poverty. Your Committee awaits a progress report on the matter.

ii. Inadequate Dependency Ratio

The Controlling Officer informed your Committee that LASF membership had continued to decline due to closure of the scheme to new members arising from the enactment of the *National Pension Scheme Authority Act, No. 40 of 1996* and this had affected the dependency ratio. The number of active members had reduced while the number pensioners had increased. Opening of the scheme to new members would address the inadequate dependency ratio. This would be achieved through the proposed National Social Security Bill which had been prepared by the Ministries of Labour and Social Security Finance, Justice and Local Government, for presentation to Parliament.

Committee’s Observations and Recommendations

Your Committee expresses worry over the inadequate dependency ratio of the Fund as this exacerbates the plight of the pensioners. Your Committee urges the Controlling Officer to expedite the proposed avenues to improve the Fund’s financial operations. Your Committee resolves to await a progress report.

iii. Irregular Inclusion of Members to the Fund after Enactment of NAPSA

The Controlling Officer informed your Committee that this was a result of transition period when NAPSA started operations. This affected some employees contributing to LASF and also civil servants contributing to PSPF. After consultations, the general consensus was that members who joined LASF and PSPF post the NAPSA Act be allowed to continue contributing to these schemes so as not to lose their accrued pension rights. The legal opinion from the Attorney General guided that the option to allow the members to continue contributing to LASF and PSPF appeared a straight forward suggestion and the persons affected must have been seeking to assert a right under Article 124 of the Constitution which stated that where a person was subject to two conflicting laws, the more favourable law would apply to that person. This had been resolved as no new employees who were supposed to be contributing to NAPSA were contributing to LASF.

Committee's Observations and Recommendations

Your Committee notes the response from the Controlling Officer and resolves to close the matter.

11.8. Implementation of Harmonisation and Rationalisation of Salaries

i. Failure to Carry Out Job Evaluation

The Controlling Officer informed your Committee that under Clause 9.0 (g) of the Public Service Management Division (PSMD) report, it was recommended that a job evaluation and re-grading exercise be conducted for LASF. LASF scheduled the job evaluation and re-grading exercise to the period 2018 to 2019 because it was expected that the pensions reforms would have given a clear direction on the future of the Fund. The job evaluation and would be undertaken in the period 2018 – 2019 given the pension reforms being undertaken by Government.

Committee's Observations and Recommendations

Your Committee notes the response and urges the Controlling Officer to ensure that the Fund undertakes the job evaluation so as to harmonise and rationalise the salaries in line with the instruction from PSMD. Your Committee resolves to await a progress report on the matter.

ii. Irregular Payment of Long Service Bonus

The Controlling Officer submitted that LASF received the PSMD report in January, 2016 and began the process to abolish the long service bonus by engaging the Union and also presenting the matter to the Board. The recommendations from PSMD were that:

- a. LASF should implement the rationalised and harmonised salaries and conditions of service in a phased manner up to 2021, subject to availability of funds and budgetary allocations; and
- b. Long service bonus should be abolished and that what was accrued cleared off on pro rata basis.

In November, 2016, the Union agreed to abolish the long service bonus and for employees to be paid what was accrued. At its meeting held on 11th January, 2017, the Board resolved to abolish the long service bonus and pay off what accrued up to December, 2016. The documents were available for audit verification.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the Fund continued to pay the long service bonuses even after it had been abolished. Your Committee took note that the Fund had now implemented the instruction and urges the Controlling Officer to ensure that Government directives are taken with the seriousness they deserve. Your Committee resolves to close the matter subject to audit verification.

iii. Overpayment of Long Service Bonus

The Controlling Officer submitted that LASF received the PSMD report in January, 2016 and began the process to abolish the long service bonus by engaging the Union and also presenting the matter to the Board.

With regards to employees engaged after September, 2009, the Board approved payment of the bonus using the formula of three months for ten years served. This was the basis for paying staff engaged after September, 2009 on pro rata basis as approved by the Board on 11th January, 2017. The rationale was that employees who joined the LASF after September, 2009 were eligible to be paid long service bonus at Management's discretion as approved by the Board on 21st August, 2009. At no time was the abolition back dated to 2009. There was no overpayment of long service bonus as the necessary procedures and approvals were granted by the Board. Documents were available for audit verification.

Committee's Observations and Recommendations

Your Committee takes note of the submission, but cautions the Controlling Officer against entertaining officers that are ready to abrogate Government's decisions on policy and financial matters as evidenced by the decisions taken by the Fund. Your Committee resolves to close the matter subject to audit verification.

iv. Irregular Payment of Christmas Bonus

The Controlling Officer informed your Committee that while the PSMD report guided on when certain conditions of service could be abolished, this could only be done once all internal processes linked to changes in conditions of service were fulfilled. During the previous bargaining process, the Union refused to remove the payment of the Christmas bonus and this resulted in a dispute which ended through the conciliation process. At its meeting held on 6th December, 2016, the Board exceptionally authorised the payment of Christmas bonus in order to manage the dispute with employees. The Board also advised that all employees must be informed that there was going to be no payment of Christmas bonus from 2017 onwards. When the matter

was re-tabled in November, 2017 at the Bargaining Unit, the Union refused to discuss to amend the clause in the Collective Agreement. ZUFIAW Head Office was engaged to resolve the matter but they also insisted that LASF pays the bonus.

The payment of Christmas bonus in 2016 was not irregular as the necessary authority was granted by the Board. The Christmas bonus for 2017 was not paid as the two parties had reached a deadlock. LASF Management would still continue to negotiate with the Union to ensure that the clause relating to Christmas bonus was removed from the conditions of service and abolished. In the meantime, the Christmas bonus would not be paid due to the poor financial performance of the Fund.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the Fund considered it administratively convenient to pay bonuses even after the PSMD had abolished the payment of Christmas bonuses to employees of the Fund employees. Your Committee strongly cautions the Controlling Officer against such imprudent decisions, considering that the Fund was at the time failing to meet its core functions of paying pensioners. Your Committee resolves to close the matter subject to audit verification.

11.9. Human Resource Management

i. Lack of Payment System for Benefits

The Controlling Officer acknowledged the Auditor General's observation and added that prior to 2017, LASF had challenges in clearing benefits to former employees. However, when LASF received capitalisation funds from Government to pay retirees, some monthly contributions were freed and LASF had adopted a system to clear benefits to former employees taking into account the age of the unpaid benefits and also the implications of retaining former employees on the payroll as provided in the Zambian Constitution.

The Ministry further reported that the benefits relating to the 2011 staff benefits amounting to K935,174.00 had since been paid in full. Further, all benefits under conditions of service up to 2015 had since been cleared. The staff benefits under conditions of service relating to 2016 and 2017 would be paid during 2018 on a first in first out basis.

Committee's Observations and Recommendations

Your Committee notes the Controlling Officer's response and resolves to close the matter subject to audit verification.

ii. Questionable Discharge of Managers

The Controlling Officer informed your Committee that four Managers were discharged from employment under Discharge Clause no. 12.4.2 of the Administration Manual for management and non-unionised staff. Full benefits were paid in line with the provisions of the Discharge

Clause. Further, the Disciplinary Code under Clause 18 defined discharge as the termination of the Contract of employment by either giving notice or payment in lieu of notice as per the documents that were submitted for audit verification.

Further, the Board noted the full report relating to the separation under discharge at its meeting held on 26th May, 2017. The reasons for discharging the Managers were: (i) misleading authorities and (ii) undermining management. The Board observed that it was important to uphold discipline in the institution. The benefits were paid in full to avoid the implications of the Constitution and were charged to the retirement benefits cost centre.

An employee who has served a minimum of five years could be discharged from employment on account of:

- i. undermining management;
- ii. opposition to the establishment philosophy and core values of an organisation;
- iii. indifference to the goals of an organisation;
- iv. disgruntled employee: An employee could be disgruntled and sabotage management's efforts; and
- v. lack of respect for authority.

The legal opinion obtained stated that LASF followed procedure in discharging the four Managers. The Fund followed appropriate procedure in terminating the employment of the four Managers in line with the Administration Manual and Disciplinary Code and Procedures.

Committee's Observations and Recommendations

Your Committee notes the Controlling Officer's submission and reiterates that the Fund also owed retirees. The matter was recommended for closure subject to audit verification.

11.10. Weaknesses in the Management Information Systems (MIS)

i. Lack of Designated Server Room

The Controlling Officer acknowledged the observation relating to lack of designated server room. He however, submitted that the Fund had since had undertaken the following measures to adapt the room:

- a server rack had been installed
- biometric access had been installed, and
- fire detectors had been put in place.

Further, LASF has provided in its 2018 budget funds to achieve the following:

- installation of a raised floor;
- erection of concrete walls;

- installation of a gas based fire suppression system; and
- re-cabling.

In 2018, budgeted resources would be released to improve the sever room.

Committee’s Observations and Recommendations

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

ii. Irregular Management of LASF Member Database – Missing Details

The Controlling Officer submitted that following the migration from manual Pension Management System (PMS) to the current Enterprise Resource Planning Application, Dynamics Navision, LASF embarked on a data cleaning exercise which was meant to update records relating to over 20,000 members. The data cleaning exercise had been a continuous exercise. This exercise revealed the following;

Missing Details	No of Members
NRC	23
Employee Name	135
Employer Name	29
Date of Employment	181`
Date Joined	163
Employee Bank Account	18,620

These related to very old cases and inactive files that had been on the data base for more than thirty years. These details were carried over during the programme to computerise the members’ data base from the manual system

However, the 18,620 members observed not to have bank Account numbers emanated from the initiative made by LASF in 2017 to capture members’ bank details following Bank of Zambia directive to reduce the cheque threshold to K25,000.00. Therefore, members’ bank details were being updated in the system as and when the LASF Form 3 was provided by the member. Commercial Banks had to endorse on the LASF Form 3 to validate the bank statements. A comprehensive nationwide programme was launched to sensitise members on the need to submit their bank details. Special arrangements had also been put in place with Finance Bank and ZANACO to accommodate the unbanked pensioners and facilitate the opening of bank statements. Adverts were been placed on all community radio stations and employers were requested to assist LASF disseminate the information.

The pensioners had been responding by completing the LASF Form 3 designed to capture their bank account details. So far 7,378 retirees and pensioners had opened bank statements since the programme started in 2017. The Fund would continue to review and update its database in 2018

Committee's Observations and Recommendations

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

12.0. MPULUNGU HARBOUR CORPORATION LIMITED

Review of Operations

A review of accounting and other records maintained at the Mpulungu Harbour Corporation for the financial years ended 31 December, 2014, 2015 and 2016 carried out in March, 2017 revealed various irregularities, to which the Controlling Officer responded as set out below.

12.1. Failure to Convene Annual General Meetings

The Controlling Officer submitted that it was regrettable that the MHCL management and the Board failed to convene Annual General Meetings during the period under review. MHCL had nonetheless called for an Annual General Meeting through notices sent out on 26th February 2018. The Annual General Meeting was scheduled for 13th April, 2018. A copy of such notice was available for audit verification.

Committee's Observations and Recommendations

Your Committee does not accept the reason given by the Controlling Officer as it is evident that there are serious lapses in this institution caused by the lack of strong supervisory framework and oversight and strongly cautions the Controlling Officer to desist from violating the Act, which is a very serious anomaly. The Controlling Officer is further urged to ensure that measures are put in place to ensure that such an abrogation of the law does not recur. Your Committee resolves to close the matter subject to audit verification.

12.2. Failure to Deduct Taxes

The Controlling Officer informed your Committee that it regretted the failure by MHCL to deduct and remit PAYE. He also explained that MHCL failed to correctly interpret the conditions of service whereby Board allowances and leave pay were paid without deducting PAYE. The Controlling Officer had since guided MHCL Management on the need to tax all employees' and Board members' earnings, and the following specific actions were agreed to:

- i) MHCL had accrued for payment, all unremitted PAYE on board allowances;
- ii) PAYE would now be deducted on all future leave pay to employees and allowances to Board members; and
- iii) MHCL Management had been guided to pay Board members sitting allowances net of PAYE.

Committee's Observations and Recommendations

Your Committee expresses concern over the state of affairs, especially with regard to the financial instability experienced by MHCL during the period under review. Your Committee warns that statutory contributions are capable of causing loss of public funds due to possible litigation. The Controlling Officer is therefore, urged to intervene in the matter by way of liaising with the Office of the Secretary to the Treasury to find options of assisting the Corporation, including the use of debt swaps at source. Your Committee resolves to await a progress report on the matter.

12.3. Statement of Profit and Loss

i. Profitability

The Controlling Officer informed your Committee that the increase in salaries and wages for the period, 2014 to 2016, was attributed to the increase in the headcount due to the 2014 recruitment of officers to fill vacancies to enable the MHCL function efficiently. The other reason was that there was an upward revision of salaries and wages by 50 percent with a view of motivating existing employees and also attracting suitably qualified candidates. MHCL salaries had been below industry average prior to the revision. As a corrective measure, the IDC had, through the performance contract with the Board of MHCL, directed that staff expenses as a percentage of revenue be contained within 45 percent of revenue and that fixed operating costs, as a percentage of the budget, be contained within 25 percent of revenue.

Committee's Observations and Recommendations

Your Committee expresses concern over the upward trend on staff costs despite the liquidity problems and unprofitability of the company. Your Committee strongly urges the Controlling Officer to take concrete measures to correct the situation so that a turnaround strategy can be formulated, and also that, sufficient resources can be spent on operations of the Corporation. Your Committee resolves to await a progress report on the matter.

ii. Net Profit Margin Ratio

The Controlling Officer reported that the net profit margin of -2 percent was caused by the following:

- (i) increase in salaries and wage bill resulting from filling of vacancies in the year 2014;
- (ii) depreciation charge increased from K283,509 in 2014 to K3,435,080 in 2015 following capitalisation of plant (Forklift No. 4 and Cranes No.3);
- (iii) insurance costs increased from K53,911 in 2014 to K302,855 in 2015 to cover additions to plant;
- (iv) bad debts of K1,074,134 were written off in 2015 compared to none written off in 2014; and
- (v) terminal benefits of K928,990 were accrued and paid in addition to exchange loss of K443,922 recorded in 2016.

In attempting to correct the matter, the measures listed below had been taken to mitigate negative profit margins:

- (i) reduction of the rate of depreciation on new movable plant from 20 percent to reflect the correct economic life and to reduce the depreciation charge. The economic life of the cranes and forklift is on average 20 years.
- (ii) MHCL had intensified its marketing effort to both the local and foreign markets in order to stimulate sales revenue and liquidity. Tonnage moved by MHCL had increased from 46000 tonnes in 2014 to 172,000 tones 2016.
- (iii) MHCL had further embarked on cost containment measures, the major one being reduction of labour cost by 35 percent through procurement of cargo nets as a replacement for stevedoring.

As noted by the auditors, MHCL had recorded a reduction in the negative net profit margin from negative 63 percent in 2014 to negative 2 percent in 2016. The IDC would continue to monitor the profitability of MHCL and was pleased to report that for the year ended 2017, MHCL had recorded a net profit margin of positive 4 percent.

Committee's Observations and Recommendations

Your Committee is disappointed with the decisions made by management and strongly urges the Controlling Officer to ensure that control measures are put in place to match the increases on both expenditure and revenue sides in order to avoid recurrence. The Controlling Officer is further urged to ensure that other revenue sources are explored to improve the status quo. Your Committee awaits a progress report on the matter.

iii. Statements of Financial Position

The Controlling Officer submitted that the declining working capital and current ratios had been attributed to the growing unremitted statutory obligations and other creditors on account of MHCL's failure to make timely payments. To improve the financial position, management at MHCL had undertaken the following initiatives:

- a) MHCL partnered with Lafarge Zambia to undertake a marketing tour to Burundi to promote Lafarge products and the mode of transport for bulk consignment provided by MHCL. The export portfolio increased due to the export of Clinker (input material for cement) and white maize;
- b) MHCL was also marketing its services to individual and small exporters and importers; and
- c) MHCL had entered into a Memorandum of Understanding for Time to Pay Agreement for Taxes to run from 16th March, 2018 to 16th February, 2019. Subject to MHCL adhering to the plan in the first six months, ZRA would be willing to negotiate a waiver of penalties and interest.

Committee's Observations and Recommendations

Your Committee expresses concern at the declining capital stock which also affected the current ratio. Your Committee is of the view that management is underperforming and the Controlling Officer is urged to ensure that performance is reviewed from time to time and stringent measures put in place to enhance management's aggressiveness in generating revenue for the Corporation. Your Committee warns that maintaining the current status quo may render the Corporation which has the potential to generate revenue to be a white elephant in future. Your Committee awaits a progress report on the matter.

12.4. Weakness in Collection of Receivables - Poor Management of Trade Receivables

The Controlling Officer informed your Committee that the causes of uncollected trade receivables were as listed below:

- (i) The pending conclusion of the reconciliation of the balance due from the main debtor, St George Fisheries (Pendulum), amounting to K 1,008,000 had delayed collection of debt;
- (i) included in trade receivables was K168,154 (USD38,794 @ K4.33/1 USD as at 10th March 2008) and USD25,884 paid to Ministry of Finance by the previous Concessionaire (Mpulungu Harbour Management Limited), which the Ministry was yet to remit to MHCL.
- (ii) lack of the documented credit policy contributed to inefficiency in debt collection.

In following up this matter, the Controlling Officer had established that:

- (i) the balance due from St George Fisheries (Pendulum) was under dispute, and that MHCL had now undertaken a joint reconciliation with St George Fisheries (Pendulum) to be agreed and signed off by both parties by end of the first quarter of 2018;
- (ii) MHCL had followed up the issue of the outstanding refund of USD38,794 (K168,154 @ K4.33/1 USD as at 10th March 2008) from the Ministry of Finance in a letter dated 20 February 2018; and
- (iii) MHCL undertook to develop the Credit Policy and submit it for Board approval by the second quarter of 2018.

Committee's Observations and Recommendations

While noting the measures put in place to address this challenge, your Committee is disappointed that these measures have only been enforced after the audit, which your Committee finds to be highly irregular. The Controlling Officer is strongly encouraged to enhance supervision and ensure that the suggested measures are strictly enforced to avoid recurrence. Your Committee also urges the Controlling Officer to ensure that all the outstanding receivables are collected without any further delay. Your Committee awaits a progress report on the matter.

12.5. Non-Remittance of Statutory Contributions - K2,119,763

The Controlling Officer informed your Committee that the IDC regretted that MHCL was not able to pay its statutory obligations as they fell due. Management attributed the failure to remit statutory contributions to liquidity challenges. The following were the remedial measures taken:

- (i) the performance contract signed between the IDC and the Board of MHCL included 100% tax compliance as one of its corporate Governance measures and hence MHCL management would be accordingly rated on this score; and
- (ii) the MHCL had entered into a Memorandum of Understanding for Time to Pay Agreement of taxes where ZRA undertook to waive penalties and interest subject to MHCL adhering to the agreement for the first six months. This initiative was expected to bring MHCL up to-date with its tax obligations.

Committee's Observations and Recommendations

While noting the measures put in place by the Controlling Officer, your Committee is disappointed that these measures have only been enforced after the audit which the Committee finds to be highly irregular. The Controlling Officer is strongly encouraged to enhance supervision and further to ensure that the suggested measures are strictly enforced to avoid recurrence. Your Committee also urges the Controlling Officer to ensure that all the outstanding statutory obligations are paid without any further delay. Your Committee awaits a progress report on the matter.

12.6. Unsupported Payments - K127,702

The Controlling Officer regretted that MHCL did not avail to the auditors documents cited in the report at the time of the audit because some receipts had not been obtained from suppliers and other payees. The other reasons were that the Local Purchase Orders and Goods Received Notes had been misfiled while there was also untimely raising of requisite documents for payment. It was regrettable that not all the cited seven (17) missing documents had been traced by MHCL.

MHCL had, however, undertaken to obtain from suppliers and service providers receipts for the old payments to secure closure of the matter by end of the first quarter. Going forward, MHCL had been directed to ensure records and documents were maintained appropriately. Lapses in the maintenance of records shall attract disciplinary action.

Committee's Observations and Recommendations

Your Committee does not accept the reasons stated by the Controlling Officer, and hence, urges the Controlling Officer to institute disciplinary action against erring officers for this failure. Further, all the documents should be availed for audit verification without any further delay. Your Committee awaits a progress report on the matter.

12.7. Missing Payment Vouchers – K80, 310

The Controlling Officer reported that the payment vouchers related to the travel of the Procurement Officer for ZMW3,250, motor vehicle expenses ZMW38,818.60, Staff medical for David Silumbwe ZMW30,000, Air Ticket ZMW 4,755 and Internet subscription ZMW850. The Controlling Officer submitted that MHCL had been directed to ensure that going forward requests for audit information were prioritised and submitted in time during the audit process. The cited missing payment vouchers were available for verification.

Committee's Observations and Recommendations

Your Committee finds the reasons stated by the Controlling Officer unacceptable and hence, urges him to institute disciplinary action against erring officers for this failure. Your Committee awaits a progress report on the matter.

12.8. Questionable Procurement of Quantum Bus - K453,750 (US\$50,000)

The Controlling Officer informed your Committee that he had reprimanded the General Manager. Further, the Board had been censured and directed to ensure that no such transactions were allowed in future.

Committee's Observations and Recommendations

While appreciating the action taken by the Controlling Officer on this matter, your Committee strongly cautions management to desist from abrogating procurement procedures wilfully. It appears to your Committee in this matter that officers tasked with the responsibility of protecting public funds are the ones involved in circumventing them to their advantage. Your Committee warns against such practices. As the matter is adequately dealt with, your Committee resolves to close the matter subject to audit verification.

12.9. Failure to Register Assets

The Controlling Officer submitted to your Committee that MHCL engaged the RTSA Regional Office in Kasama to inspect the equipment and guide on registration. RTSA advised that the inspection of the equipment was not necessary, as the equipment in question was not used on public roads. MHCL had since written to the RTSA Office for a formal response which would be availed to the Auditor General once received.

Committee's Observations and Recommendations

Your Committee is concerned that from the reasons given by the Controlling Officer, it is not clear as to why RTSA can advise in the manner it did in relation to registration of the equipment, when the *Road Traffic Act, No.11 of 2002* is clear on how to proceed on the matter. Your Committee, therefore, urges the Controlling Officer to ensure that, the matter is resolved without

any further delay and that erring officers face disciplinary action for neglecting this duty. Your Committee awaits a progress report on the matter.

12.10. Failure to Update Fixed Assets Register

The Controlling Officer informed your Committee that MHCL had been guided to capture all assets cited by the auditors into the Fixed Asset Register at the valuation of K1 each, pending determination of the economic benefit by an independent valuation. The assignment of K1 was only for the purposes of entering the item in the Fixed Asset Register.

Committee's Observations and Recommendations

Your Committee questions whether the Company has engaged any independent valuation to resolve the matter. Further, your Committee is concerned over the lack of clarity as to when the matter would be addressed. Your Committee, therefore, urges the Controlling Officer to ensure that the matter is resolved within the second quarter of 2018, as failure to address it may result into an overstatement of retained earnings due to low depreciation charged to the Statement of Comprehensive Income of the company. Your Committee awaits a progress report on the matter.

13.0. MULONGA WATER AND SEWERAGE COMPANY LIMITED

Review of Operations

A review of operations carried out in April, 2017 for the financial years ended 31st March 2014, 2015 and 2016 revealed various irregularities to which the Controlling Officer responded as set out below.

13.1. Irregular Adjustments

According to the billing cycle and adjustments procedures, all adjustments had to be duly signed and approved by the Director Finance and Managing Director before they were made. All adjustments were to have reference numbers and supporting documentation.

During the period under review, 195 adjustments were passed on customer statements resulting in reduction of debtors in amounts totalling to K2,934,539. However, no supporting documentation authorising the adjustments was provided for audit.

The Controlling Officer submitted that management failed to avail the auditors the documentation for the processed adjustment due to an inadequate process for tracking the flow. Further, management had instituted a sign off process whereby, all adjustments submitted to the office of the Director Finance were listed on a tracking form of which a copy was kept by the receiving office (Commercial Manager's office) and another copy by the submitting Division. Documents were available for inspection.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that missing documents were only found after the audit had been carried out. Your Committee cautions the Controlling officer to ensure that documents are available at the time of audit in accordance with the law. Further, your Committee is of view that providing documents after an audit is completed could create doubts about the authenticity of such documents. Your Committee resolves to close the matter subject to audit verification.

13.2. Failure to Collect Debts – K150,694,234

The Controlling Officer submitted that included in the outstanding amount was K31,108,911, representing 21 percent owed by Government institutions. This was as a result of the process of revenue collection which was more focused on credit control, whereby more attention was given to the current billing and current payment without paying as much attention to those customers who were disconnected for long periods.

In addition, in a situation with less than 70 percent metering ratio, customers on fixed charges who remained disconnected physically but not disconnected in the billing system accrued debt every month, hence increasing the debt figures even when they were not receiving service. Your Committee was informed that management had taken the following steps to address the situation:

- a re-structuring of the Commercial Department by introducing a debt management section. This section would ensure that all customers disconnected were made to pay by inspecting any illegal continuous use of water;
- bailiffs would be used after all other normal efforts to collect from defaulting customers had failed and debt was over 90 days overdue;
- increased installation of meters in the system, which was currently at 80 percent, so as to ensure that when a property was disconnected no fixed billing was done, debt position should not increase on paper without actual consumption;
- disconnection of customers in the system, as a result of increased metering would result in controlled levels of debt; and
- promotion of a flexible payment plan where customers with bigger balances but with diminished capacity to pay even 50 percent of the outstanding balance were allowed to pay only twice their monthly bill plus a reconnection fee and supply would be restored.

Committee's Observations and Recommendation

Your Committee notes the response from the Controlling officer on the debt that was owed by customers who had been disconnected and urges the Controlling officer to ensure that proper systems are put in place so as to avoid having wrong information, which in turn undermines the integrity of the company's database. Further, your Committee is also concerned that Government institutions have continued to owe utility companies, thereby affecting the financial position of these institutions. Your Committee urges the Controlling Officer to ensure that measures are put in place to recover the outstanding amounts from customers, Government institutions inclusive. Your Committee resolves to await a progress report.

13.3. Failure to Produce Audited Financial Statements

The Controlling Officer submitted that this as a result of Management's underestimation of the requirements for the procurement of audit services following the conclusion of the 2013/14 audit. It was initially assumed that the follow-up audits could be done by extending the earlier audit contract. This was not possible and the Company got caught up with the workload of the subsequent years. However, the company's audited financial statements for the year ended 31st March, 2015 had been finalised and were to be signed off before end of March, 2018. Further, management had initiated the tender process to engage an audit firm to conduct the audits for 2016, 2017 and 2018. The draft consultancy contract had been submitted to the Attorney General for clearance before a formal engagement was done.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the company took over a year to engage an external auditor. Your Committee directs the Controlling Officer to take measures to ensure that the company could not conduct business without audited financial statements and that all erring officers in this case should be cautioned accordingly. Your Committee resolves to await a progress report.

13.4. Operating Without a Board of Directors

Contrary to Clause 64 of the Articles of Association, the company had been operating without a Board of Directors since 18th December, 2015 when the last Board was dissolved. As at 30th September, 2017, the Board had not been appointed.

The Controlling Officer submitted that this situation arose as a result of the transition from the Ministry of Local Government to the Ministry of Water, Sanitation and Environmental Protection. However, the names of the proposed members of the Board had since been submitted to the Ministry for consideration and the new board was expected to be in place by end of March, 2018.

Committee's Observations and Recommendations

Your Committee notes with concern that the Company had been operating for two years without a Board and also wonders who had been taking the decisions that should have been taken by the Board in the period under review. Your Committee directs the Controlling officer to ensure that a Board is appointed without undue delay, and, therefore, resolves to await a progress report on the matter.

13.5. Statement of Comprehensive Income - Profitability

The Controlling Officer submitted that the loss incurred in 2015 was as a result of the accrual of NAPSA and PAYE penalties in amounts totalling K882,329 and K9,152,222, respectively. This was as a result of provisions for anticipated NAPSA and PAYE penalties not being in the initial budget. The provisions were made in the course of the financial year as directed by the Board

then. However, management was now providing for the penalties and accounting for them in the financial statements. With this in place, the Controlling Officer hoped to have an improved profitability in subsequent years as demonstrated by the profit achieved in 2016.

Committee's Observations and Recommendations

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

13.6. Statement of Financial Position

An analysis of the statement of financial position revealed the following:

i. Current Ratio Below Industry Average

The Controlling Officer submitted that this situation occurred as a result of an increase in current liabilities arising from the accruing PAYE and NAPSA principal and penalties taken over from Nkana Water and Sewerage Company. Another cause was a portion of the IDA loan that was taken over from Nkana Water and Sewerage Company which was re-allocated every year from non-current to current liabilities, hence affecting the current ratio. However, management would now create savings to offset the annual increase in PAYE and NAPSA provisions and also to be used for settling the same penalties once they crystallised. This measure would lead to an improvement in current assets which would in turn improve the current ratio in line with the set benchmark.

Committee's Observations and Recommendations

Your Committee is concerned that the Controlling Officer has not formulated a tangible plan on how the savings will be attained and how the company plans to pay the outstanding PAYE and NAPSA, which are statutory obligations that have to be paid by the company. Your Committee directs the Controlling Officer to formulate a plan on this matter and resolves to await a progress report on the matter

ii. Receivable Turnover Days

The Controlling officer submitted that this occurred because the rate at which revenue was being collected was a largely dependent on the process of revenue collection which was formally more focused on credit control whereby attention was given to the current billing and current payment without paying more attention to the accrued debt.

Additionally, with less than 70 percent metering ratio in the periods under review, customers on fixed billing, who remained disconnected physically but not disconnected in the billing system, accrued debt every month, when they were actually not receiving the service, hence increasing the debt figures. The situation of non-settlement of bills was further accelerated in 2016, resulting into increased debtor days, when a Government directive was issued to stop disconnecting customers in the three towns of operation for over three months. However, the following steps

had been taken by management to address the situation:

- i) a re-structuring of the Commercial Department by introducing a debt management section. This section would be constituted to ensure that all customers disconnected were made to pay by inspecting any illegal continuous use of water;
- ii) bailiffs would be used as a last resort if other normal efforts to collect payment from defaulting customers failed and the debt was over 90 days overdue;
- iii) increased installation of metres, which was currently around 80 percent, so as to ensure that when a property was disconnected, no fixed billing would be effected; and
- iv) a flexible payment system which allowed customers with high outstanding debt to only pay twice their monthly bill every month would be implemented.

Committee's Observations and Recommendations

Your Committee takes note of the responses and resolves to await a progress report on the measures taken to reduce receivable turnover days and also urges the Controlling officer to ensure that the billing system is harmonised so that clients who are physically disconnected can be disconnected in the system also.

13.7. Non - Current Assets

i. Properties without Title Deeds

The Controlling Officer acknowledged the Auditor General's observation as being correct that the Company did not have title deeds for eighty one properties in form of land and buildings with a net book value totalling K65,707,654. This was because within the company, there was no specific officer responsible for managing the process until the Title was obtained.

The Controlling Officer submitted that, the company had since assigned a responsible officer to manage this process and all the eighty one properties in the three towns had been captured but not yet numbered. After numbering, Government surveyors would be engaged to produce survey diagrams, which were necessary for issuance of title deeds. The exercise was expected to be completed by June, 2018.

Committee's Observations and Recommendations

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

ii. Failure to Value Mulonga Water and Sewerage Company Properties

The Controlling Officer admitted that Mulonga Water Sewerage Company (MWSC) had not re-valued its assets in the form of land, buildings and plant since 1st April, 2009 when the revaluation

exercise was last conducted. This was because at the time the revaluation report was finalised, the company was already in the process of migrating from the manual asset register to the electronic one. The migration was only finalised in 2013. The re-valued amounts of the assets were then captured in the electronic asset register in the financial year ended 31st March, 2014.

The Company had since adopted a policy of re-valuing assets every five years with effect from 1st March, 2014. The next revaluation of assets would be completed before the end of the financial year ending 31st March, 2019. The Tender Evaluation Report for the procurement of Valuers was ready and awaiting the Internal Procurement Committee approval.

Committee's Observations and Recommendations

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

13.8. Review of Technical Operations

The audit findings revealed various irregularities, to which the Controlling Officer responded as outlined below.

i. Unaccounted for Water (Non-Revenue Water)

The Controlling Officer acknowledged the company did not meet the benchmark of 25 percent non-revenue water set by NWASCO in the period under review. This was due to high water wastage resulting from dilapidated networks due to aged pipes installed fifty years ago and inadequate metering.

The Controlling Officer further submitted that the company, under an infrastructure project called the Zambia Water and Sanitation project, was already replacing certain portions of pipelines, and non revenue water (NRW) teams had been constituted to address the NRW challenges. Tools, materials and equipment were being procured to assist in the reduction of NRW.

Committee's Observations and Recommendations

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

ii. Failure to Meet Metering Ratio Benchmark

The Controlling officer acknowledged that the Company did not meet the required benchmark of 100 percent metering ratio. This was due to non-availability of funds for investment in metering.

The Controlling Officer informed your Committee that the metering ratio was at 80 percent and with the ongoing meter installations, it was expected that they would reach 85 percent by end of March 2018. The company was in the process of procuring 10,000 metres to be installed by the end of the coming financial year. This would bring the metering ratio to 90 percent.

Committee's Observations and Recommendations

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

iii. Failure to Achieve Water Quality Standards

The Controlling Officer acknowledged the failure by the Company to meet the benchmark of 95 percent water quality compliance in the period under review. This was due to the presence of heavy metals in the raw water sources as a result of mining activities. However, the company had instituted corrective measures which included water safety plans and improving water treatment operations through the Zambia Water and Sanitation Project (ZWSP) by ensuring that the water was safe from abstraction up to the customer point. The company was now achieving 97 percent which was above the 95 percent water quality benchmark.

Committee's Observations and Recommendations

Your Committee notes the steps put in place to address the water quality standards and urges the Controlling Officer to ensure that goals and objectives that are measurable are put in place. These should tie in with the performance based contracts. Your Committee also urges the Government to ensure that mining companies are held accountable for contaminating the water on the Copperbelt. Your Committee resolves to close the matter subject to audit verification.

13.9. Procurement of Goods and Services

i. Delayed Implementation of Kasumbalesa Project

a) Lot 2 - Delayed Completion of Works

The Controlling Officer acknowledged that works on the Kasumbalesa Water and Sanitation Project were delayed. He explained that this was due to lack of preparation of initial design works, high water table and encroachment of building structures on water and sewer routes.

Your Committee was further informed that management extended the contract for Shaftex Limited several times and since these extensions were within the contract validity period, the issue of liquidated damages did not arise.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the Company could sign a contract without initial designs being in place as this could have led to either over estimation of costing and increased cost due to variations. Your Committee directs the Controlling officer to closely monitor the works, rather than monitor them remotely from the Ministry headquarters. Your Committee resolves to seek a progress report on the matter.

b) Lot 3

i. Failure to Avail Variation Order

The Controlling Officer submitted that a variation Order was not issued for removal of the sewage treatment facilities from the scope due to management's oversight in completing the process, having earlier obtained a no-objection from the financier, Ministry of Local Government and Housing, to reduce the scope due to lack of funds.

Your Committee was informed that management had made improvements in the way it was managing contracts to ensure that such lapses did not arise in future. The company resolved to terminate the contract on 18th August, 2017. However, the termination of the contract was subject to the Attorney General's legal opinion which was being awaited.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that management failed to avail the Auditors a variation order at the time of the audit, even when, a no objection was obtained from the financiers. Your Committee reminds the Controlling Officer to ensure that management takes audit exercise seriously and to cooperate with the auditors to avoid unnecessary queries appearing in the audit report. Your Committee resolves to await a progress report on the matter.

ii. Stalled Works

The Controlling officer submitted that the works stalled due to the abandonment of site by the contractor despite the fact that the contract had been extended due to valid reasons such as lack of preparation of initial design works, high water table and encroachment of building structures on water and sewer routes.

The Controlling Officer informed the Committee that the company resolved to terminate the contract on 18th August, 2017 and that the termination of the contract was subject to the Attorney General's legal opinion which was being awaited.

Committee's Observations and Recommendations

Your Committee notes the submission by the Controlling Officer and resolves to await a progress report.

iii. Delayed Implementation of Repair Works - Collapsed Embankment

The Controlling Officer admitted that no works had been done on the collapsed embankment and the river water pump station was still at risk of being flooded. This was because the contractor had abandoned the site for unknown reasons. However, management had terminated the contract based on the expiry of the contract period. Inquiries to engage another contractor to carry out the works had been floated and were awaiting the Internal Procurement Committee approval.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report.

13.10. Failure to Replace Water Metre Testers

The Controlling Officer acknowledged the non replacement of the water metres and attributed it to delivery of the second replacement metre test bench which was still being awaited. However, the matter had been followed up with the supplier to expedite the replacement process. The supplier had assured the company that the test bench would be delivered by 15th March, 2018. Documentary evidence was available for verification by the Auditor General.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report.

14.0. NATIONAL AIDS COUNCIL (NAC)

Review of the Operations

A review carried out in May, 2017 on accounting and other records maintained at NAC for the period from January, 2014 to December, 2016 revealed various irregularities, to which the Controlling Officer responded as set out below.

14.1. Failure to Prepare and Submit the Annual Reports to the Minister

The Controlling Officer regretted that the Council did not submit annual reports to the Minister for the financial years ended 31st December, 2014, 2015 and 2016.

Your Committee was informed that the institution was audited by a private auditing firm (MPH Chartered Accountants) from 2014 to 2015. When the Auditor General came to audit the 2016 financial statements, they also reviewed 2014 and 2015 financial statements. The signed copies of financial statements were availed and also resubmitted to the Ministry of Health.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the Council fail to prepare and submit financial statement and annual reports to the Minister as required by the relevant Act. Your Committee reiterates that going forward, management should be serious and ensure that financial statements and annual reports are prepared and submitted to the Minister on time. Your Committee recommends the matter for closure subject to audit verification.

14.2. Failure to Implement Planned Activities.

It was submitted by the Controlling Officer that during the period under review seventy-six activities out of eighty-eight planned activities were implemented representing 86 percent, leaving twelve activities not achieved as of May, 2017.

The main reason for this failure was insufficient funds, as some of the pledges made by cooperating partners at time of budgeting were not met. Going forward, your Committee was informed that annual work plans and budgets would only be made based on the GRZ Grant, which was consistent and guaranteed.

Committee's Observations and Recommendations

Your Committee is concerned that failure to undertake planned activities impacted negatively on the mandate of the Council. It is, therefore, recommended by your Committee that, while appreciating external sources of funding to the Council, it is important that key activities that are tied to the mandate of the Council are budgeted for under Government's resources, which are predictable. Your Committee's recommendation is also made in light of declining grants from cooperating partners.

14.3. Income and Expenditure Statement for the Year ended 31st December, 2014 to 2016

The Controlling Officer submitted that while the council had a deficit of K2,620,133, and K8,906,084 in 2014 and 2015, respectively. He further submitted that in 2016, a surplus of K498,257 was recorded.

He added that the expiry and non-renewal of the Joint Financing Agreement in 2015 which provided support towards the operations of the Council, resulted into deficits on the income statement. In this agreement, a number of cooperating partners consisting of Embassies and NGOs provided operational funds to the Council. In light of this, annual work plans and budgets would only be made based on the GRZ Grant, which was consistent and assured.

Committee's Observations and Recommendations

Your Committee reiterates that due to decline in the grants from the cooperating partners, there is need for the Council to ensure that work plans and budgets are made based on Governments sources of funds, which are predictable.

14.4. Statements of Financial Position as at 31st December, 2014 to 2016

The Controlling Officer agreed to the audit findings by the Auditor General's Office that the accumulated fund worsened from negative K6,445,831 in 2014 to negative K14,901,870 in 2016, representing a 131 percent decrease. Your Committee was informed that this was due to the expiry and non-renewal of the Joint Financing Agreement in 2015, which provided support

towards the operations of the Council, resulting into further deficits, hence affecting the accumulated fund and the liquidity ratios.

Your Committee was further informed that management had introduced control measures on budget preparation and expenditure monitoring in order to improve the financial position.

Committee's Observations and Recommendations

Your Committee bemoans the reduction in donor support to the Council as it has negatively affected the operations of the institution. In this regard, your Committee recommends that the Council aligns its work plans and budget to grants from the Government. This will ensure that the Council undertakes all its planned activities in line with its mandate. Your Committee resolves to close the matter subject to audit verification.

14.5. Irregular Contract for Piloting the HIV and Social Protection Assessment Tool

The Controlling Officer submitted that the contract extension was made to improve the quality of the assessment. This involved conducting a desk review, a workshop and compiling of information and production of the report. The extension was approved by the Director General and the amount involved was within his approval threshold. The report in question had since been approved and the tool was in use.

The Controlling Officer further submitted that the approved consultant's report and the extension of the contract were available for audit verification.

Committee's Observations and Recommendations

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

14.6. Failure to Remit Statutory Contributions

The Controlling Officer submitted that at the time of audit, the Council owed a total of K23,647,797.45 in statutory obligations and penalties to ZRA and NAPSA. Your Committee was informed that this was mainly due to the expiry and non-renewal of the Joint Financing Agreement within 2015, which provided support towards the operations of the Council. This left a huge financing gap resulting in the accumulation of debt, including statutory obligations.

The Controlling Officer informed your Committee that the Council had since engaged the concerned institution for a sustainable payment plan to liquidate the obligation. The correspondence in this respect and the recent payment receipts were available for verification.

Committee's Observations and Recommendations

Your Committee resolves to await progress report on the implementation of the payment plan to enable the Council liquidate statutory obligations and penalties to ZRA and NAPSA.

14.7. Failure to Recover Global Fund Project Funding

A review of correspondence revealed that the Global Fund disbursed K8,221,851 to NAC through the Ministry of Finance (MoF) for payment of salaries to District Aids Coordinating Advisors and payment of statutory debts in 2014 was not received. Despite NAC management having engaged the MoF, the funds had not been received as at 31st August, 2017.

The Controlling Officer submitted that the Council was in constant engagement with the Ministry of Finance to recover the funds.

Committee's Observations and Recommendations

Your Committee is concerned over the failure by the Ministry of Finance to release funds received from the Global Funds in 2014, resulting in failure by the Council to pay salaries to the District Aids Coordinating Advisors and statutory debts. Your Committee implores the Secretary to the Treasury to ensure that funds are disbursed to the Council and expended on the intended purpose. A progress report on this matter is awaited.

14.8. Unsupported Payments

Your Committee was informed that at the time of audit, seven payment vouchers amounting to K197,591 were not supported with relevant documents. This was mainly attributed to poor records management by the respective staff. However, all payment vouchers in question had since been fully supported and were available for verification.

Your Committee was further informed that the records management had since been strengthened through staff training to avert the problem of missing vouchers during future audits.

Committee's Observations and Recommendations

Your Committee sternly cautions the Council to ensure that all supporting documents for any payments made are properly filed. Your Committee resolves to close the matter subject to audit verification.

14.9. Failure to Produce Activity Reports

The Controlling Officer submitted that it was regrettable that at the time of the audit activity reports were not availed as they were filed separately. It was further submitted that all activity reports had been retrieved and were available for verification.

Committee's Observations and Recommendations

Your Committee expresses disappointment on the failure by the Council to produce activity reports to the auditors, especially that the failure was attributed to the poor record keeping. Your

Committee, therefore, strongly urges the council to improve its records management. The matter is recommended for closure subject to audit verification.

15.0. THE NATIONAL PENSION SCHEME AUTHORITY (NAPSA)

Review of the Operations

A review of the accounting and other records for the financial years ended 31st December, 2014, 2015 and 2016 revealed various irregularities, to which the Controlling Officer responded as indicated below.

15.1. Board Related Matters

i. Frequency of Board Dissolutions and Re-appointments

A scrutiny of annual reports for NAPSA for the period under review revealed that there was no Board that operated for the stipulated tenure of office as provided in the Act as shown in the table below:

Board	Date appointed	Date Dissolved	Period Served
Main board	01/04/2014	26/12/2015	1 year eight months
Caretaker board	26/02/2016	10/05/2016	3 months
Main board	10/05/2016	18/01/2017	8 months
Interim board	27/02/2017	01/06/2017	3 months
Main board	01/06/2017	Still in office	

The Controlling Officer had been communicated to on the auditors' observation regarding the frequent dissolutions and re-appointments of Boards.

Committee's Observations and Recommendations

Your Committee observes with concern the continued disruptive Board dissolutions and reiterates that it is not good for business operations as it poses a risk to the Management of the Authority and inhibits detailed scrutiny on any operational and investment decisions. Your Committee directs the Controlling officer to ensure that there is continuity in the structure of the Board and endeavours to implement measures that would allow Board members to complete their tenure of office as provided in the law. Your Committee notes that the dissolution of Boards, at the whim of the appointing authority, is not in the interest of the institution. Your Committee resolves to close the matter subject to audit verification.

ii. Failure to Retrieve Tablets from Former Board Members

The Controlling Officer submitted that, the Authority was using electronic Board packs in order to enhance communication with Board members and effectiveness of Board operations.

Management had written to the affected former members of the Board and its committees who had not returned the iPads with a view to retrieve the devices or secure payment.

Committee's Observations and Recommendations

Your Committee observes that giving tablets to Board members for their work is a laudable decision. However, your Committee finds it embarrassing for the Controlling Officer to be following up tablets in the manner described, considering that people who are appointed as Board members are often respected citizens who have served the country in various portfolios. Your Committee directs the Controlling Officer that in future they should consider attaching the cost of utility items such as a tablet to the allowances that Board members are entitled to and this must be expensed in the books of accounts. Your Committee recommends that the Controlling Officer expenses these items and resolves to close this matter.

15.2. Weaknesses in Managing Pensions and Contributions

i. Failure to Enforce Provisions of the National Pensions Scheme Act No. 40 of 1996

The Controlling officer informed your Committee that efforts to resolve the non-adherence to the *National Pensions Scheme Act No.40 of 1996*, with regard to scheme membership for new entrants into the civil service and the local authorities had been undertaken at several levels. These measures included requesting P MEC to deploy a system control on the payroll system that would prevent input errors that resulted in new employees in the Government being assigned a PSPF pension deduction code.

Further, a number of meetings jointly coordinated by the Public Service Management Division and the Ministry of Labour had been held in a bid to rectify the historical issues for members, whose contributions were being sent to PSPF instead of NAPSA. However, when the Government embarked on pension reforms, it was decided that the matter should be handled within the broader pension reforms, relevant documents were available for verification.

Committee's Observations and Recommendations

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

ii. Irregularities in the Management of Contributions

A review of the contribution records maintained at the Authority revealed various irregularities, to which the Controlling Officer responded as outlined below.

- **Defaulting Employers**

The Controlling officer informed your Committee that the authority was actively pursuing defaulting employers through court actions and other administrative arrangements to allow those with financial difficulties to sign settlement agreements with the Authority. In the first half of 2017 alone, the Authority prosecuted a total of 1,365 employers countrywide.

Further, the Authority had proposed amendments to the Act on the penalty rate following a number of representations from stakeholders that the current rate of 20 percent was too punitive and negatively impacted business growth. The proposal was submitted to the Ministry of Justice and was expected to be tabled before Parliament during its legislative sitting for the Second Session of the Twelfth National Assembly.

Committee's Observations and Recommendations

Your Committee observes with concern the huge sums of money that NAPSA is owed. Your Committee is concerned that part of the monies is owed by companies that have wound up, whilst their credits are still appearing on the NAPSA books. Your Committee urges the Controlling officer to ensure that the measures to collect the debt are expedited. Your Committee resolves to await a progress report and the presentation of the Social Protection Bill before Parliament.

- **Failure to Secure Repayment of Amounts Borrowed by the Ministry of Labour and Social Security**

The Controlling officer submitted that it was correct that the authority lent out amounts totalling K503,552.00 to the Ministry of Labour and Social Security to pay expenses such as foreign and local travels of Ministry officials for activities. As at the 30th September, 2017, the Ministry had not reimbursed the Authority.

Committee's Observations and Recommendations

Your Committee finds it unacceptable for the Ministry to borrow funds directly from NAPSA, as this is not provided for in the law and also for any Government Ministry to borrow from utility companies. Your Committee strongly urges the Controlling Officer to desist from such and directs him to ensure that funds are paid back to NAPSA as a matter of urgency. Your Committee resolves to await a progress report.

15.3. Weaknesses in Managing Re-development of Society House and Central Arcades Project

Several irregularities were observed, to which the Controlling Officer responded as set out below.

i. Lack of Detailed Engineering Design

The Controlling Officer informed your Committee that the use of preliminary designs and cost estimates meant that the project was not fully designed at tender stage hence detailed designing was to be done during construction. Accordingly, the cost estimate on which the tender was awarded was not a true reflection of actual project cost as the reality had turned out to be.

Zambia National Building Society (ZNBS) tendered the re-development of Society House and Central Arcade in 2010 through the Zambia National Tender Board (ZNTB) now Zambia Public Procurement Authority (ZPPA). Tenders were invited from Consortiums for design and build based on preliminary designs and cost estimates.

After tender evaluation and contract award, ZNBS established a Special Purpose Vehicle (SPV) known as Society House Development Company Limited (SHDCL) as a medium of redeveloping and operating the asset. The reason of doing so could be assumed as being mitigation against direct risk exposure to ZNBS.

Given the required capital outlay for the redevelopment of the asset, ZNBS approached National Pension Scheme Authority (NAPSA) to take-up the role of equity partner for the purpose of financing, operating and transferring the asset back through a concession arrangement.

Subsequently, ZNBS and NAPSA executed a twenty year Concession Agreement which resulted into NAPSA acquiring 100 percent ownership of Society House Development Company Limited and entering into a construction contract with Yangts Jiang Enterprises Limited (Main Contractor) on behalf of Zambezi Consortium (ZC) based on the already awarded tender by ZNTB.

Your Committee was informed that great effort had been applied toward success project delivery. Very difficult decisions had been taken by NAPSA Management and the Board, which had safeguarded NAPSA Members' pension funds invested into the project from being lost, had the project been abandoned due to challenges encountered.

In this regard, diligent project monitoring and management had been applied. These measures had resulted into their retail and parking area being complete by December, 2015 and offices by December, 2016. The Authority had since begun to realise a return on the investment by way of Rental Income.

On the other hand, the Hotel whose construction works was at 85% completion was scheduled for full completion before 31st December, 2017 and trading for business was scheduled for first quarter 2018.

Committee's Observations and Recommendations

Your Committee observes with dismay that NAPSA had undertaken to tender for a project using tentative costs and designs. Your Committee warns the Controlling Officer against taking such risky decisions and to ensure that in future, no project is to be undertaken before detailed designs

and plans are done, considering that over half of the costs escalation was due to the project of re-development of Society House and Central Arcades. Your Committee resolves to await a progress report on the completion of the Hotel.

ii. Wasteful Expenditure Arising from Changes in Hotel Operators

The Controlling Officer submitted that the initial hotel operator identified at design stage was Holiday Inn, but pulled out before the project was completed, which resulted in design changes amounting to K775,000 arising from differing brand specifications.

The Controlling Officer further indicated that, the engagement of hotel operator (Holiday Inn) was part of Zambezi Consortium's development solution and bid that was duly evaluated and accepted by ZNBS. Ideally, there should have been an enforceable development agreement between Zambezi Consortium and Holiday Inn, which would have been acceded to by Society House Development Company Limited after the execution of construction contract. He further added that in the absence of a formal development agreement between Zambezi Consortium and Holiday Inn, it was difficult for Society House Development Company Limited to take legal action against the hotel operator (Holiday Inn).

Committee's Observations and Recommendation

Your Committee is disappointed by the response as it shows that due care and diligence was not taken in handling this matter. In this light, your Committee calls for disciplinary action to be taken against the officers and ultimately caused this wasteful expenditure. Further, your Committee also calls for the recovery of the wasteful expenditure from the Controlling Officers. In addition, your Committee cautions the Controlling Officer to ensure that going forward, all the legal aspects of all projects are scrutinised in detail to ensure that the public interest is protected before any undertaking is embarked on. Your Committee will await a progress report on the matter.

iii. Delays in Commencement of Commercial Benefits of the Project

The Controlling Officer submitted that the duration of the concession period and its limitation in ensuring full recovery of invested capital had been a matter of discussion between the management of ZNBS and NAPSA.

The extension of the concession period, in the event that the invested capital was not fully recovered within the remaining period of concession, was an option already provided for in the signed concession agreement. Accordingly, the option could be triggered towards the end of the concession period after monitoring the performance of the investment so that the two parties could make an informed decision on the reasonableness of the extension to be allowed.

However, the challenge of full recovery of invested capital within the remaining concession period had since been resolved by ZNBS approving of outright sale of the asset to NAPSA. The documents were available for auditors' verification.

Committee's Observations and Recommendations

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

iv. Poor Quality of Concession Agreements

The Controlling Officer agreed with the audit findings which revealed that a scrutiny of both concession agreements signed between NAPSA and ZNBS and between SHDCL and ZNBS were of questionable quality.

The Controlling officer submitted to your Committee that the Authority had been exploring various options to enhance the Authority's prospects of recovery of its investment including re-negotiating and amending the concession agreement. The Authority was currently negotiating an outright purchase of the asset from ZNBS. This would ultimately address the issue as ZNBS had shown interest to sell the asset to the Authority as per the letter which was available for Audit verification.

Committee's Observations and Recommendations

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

15.4. Weaknesses in Managing Kalulushi Housing Project

A review of the project and site visitation carried out in August, 2017, revealed the following:

i. Failure to Claim Funds from the Council Paid for the Encroachment

The Controlling officer submitted that in 2011, approximately 2 years after the Project had commenced, a Court action was commenced against the Authority and the Kalulushi Municipal Council (KMC), wherein it was alleged that the Authority/KMC had encroached on private property. The disputed land affected 19 houses that were already under construction by the Authority. The implications were that the Authority could not proceed to complete the construction of the 19 houses and that the Contractors needed to demobilize until the court matter was concluded.

In 2013, Management made a commercial decision to settle the matter ex-curia after considering the implications of protracted litigation on the completion of the Housing project. Unfortunately, KMC had rejected or neglected the Authority claim to be compensated, claiming that the land was not encumbered as alleged by the Claimant and that the Authority should not have settled the matter ex-curia.

Contrary to the report, the Authority contracted Yangtes Jiang to construct 438 units and not China Geo. China Geo was the contractor that constructed the roads at Kalulushi Housing Complex.

Committee's Observations and Recommendations

Your Committee notes with dismay the investment undertaken by NAPSA at Kalulushi housing project since the investment never yielded the anticipated results. Your Committee cautions the Controlling Officer to ensure that future investment projects undertaken by NAPSA must yield financial benefits to the institution to avoid wastage of resources. Your Committee resolves to await a progress report on the funds paid for claim of encroachment.

ii. Failure to Secure Refund for Construction of the Twenty-Seven Manholes

The Controlling Officer informed your Committee that Nkana Water & Sewerage Company Limited had failed to settle the amount, citing budgetary constraints. However, the two parties had been engaged in management discussions to resolve the matter.

Committee's Observations and Recommendations

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

15.5. Absentee Tenants – Mongu District

The Controlling Officer agrees to the audit findings indicating that there were nineteen absentee tenants in 2015 and 2016 respectively that had locked offices. The number increased to twenty one in July, 2017. In this regard, NAPSA did not collect rentals from such tenants amounting to K58,011.09 in 2015, K59,141.09 in 2016 and K65,977.09 in 2017.

The Controlling officer submitted that the Authority had embarked on an assessment to consolidate the schedule of the vacated and locked offices countrywide, for publication through the public media, as per legal requirements, to enable opening up of these spaces and eventual reallocation to new tenants and enable the collection of rentals receivable.

Further, the Authority had implemented a debt policy and bailiffs had been engaged and attached to all the properties to speed up collection of rentals. The old tenants that had vacated would be pursued through the legal process.

Committee's Observations and Recommendations

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

15.6. Duplicated Payments

The Controlling officer submitted that the duplications were reported to ZANACO for recall of the funds. However, the bank was unable to recall the funds due to insufficient funds on the claimant's statements. Efforts to recover the funds were still being pursued.

Committee's Observations and Recommendations

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

16.0. NATIONAL SAVINGS AND CREDIT BANK (NSCB)

Review of Operations

A review of accounting and other records maintained at NATSAVE headquarters and a visit to selected branches, namely Ndola, Kitwe, Mpongwe, Mwense, Mansa, Mpika, Kasama, Choma, Livingstone, Kazungula, Mumbwa, Solwezi and Lumwana and a physical inspection of selected infrastructure projects carried out during the period from September, 2016 to February, 2017, revealed various irregularities, to which the Controlling Officer responded as indicated below.

16.1. Financial Statements – Qualified Financial Statements

The financial statements for the years ended 31st December, 2013, 2014 and 2015 were qualified due to the reasons set out below.

- **External Auditors were Unable to Take Part in the Cash Count and Could, Therefore, not Verify the Closing Balances**

The Controlling Officer stated that for a number of years the bank did not conduct an external audit of the financial statements. The current auditors Grant Thornton were appointed in 2013, but their first audit was retrospective to 2010. For that reason, they could not participate in the cash count for the earlier already closed years. Further, he informed your Committee that auditors were accorded cash count certificates prepared in-house by bank staff for that period. Thereafter, following the appointment in 2013 up to 2017, the auditors consistently carried out the annual cash count as part of the annual year end process.

Committee's Observation and Recommendation

Your Committee questions how the Bank operated without being audited for such a long period, rendering it difficult to ascertain the accountability and transparency of the operations. Your Committee is of the view that this is evidence of poor supervision by the Central Bank and also the Board. Your Committee requests that reports from the Central Bank be availed for audit verification. Your Committee further emphasises that both the Board and the Central Bank take seriously the supervision of the Bank. Further, your Committee demands that management be cautioned for this serious omission. Your Committee closes the matter subject to audit verification.

- **Expenditure that Lacked Supporting Documentation**

The Controlling Officer submitted that the related documentation was burnt in a fire which occurred on 13th November, 2015. The expectation initially was that the Bank would recover

some documents and reconstruct the records. The Police Report was released in September, 2017 two years after the fire, and there was no documentation available, making it difficult to reconstruct the records. In light of the circumstances, Management would prepare a “Loss Report” to quantify and highlight the losses that occurred due to the fire.

Committee’s Observation and Recommendation

Your Committee finds it unbelievable that such a big bank would operate without a strong backup policy. Your Committee is therefore, concerned that unscrupulous persons could take advantage of this situation in order to conceal information. Further, your Committee directs the Controlling Officer to ensure that a backup policy is enhanced or off-site data recovery site is in place. Your Committee will await a progress report on the matter.

- **Significant Breakdown of Internal Controls Due to the Failed Installation of the Core Banking System - Rubicon**

The Controlling Officer submitted that the Bank had since migrated to a new core banking system, Finacle by Infosys, with effect from 20th March, 2017. The Bank was updating its manuals and policies in order to strengthen the internal control environment using the recommended Enterprise Risk Management Framework.

Committee’s Observation and Recommendation

Your Committee notes with concern, the weak internal controls during the period under review as a result of the failed installation of the core banking system. While noting that a new core banking system has been put in place, your Committee urges the Controlling Officer to ensure that the system is constantly updated to avoid recurrence of the breakdown.

- **Some of the Bank Records were Guttled Resulting in Some Balances not Being Validated**

The Controlling Officer submitted that the Bank had installed smoke detectors to mitigate future incidences of fire. Furthermore, backup systems were also being enhanced with offsite storage of important records.

Committee’s Observation and Recommendation

Your Committee finds it unbelievable that such a big bank could operate without a strong backup policy. Your Committee strongly urges the Controlling Officer to ensure that, the erring officers and Management are sternly and firmly cautioned not to be negligent in their work. Further, your Committee directs the Controlling Officer to ensure that a back up policy is developed and fully implemented. Your Committee will await a progress report on the matter.

16.2. Irregularities in Staff Related Costs

i. Irregular Payment of Hardship Allowances - K68,677

The Controlling Officer stated that some anomalies were caused by the following:

- a. delayed movement of staff who had been transferred in some cases; and
- b. the conditions of service specified the towns that were regarded as rural but an addendum should have been prepared when new branches were opened in rural areas, which was not done.

Management had, however, increased oversight on the payroll function to avoid future lapses and records were being checked to identify the individuals involved and effect recoveries. The Conditions of Service had been amended to read as follows: “Rural Areas” shall mean all towns in Zambia other than Provincial Headquarters, Copperbelt towns and towns along the line of rail.

Committee’s Observation and Recommendation

Your Committee finds it unacceptable that Government lost funds by, inadvertently, paying officers who did not qualify for allowances due to inertia by the officers designated as end-users in the districts. While appreciating that the matter has been addressed by increasing oversight, your Committee strongly urges the Controlling Officer to ensure that, erring officers face disciplinary action for this failure and further that all irregularly paid allowances are deducted from the affected officers. Your Committee will await a progress report on the matter.

ii. Failure to Remit Pay As You Earn (PAYE) - K8,087,161

The Controlling Officer stated that following the failure of the earlier agreement, management had been in talks with ZRA and asked for an extension up to 28th February, 2018 to prepare an interim turnaround plan for the Bank, after which a fresh Time to Pay Agreement (TPA) would be entered into.

Committee’s Observation and Recommendation

It is disheartening for your Committee to learn that despite deducting taxes from employee’s remunerations, the Bank is failing to remit them to ZRA. Your Committee warns that the failure to comply with tax regulations could result in loss of public funds due to penalties which may arise therefrom. Your Committee, therefore, strongly urges the Controlling Officer is strongly urged to ensure that management remits all the outstanding deducted statutory obligations to Zambia Revenue Authority without any further delay. Your Committee will await a progress report on the matter.

16.3. High Portfolio at Risk (PAR)

The Controlling Officer submitted that the high PAR was as a result of an unreliable legacy banking system that presented monitoring and aging problems as the same was being conducted manually. The new system aged loan statements without errors, thus allowing staff to concentrate on monitoring and following ups customers. Loans that were in arrears were fully provided for and debt recovery efforts continued, with reviews being conducted monthly. A Debt Recovery Policy had also been drawn up, approved by the Board and rolled out to guide officers on how to effectively carry out debt recovery activities. The Credit Policy had also been revised taking into account the weaknesses noted. The revised Credit Policy had also been approved by the board and rolled out.

Committee's Observation and Recommendation

Your Committee finds it unacceptable that Management at National Savings and Credit Bank operated without a Debt Recovery Policy during the period under review and wonders how profitability could be guaranteed in the Bank in these circumstances. Your Committee further notes with concern that failure to recover debt meant reduced liquidity and profitability of the Bank. Your Committee, therefore, urges the Controlling Officer to sternly caution Management of the Bank against such laissez-faire approach to serious matters and that, henceforth, credit control measures be enhanced to increase debt recovery. Your Committee resolves to await a progress report on the matter.

16.4. Unrecovered Loans - K560, 598

The Controlling Officer submitted that efforts were ongoing to collect all loans as and when they fell due. The new debt recovery policy had also been drawn up to guide officers on how to effectively carry out debt recovery activities.

Committee's Observations and Recommendations

Your Committee observes with concern the lack of seriousness on such matters of serious concern by management and urges the Controlling Officer to ensure that management adheres to laid down procedures and further that debtors with outstanding loans are pursued vigorously. Your Committee will await a progress report on the matter.

16.5. Non Recovery of Loans – Head Office K2,911,676

The Controlling Officer submitted that measures had been put in place to ensure that the customers in question started servicing their loans accordingly. Most of the loans involved were now performing, with some paid off, and recoveries were being made monthly. A schedule was available for audit verification indicating current outstanding balances and status. Out of a total of 319 statements, ninety one were paid off, 210 were remitting recoveries while eighteen were not remitting recoveries but were actively being pursued.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that management only decided to pursue the defaulters of these loans after the audit. It is evident that there is a total management failure at the Bank as matters are allowed to deteriorate and action only taken after auditors unearthed them. Your Committee feels strongly that there is need to look seriously review the management of this institution in order to save it from total collapse. Your Committee further urges the Controlling Officer to ensure that all defaulters are pursued without any further delay. Your Committee awaits a progress report on the matter.

16.6. Failure to Adhere to Loan Agreement – Bunjimi Asset Plus Loans - K476,264

Concerning Lusaka Northmead Branch, the Controlling Officer submitted that the observation was made on one of the first applications which involved purchase of dairy animals as opposed to equipment. Whereas the Bank had, in collaboration with Zambia National Farmers' Union (ZNFU), signed MOUs with suppliers of Equipment, there was no such arrangement for dairy cattle as customers would buy from individual farmers who had dairy animals. The Bank took note of the observation and was now paying directly to the farmers.

With regard to Kasama branch, the Controlling Officer noted the auditors' concern but stated that the white book was available as a security document for the facility. Further, the Bank now ensured that security deposits were paid on all asset plus loan facilities granted.

Committee's Observations and Recommendations

Your Committee observes with concern the lack of seriousness on matters of such serious concern by management and urges the Controlling Officer to ensure that management adheres to laid down procedures and further that all defaulters are actively followed up without any further delay. Your Committee awaits a progress report on the matter.

16.7. Failure to Deliver Service

The Controlling Officer submitted that the matter was being handled by the Anti-Corruption Commission.

Committee's Observations and Recommendations

Your Committee expresses concern at the length of time it has taken since the irregularity occurred, and hence urges the Controlling Officer to follow-up the matter with the investigative wings to ensure that the process should be expedited. Your Committee awaits a progress report on the matter.

17.0. NDOLA LIME COMPANY (NLC)

Review of Operations

An examination of accounting and other records and a physical inspection of assets and projects carried out in April and July 2017 revealed various irregularities, to which the Controlling Officer responded as set out below.

17.1. Financial Performance – Statement of Profit and Loss and Other Comprehensive Income for the Financial Years Ended 31 March 2013, 2014, 2015 and 2016

The Controlling Officer submitted that the loss for the period was mainly attributed to high production cost and low sales. The high cost of production and low sales of K178 million in 2016 depressed the gross profit margins to 9 percent compared to the average gross profit margin of 36 percent for 2013, 2014 and 2015. The 2016 sales of K178 million included:

- i) Stock adjustment of K45 million in 2016;
- ii) high Heavy Fuel Oils (HFO) cost of K14.0 million due to prolonged run of the fuel inefficient Rotary Kiln (RK), as a result of repeated failure of Vertical Kiln 1(VK1); and
- iii) high depreciation charge of K6 million following commissioning of various units of plant (Hydrating plant, Hydrated Lime bagging & packing and 33/11KV substation as well 100 Tonnes No.2 weighbridges).

Sales for the period under review had decreased from K214 million in 2013 to K196 million 2016 due loss of market and low production capacity.

The Controlling officer further submitted that the company had undertaken two broad corrective measures which were meant to improve plant availability and production cost efficiency. NLC was currently undertaking debt financed plant recapitalisation which, once commissioned, would result in improved plant availability and production cost efficiency.

Committee's Observations and Recommendations

Your Committee is seriously concerned with the gloomy outlook regarding NLC as it has continuously made losses for over four years. Your Committee is of the view that NLCs relevance in the market is doubtful. Your Committee resolves to await a progress report on proposed debt financed plant recapitalisation which the company was undertaking.

17.2. Statements of Financial Position as at 31st March 2013, 2014, 2015 and 2016 **Liquidity Ratios**

i. Current Ratio

The Controlling officer submitted to your Committee that NLC had declining current ratio, below industry average because of:

- i) increased current liabilities driven by mainly unpaid statutory obligations which attracted penalties and interest;
- ii) part of USD 27 million loan obtained in 2011 from Standard Bank of South Africa (SBSA) was reclassified as current due to the fact that it was falling within one year of repayment (the loan was obtained to finance the construction of a new lime plant).

In addition, the Controlling Officer informed your Committee that ZCCM-IH was pursuing a number of strategic interventions to address the challenges of Ndola Lime and provide a long term solution that could turn the company around. These included the following, among others:

- (i) the ultimate plan for Ndola Lime was to identify a Strategic Partner who could provide both financial and technical support to the company;
- (ii) pursuant to (i) above, ZCCM was in discussion with possible partners interested in entering into a management services agreement to provide technical and business support to Ndola Lime. Once this was in place, Ndola Lime would be able to produce quality lime and also would have a ready market in the short to medium term; and
- (iii) in the next two years, Ndola Lime would be the sole supplier of limestone to the cement project in Ndola. It was expected that this would improve its sales and liquidity.

Committee's Observations and Recommendations.

Your Committee finds it unacceptable that the company has accumulated so much debt. Your Committee urges the Controlling officer to ensure that the debts owed are paid off expeditiously. Your Committee resolves to await a progress report on the matter.

ii. Quick Ratio

The Controlling officer submitted that the decline of the Quick Ratio for NLC to below the industry average of 0.75 demonstrated the Company's state of insolvency resulting from the increase in statutory obligations which had been attracting penalties and interest as well as the reclassification of the loan from Standard Banks of South Africa as current.

He further informed your Committee that ZCCM-IH was pursuing a number of strategic interventions to address the challenges of Ndola Lime and provide a long term solution that could turn the company around. These included identifying a strategic partner, entering into a management services agreement to provide technical and business support to Ndola Lime and the company to be the sole supplier of limestone to the Cement project in Ndola.

Committee's Observations and Recommendations

Your Committee is dismayed with the poor financial status of the company and finds it unacceptable that it has taken the company too long to implement a survival plan. Your

Committee resolves to await a progress report on the process of finding a strategic partner and urges the Controlling Officer to provide a timeframe for this.

iii. Working Capital

The Controlling officer submitted that the working capital for NLC declined further from K70,561,812 (2012/13) to K230,247,171(2015/16) due to:

- (i) increased interest on loans due to the company being highly geared, penalties on statutory obligations and unpaid terminal benefits; and
- (ii) low cash generation resulting from below capacity production and consequently low sales.

The Controlling Officer further submitted that similarly, the ability of the Company to improve its working capital would be addressed with either of the strategic options of engaging into a management services contract or finding an equity partner who would provide both financial and technical support.

Committee's Observations and Recommendations

Your Committee cautions the Controlling Officer to have alternative investment plans in addition to the equity partner being sought for the Company. Your Committee resolves to await a progress report on this matter.

iv. Receivable Days

The Controlling Officer submitted that the receivables' days for NLC were longer than its thirty days credit period because one of the major customers (Konkola Copper Mines Plc) had not been paying its invoices on time.

However, NLC had engaged KCM and agreed to limit the credit facility to 3,000 tonnes of quick lime per month. KCM had since paid all the outstanding invoices and were now current.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to identify other customers rather than depend only on KCM. Your Committee closes the matter subject to audits verification.

v. Payable Days

The Controlling officer submitted that the payable days for NLC were way above the allowable thirty days because of reduced sales revenue, hence low cash flows and thus affecting the company's ability to discharge its obligations as they fell due. He further informed your Committee that the strategic interventions being pursued by ZCCM-IH to turn NLC around would help its performance and improve its payable days.

Committee's Observations and Recommendations

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

vi. Debt-to-Assets Ratio

The Controlling Officer submitted that the causes of a declining debt-to-asset ratio was that, NLC contracted a total loan of USD108 million broken down as follows: - from ZCCM-IH (USD 75.6 million), SBSA (US\$ 27.0 million) and Stanbic Bank (US\$ 4.7.0 million), for purposes of constructing a new lime plant in order to enhance production capacity. The debt to asset ratio as calculated by the Auditors in the table for liquidity ratios had reduced from 63% in 2013, 47% in 2014, 54% in 2015 and 26% in 2016.

The drastic drop in 2016 was due to the conversion of ZCCM-IH debt of K659 million to equity. He further submitted that the conversion of debt to equity by ZCCM-IH provided relief to the company. However, the turnaround of NLC was dependent on the strategic interventions being pursued by the shareholder, ZCCM-IH.

Committee's Observations and Recommendations

Your Committee notes the measures undertaken to reduce the debt of the company. Your Committee further directs the Controlling officer to ensure that the debt owed to Standard Bank of South Africa SBSA (USD 27million) and Stanbic Bank (USD 4.7million) is paid so that the company can raise its own equity from sales. A progress report will be awaited by your Committee.

vii. Solvency Ratios

- **Debt-to-Equity Ratio**

The Controlling Officer informed your Committee that the debt/equity ratio increased because of the following:

- (i) continued depletion of equity due to the losses that NLC recorded from 2013 to 2016; and
- (ii) Inability by NLC to service debt obligations from internal revenue resulting in contracting further debt from the parent company ZCCM-IH to service exiting loans.

He further added that the performance of NLC, including its gearing ratio of debt-equity hinged on the successful implementation of the turnaround strategic options being pursued by the Shareholder ZCCM-IH.

Committee's Observations and Recommendations

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

- **Interest Coverage Ratio**

The Controlling officer submitted that NLC had been making losses was, therefore, unable to service the loans from its own internally generated cash flows.

He further stated that NLC was expected to turnaround when the shareholder implemented one of the strategic options of either management service contract or equity partner. In addition, the plan was to make NLC sole supplier of limestone to the new cement plant in Ndola once completed in two years' time.

Committee's Observations and Recommendations

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

17.3. Irregularities in the Management of Projects - The Recapitalisation Project

The Controlling officer submitted that the following were the causes of the irregularities in project management:

(i) Inefficient Structuring of an Engineering and Procurement Contract (EPC)

The EPC for construction of a lime plant comprised two components, namely installation and commissioning. The agreed payment terms were not tied to the successful commissioning such that the budget was exhausted before commissioning. The installation had a specific agreed amount while the commissioning was dependent on the engineer's hours.

(ii) Liquidation of the Contractor

The main Contractor Terruzzi Fercalx of Italy was liquidated resulting in challenges in project completion. As an alternative, individual employees of Terruzzi were engaged. NLC had to do away with the experts engaged for the commissioning exercise because of high charges for the work which they believed could be done in-house. The commissioning exercise was not fully achieved.

(iii) Expiry of Warranty Period of Components

The delayed commissioning resulted into expiry of the warranty for some components. A number of components discovered to be defective at the time of commissioning could not be replaced and consequently new ones were procured at added cost.

(iv) Project Defects

An independent consultant discovered a number of design defects on the vertical kiln (VK2). The estimated cost of rectifying defects was at USD3 million.

(v) Partial Commissioning of the Kiln

The Kiln had only attained a maximum of 52% of the expected 500 tonnes per day during the commissioning period.

The Controlling officer further submitted that NLC had studied the report on the Vertical Kiln (VK2) by the independent consultant. The company was in the process of engaging an expert to rectify the design defects identified by the consultant. The cost of the works was estimated at USD 4 million.

- i) As at 30th June, 2014, Terruzzi Fercalx S.P.A had been paid the full amount for works on the kiln and there was no evidence that Ndola Lime Limited had taken any action against Terruzzi Fercalx S.P.A for the stated deficiencies.

The Controlling officer submitted that, the causes of full payment before successful commissioning were that the project had three components of procurement of the kiln, construction/erection of the kiln and commissioning. Payments to the contractor Terruzzi Fercalx S.P.A were based on certificates of completion at each stage as certified by the project consulting engineers (Aveng- EPC).

- (i) NLC paid for the construction works for the kiln after certification by Aveng-EPC. The consulting engineer, Aveng-EPC, failed to detect design defects and hence NLC paying for the defective Kiln;
- (ii) the payments for commissioning were based on hourly charge-out rates for each engineer and not on the successful attainment of project deliverables (production of 500 tonnes of quick lime per day). The payments were done monthly after compiling the time sheets;
- (iii) NLC had not taken any further action against Terruzzi Fercalx as it had been liquidated.

He further submitted that the local Engineers lacked the technical capacity to understand the plant as it was the first of its kind and was specialised. In future and as a learning point, ZCCM would ensure that it engaged professional consulting project managers to monitor its new projects; and

- (iv) the entire NLC plant was provided as collateral for the loan obtained from SBSA. This implied that if both NLC and ZCCM-IH who guaranteed the loan defaulted, the NLC plant would be taken over by financiers.

The Controlling officer acknowledged that there was a risk of repossession of the plant since it was pledged as collateral.

- (i) NLC had secured a loan agreement of USD33 million but actual disbursed was USD27 million from SBSA for financing the construction of a lime plant, the outstanding loan balance as at 31st December, 2017 was USD15.5 million; and

- (ii) Besides NLC pledging the plant as security, the parent company ZCCM-IH, the guarantor, had been advancing some loans on a quarterly basis to Ndola Lime Company for onward repayment.

He further submitted that management undertook the following steps:

- (i) the parent Company, ZCCM-IH remained committed and would ensure that the Loans were serviced on a quarterly basis until a time when NLC was able to begin paying from cash flows generated from its operations; and
- (ii) The loan instalments that ZCCM-IH, was paying on behalf of NLC had been recognised as shareholder loans expected to be repaid or restructured. The modalities of settlement would be addressed in the strategic options to be considered by the parent company.

In addition, the Controlling Officer stated that all the plants installed under the project had been fully commissioned and put to beneficial use except for the vertical kiln (VK2).

Regarding frequent equipment failures, the Controlling Officer stated that the company had put in place a maintenance management system and that modification had been done to the plant.

On the issue of blockages in the limestone, coal and quicklime transportation sections, the Controlling Officer stated that the causes for the blockages had been identified and measures were taken, such as modification of chutes to eliminate or minimise the blockages.

The Controlling Officer further stated that the company was working on the design shortcomings. However, at the time of verification by the auditors, the vertical kiln (VK2) was not operational.

On the vertical kiln, the Controlling Officer submitted that the reason for the non-operation of the vertical kiln (VK2) was attributed to the partial commissioning, and the highest production level achieved was 52% of the design capacity. However, it was not operational because of the observed design defects. He further added that NLC was in the process of engaging an expert to rectify the design defects identified by the consultant. The cost of the works was estimated at USD 4 million.

Committee's Observations and Recommendations

Your Committee observes with serious concern management's decisions regarding the engagement of the Italian contractor who failed to abide by the provisions of the contract signed. Your Committee directs the Controlling Officer to pursue the matter and seek recovery of the money paid to the contractor for which no work was done in order to avoid total loss of these public funds. Your Committee resolves to await a progress report on the matter.

17.4. Irregularities in the Management of Assets

i. Defective Mining Equipment

- **Defects on Mining Haul Trucks – Terex TR45 and Primary Crusher Operating below Capacity**

The Controlling Officer submitted that the causes of defective mining equipment and crushing plant were that:

- (i) NLC had been operating old plants and equipment that experienced persistent failures. The primary crusher and some ancillary units were obsolete and as such required replacement with modern equipment; and
- (ii) NLC had been unable to undertake major repairs on its mining equipment and plant because of inadequate financial resources to procure the required parts. This also applied to other units of the plant with major repair requirements.

He further added that the enhancement of plant and equipment by NLC was a priority in the strategic interventions being pursued by ZCCM-IH.

Committee’s Observations and Recommendations

Your Committee observes with concern that the planned strategic interventions had no timeframe. Your Committee resolves to await a progress report.

ii. Lack of Refractory Bricks for Vertical Kiln(1)

A refractory brick is a block of refractory ceramic material used in lining furnaces, kilns, fire boxes, and fire places. A refractory brick is designed mainly to withstand high heat but should also usually have a low thermal conductivity to save energy. Usually dense refractory bricks are used in applications with extreme mechanical, chemical, or thermal stresses, such as the inside of a wood-fired kiln or a furnace, which is subject to abrasion from wood, fluxing from ash or slag, and high temperatures.

It was observed that the vertical kiln No.1 was frequently shut down due to stock out of Heavy Fuel Oil (HFO), occasional failure of the kiln charging system and lack of refractory bricks.

The refractory bricks were last installed in November 2013 and had since been worn out. Although management stated in their response that the procurement of refractory bricks was a priority item for the company, no refractory bricks had been procured for the vertical kiln (1) as of the date of verification in July, 2017.

The Controlling Officer submitted that NLC was unable to procure the refractory bricks because of cash flow challenges. However NLC was making consistent efforts to repair the kiln by

replacing the damaged refractory bricks with the unconventional bricks procured from KCM and Chambishi Metals. This had helped to keep the kiln running. The total amount required to do a full rebrick was USD3million.

Committee's Observations and Recommendations

Your Committee observes with concern that the Company has continued to invest funds into the repair of the kiln by replacing the damaged refractory bricks without yielding a lasting solution. Your Committee recommends that the Controlling Officer considers alternative options, which will be efficient and provide a lasting solution to avoid wastage of resources. Your Committee resolves to await progress report on this matter.

17.5. Failure to Collect Debt

The Controlling Officer submitted that NLC did not have a documented debt policy. However, sales orders had clearly stipulated payment terms. NLC managed to reduce the debtors' balance from K1,596,402 to K580,000 as at 8th February, 2018, by making collection from the major debtors. He further submitted that in future NLC would develop and document the debt policy.

Committee's Observations and Recommendations

Your Committee directs the Controlling Officer to provide it with a timeframe in which the debt collection exercise would be concluded.

17.6. Irregularities in the Procurement of Goods and Services

i. Contract for the Supply of 2000 Replica Jerseys – Yesu Sports

The Controlling officer submitted that:-

- (i) NLC, as a sponsor, advanced a loan of K220,000 to Lime Hot Spurs Football Club for the procurement of replica jerseys meant for resale.
- (ii) NLC issued a Purchase Order directly to Yesu Sport Suppliers which had not been fully expedited. However, a decision was made to get the sports kit as opposed to the replica jerseys because the supplier failed to deliver the consignment within the football season. Yesu Sports Suppliers had since delivered the sports kit worth K115,080 leaving a balance of K104,920.

The Controlling Officer further submitted that he regretted the failure by NLC Management to recover the money for the undelivered goods. The following measures had been taken for future endeavours:

- (i) The Company would ensure that advance payments to vendors would be made against Advance Payment Guarantees and Letters of Credit. This would ensure that the financial resources of the company were protected; and

- (ii) NLC would identify a debt collector within Kabwe where Yesu Sport was based. This would enable the company to recover the debt at a lower cost compared to engaging a lawyer.

Committee's Observations and Recommendation

Your Committee strongly urges the Controlling officer to ensure that the remaining balance is recovered from the debtors and resolves to await a progress report.

ii. Undelivered Goods and Services

The Controlling officer submitted that:

- (i) NLC acknowledged that it had not received foreign purchased goods worth K600, 952. This included K441,062 paid to Terruzzi Fercalx, a company that had since been liquidated, for spare parts.
- (ii) The balance of K633, 011 for local suppliers was still being reconciled as it related to inappropriate configuration of some suppliers who provided services and goods on both cheque with Orders and Credit Purchase Orders.

He further submitted that:

- (i) NLC had enhanced its ERP features to ease the reconciliations; and
- (ii) Further, NLC would henceforth ensure that advance payments to vendors were made against Advance Payment Guarantees and Letters of Credit.

Committee's Observations and Recommendations

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

17.7. Staff Related Matters

a. Failure to Remit Statutory Contributions

The Controlling Officer submitted that NLC had not remitted payroll statutory deductions in form of PAYE and NAPSA contributions during the period under review because of cash flow challenges. The outstanding amount continued to attract penalties. In the case of NAPSA contributions, the K12 million related to penalties.

The Controlling Officer further added that NLC had taken the following steps:

- (i) NLC had engaged ZRA and made a proposal to the effect that KCM would withhold 20 percent of every invoice and remit directly to the Zambia Revenue Authority. The Zambia Revenue Authority had not yet responded but had since instructed KCM to remit 20 percent directly to them; and

- (ii) NLC had written proposals to NAPSA but there had been no positive feedback. NAPSA had since written to NLC demanding full settlement of the outstanding liability.

Committee's Observation and Recommendation

Your Committee finds it unacceptable that NLC deducted statutory contributions but failed to remit them funds to ZRA and NAPSA. Your Committee strongly cautions the Controlling Officer against failure to remit statutory obligations as this is not only unlawful but it also has implications on the company's balance sheet as a result of interest and penalties there from. Your Committee resolves to await a progress report on the matter.

b. Non-Payment of Terminal Benefits

The Controlling Officer submitted that NLC had not paid the terminal benefits to employees who had separated between October, 2011 and March, 2017 because of cash flow challenges.

- (i) NLC restructured the pension scheme in 2011/12 from Defined Benefits Pension Scheme to Defined Contribution Pension Scheme because the previous scheme was unsustainable.
- (ii) The benefits that each employee had earned under the old Pension Scheme were computed with the intention of transferring them into nominated private pension schemes. During the time of migration, the benefits stood at K59,030,499 but had reduced to K35,862,571 as at 31st March, 2017.

NLC had since paid an additional K1,976,511 to employees who had separated and further paid K17,762,693 to employees who were affected by the restructuring exercise. The funds paid out were financed by ZCCM-IH as shareholder loans.

The Controlling Officer further submitted that settlement of the outstanding terminal benefits would be taken care of in the strategic interventions being pursued by the shareholder, ZCCM-IH, to turnaround NLC.

Committee's Observations and Recommendations

Your Committee expresses concern that the plight of the employees who were separated from NLC had not been prioritised and urges the Controlling Officer to ensure that the matter is fully addressed expeditiously. Your Committee will await a progress report.

18.0. NKANA WATER AND SEWERAGE COMPANY

Review of Operations

A review of the operations of the company for the financial years ended 31st December, 2014, 2015 and 2016 carried out in August, 2017 revealed various irregularities, to which the Controlling Officer responded as set out below.

18.1. Expiry of the Tenure of the Board

The Controlling Officer submitted that the delay in appointing the Board of Directors was mainly caused by the transition from the Ministry of Local Government and Housing to the new Ministry of Water Development, Sanitation and Environmental Protection (MWDSEP).

The company had, however, submitted names from stakeholders to the Ministry for appointment as board members. The board was expected to be appointed by end of March, 2018.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that there was no Board due to the transition of the Ministry from Local Government and housing to the new Ministry of Water Development Sanitation and Environmental Protection. Your Committee further finds it unacceptable that the transition process would take such an inordinately lengthy period of time to be completed. Your Committee finds it unacceptable that the Permanent Secretary assumed the role of interim Board in the absence of the Board as this is not provided for in the law. Your Committee urges the Controlling officer to ensure that a Board is put in place expeditiously and resolves to await a progress report on the matter.

18.2. Operating Losses - Statement of Comprehensive Income

The Controlling officer acknowledged the Auditor General's observation on the increasing operating losses caused mainly by the fact that the company, like other utilities, was still in an investment phase. In addition, dilapidated infrastructure contributed to high water losses and this was further compounded by inadequate sales to cover all the costs. However, Management had embarked on capital investment projects to extend services to Ndeke Presidential, Chamboli SOS, Mukuba Natwange using internally generated resources. Metering of 6,600 customer properties was completed in December, 2017. Another 10,000 post-paid metres were expected to be installed this year. The Automatic Metre Reader (AMR) technology would also be implemented on the post-paid meters to improve meter reading and billing.

To improve collections and consequently reduce provisions for bad debts which had contributed to the loss incurred during the period under review, the company had implemented various strategies to streamline the debt management system, key of which was the creation of a Commercial Services Directorate, as well as streamlining of inspections and disconnection systems.

Committee's Observations and Recommendations

Your Committee notes the submission with concern that the Company has been incurring recurring losses for a long time. Your Committee urges the Controlling Officer to expedite the implementation of capital investment projects which would enhance production and in turn the company's revenue. Your Committee will await a progress report.

18.3. Financial Performance

i. Poor Management of Receivables

The Controlling Officer submitted that the growing trade receivables had resulted from non-payment by customers in low income communities who comprised 60 percent of the customer base as well as the growing debt for Government and grant aided institutions which was 30 percent of the customer base. Further the Company was also not spared by the effects of reduced production by the mines to 30 percent in 2015 which resulted in reduced employment levels and income from the mining communities.

However, 1,400 of prepaid metres had already been installed in Kwacha East. Nkana Water and Sewerage Company (NWSC) and had embarked on procuring and installing 14,040 prepaid metres in 2018. This measure had increased the debt recovery level.

Committee's Observations and Recommendations

Your Committee notes the strides made, but it urges the Controlling Officer to provide a plan on how the company is going to improve the receivable days. Your Committee resolves to await a progress report.

ii. Current Ratio / Liquidity

The Controlling Officer submitted that factors that had affected the liquidity position were mainly the interest accrued and capital repayments from the loans that were acquired by Kitwe City Council from the African Development Bank (ADB) and Asset Holding Company- Mining Municipal Services (AHC-MMS) from the International Development Association and transferred to NWSC. However, NWSC had engaged the Government through Ministry of Finance on the old loans with a new to consider relieving NWSC of the loans or converting them to equity in view of the fact that the actual loans were already written off under the Highly Indebted Poor Countries (HIPC) initiative.

Committee's Observations and Recommendations

Your Committee in noting the response finds it awkward that the loans are still appearing on the financial books if they had indeed been written off. Your Committee requests the Controlling Officer to provide evidence that the loans have actually been written off and also to ensure that

books of the company are adjusted to show a true status quo. Your Committee will await a progress report.

iii. Return on Capital Employed (ROCE)

The Controlling Officer submitted that this could be attributed to under investment in the utility as at December, 2016. The investment gap according to the National Urban Water Supply and Sanitation program of 2011 was US\$362 million to the year 2020 and US\$ 618 million to 2030 out of which US\$263 to the year 2020 had been through GRZ. However, NWSC had embarked on capital investment projects to improve water infrastructure system which resulted in reduction in Non-Revenue Water, thereby increasing sales on its treated water. With this intervention in place, ROCE would improve as a result of improved profitability.

Committee's Observations and Recommendations

Your Committee notes the response and the strides made. However, your Committee is concerned that no evidence has been produced to show that non revenue water had reduced owing to the new capital investments so as to increase the return on capital employed. Your Committee resolves to await a progress report with documentary evidence.

iv. Deteriorating Gearing Ratio (Debt-to-Equity Ratio)

The Controlling Officer submitted that the high gearing ratio comprised mainly of loans, which were acquired by Kitwe City Council from the African Development Bank (ADB) and Asset Holding Company - Mining Municipal Services (AHC-MMS) from the International Development Association and transferred to NWSC. Further accumulated losses arising from years of under investment had also resulted in negative capital reserves.

However, NWSC had engaged the Government through the Ministry of Finance on the old loans that were acquired by Kitwe City Council from the African Development Bank (ADB) and Asset Holding Company - Mining Municipal Services (AHC-MMS) from the International Development Association to consider relief of the loans through write off or converting to equity in view of the fact that the actual loans were already written off under the Highly Indebted Poor Countries (HIPC) initiative.

The impact of the capital restructuring proposed when factored into the results for 2014-2016 clearly showed acceptable equity ratio of 0.52 in 2014, 0.32 in 2015 and 0.42 in 2016.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report on the write off of the debts and the proposed option of converting the debt into equity.

18.4. Statement of Cash-Flows - Decrease in Cash-flow from Operating Activities

The Controlling officer acknowledged the Auditor General's observation on the growth rate in administrative costs, which was mainly caused by dilapidated water infrastructure and low collection levels. However, Management had put strategies in place to increase collection levels which would consequently result in increased revenue. Management had also embarked on capital investment projects to improve water infrastructure and to reduce Non-Revenue Water.

Committee's Observations and Recommendations

Your Committee notes the response and urges the Controlling Officer to expedite the implementation process of the capital investment and further directs him to provide evidence on the strategies that have been put in place. Your Committee resolves to await a progress report.

18.5. Comparative Performance in the Water and Sanitation Sector

i) Unaccounted for Water (Non-Revenue Water)

The Controlling Officer submitted that the growing Non-Revenue Water which arose from under investment in capital expansion by the various entities that owned and operated the facilities before NWSC. However, Management had embarked on capital investment projects to extend services to Ndeke Presidential, Chamboli SOS, Mukuba Narwange using internally generated resources. Metering of 6,600 customer properties was completed in December, 2017. Another 10,000 post-paid metres were expected to be installed in before the end of 2018. The Automatic Metre Reader (AMR) technology would also be implemented on the post-paid meters to improve meter reading and billing.

Committee's Observations and Recommendations

Your Committee wishing to know the expected and actual reduction in non revenue water after the full implementation of the strategies that the company has earmarked upon and resolves to await a progress report on the matter.

ii) Failure to Meet Collection Efficiency Standards

The Controlling Officer attributed the failure to poor payment culture from low cost consumers who comprised 60 percent of the debt stock. The closure of the mines during the period under review affected the low cost consumers significantly, resulting in high bad debts provisions in this category which also affected the company's operating results.

However, in order to improve collections, the company was implementing various strategies to streamline the debt management system, key of which was the creation of a Commercial Services Directorate, as well as streamlining of inspections and disconnection systems.

Committee's Observations and Recommendations

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

18.6. Total Costs Coverage by Total Revenue

The Controlling Officer submitted that the inability to cover costs fully for 2014-2016 was mainly due to increasing provisions for depreciation arising from capitalisation of assets procured and constructed under NWSSP phase I as well as foreign exchange losses, particularly in 2015 when the exchange rate weakened from K6.3 in 2014 to K11.1 in 2015. However, NWSC had created a Commercial Services Department in order to streamline debt management system such as:

1. Debtors Ageing Analysis and follow-ups;
2. Payment Plan Scheme;
3. Staff member collection target; and
4. Use of debt collectors.

Committee's Observations and Recommendations

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

18.7. Low Metering Ratio

The Controlling Officer submitted that this was caused by lack of capital financing during the period under review.

However, Management had taken actions to increase metering ratio from the current 73 percent to 90 percent by December, 2017 and to 100 percent by end of 2018. The activities to realise these targets were as shown below:

- i. installation of 6,600 post-paid metres that were currently being installed and completion was earmarked by end of 2017;
- ii. 4,000 prepaid metres procured and installed by December, 2017. A total of 13,900 prepaid metres would be installed under NWSSP 2 by 2018. This would further reduce NRW as water conservation would be practiced by the customers; and
- iii. Further, a Metering Policy had been developed and was being implemented to ensure that both existing and new customer connections were metred.

Metering ratio increased from 73 percent in 2016 to 84 percent in 2017.

Committee's Observations and Recommendations

Your Committee notes the response and requests the Controlling Officer to avail a copy of the "Metering Policy" the company was implementing to your Committee. Your Committee resolves to await a progress report on the matter.

18.8. Casualisation of Labour

The Controlling Officer submitted that this was as a result of the company's financial constraints which inhibited the employment of all workers on permanent and pensionable basis. However, the company had instituted measures to improve operating capacity, which in turn would increase its revenue base and thereby enable the company to avoid casualisation.

Committee's Observations and Recommendations

Your Committee observes with concern that the Controlling Officer was unable to give specific details on the measures that the company had undertaken to curb casualisation. Your Committee resolves to close the matter subject to audit verification.

18.9. Failure to Replace Pump - Nkana East Sewerage Treatment Works

The Controlling Officer submitted that by the time the audit was undertaken in August, 2017, only two mono pumps had been installed with one serving as standby. However, the third mono pump had since been installed and was serving as a second standby. The pump was available for verification.

Committee's Observations and Recommendations

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

19.0. PENSIONS INSURANCE AUTHORITY

Review of Operations

A review of operations for the financial years ended 31st December, 2013, 2014, 2015 and 2016 carried out during the period from November, 2016 to February, 2017, revealed various irregularities, to which the Controlling Officer responded as set out below.

Failure to Operationalise the Fidelity Fund Account

The Controlling Officer submitted that the Pensions Insurance Authority (PIA) could not operationalise the Fidelity Fund Account as the Authority was awaiting the Minister of Finance to issue a statutory instrument (SI). In this regard, a Cabinet Memorandum had been generated to facilitate approval of the SI.

Committee's Observations and Recommendations

Your Committee observes with concern that the failure to operationalise the Fidelity Fund Account had an implication of possible litigation, which could arise from claims for compensation. Your Committee finds the laxity by the Controlling Officer unacceptable and

hence urges him to impress upon the Minister of Finance to ensure that the process of issuing a Statutory Instrument is expedited. Your Committee would await a progress report on the matter.

19.1. Financial Performance - Statement of Comprehensive Income

The Controlling Officer stated that profitability was impacted by additional supervisory activities and increase in staff expenses over the years due to recruitment of nine positions over the stated period. This was in line with the new strategic plan which recognized increased business volumes as the industry expanded. From 2009 to the end of 2016, the pension sector grew from 158 to 242 entities, while the insurance sector grew from 161 to 361 entities. The expenses, therefore, included emoluments attributed to increases in salaries and other necessary operations due to increased staffing levels, inspections, monitoring, consumer education programmes, financial inclusion programmes and conducting capacity-building programmes for scheme members.

Further, he stated that there was a drastic increase in the prices of goods and services between 2013 and 2016 owing to the increase in inflation and depreciation of the exchange rate of the kwacha.

Committee's Observations and Recommendations

Your Committee finds the reasons given by the Controlling Officer unacceptable as it is evident that decisions made by management at this institution were imprudent. In particular, your Committee refers to the increase in salaries despite the institution grappling with insolvency and lack of profitability. Your Committee strongly urges the Controlling Officer to ensure that management is cautioned and that a lasting solution is found to resolve the issue of the unprofitability of the Authority. Your Committee resolves close the matter subject to audit verification.

i. Net Profit Margin Ratio

The Controlling Officer submitted that during the years 2013 and 2014, surpluses were registered due to savings that were being made to purchase the PIA's own premises. This was completed towards the end of the year 2014. After this major acquisition, operations expanded in line with the new strategic plan that aimed to strengthen and grow the pension and insurance industry.

Committee's Observations and Recommendations

Your Committee finds the response by the Controlling Officer unacceptable and urges him to caution the management of the authority to desist from giving misleading responses. Your Committee strongly urges the Controlling Officer to ensure that controls are enhanced to ensure that the increases in expenditure incurred are proportionate to the increases in revenue. Your Committee resolves to keep the matter in view during future audits.

ii. Operating Expenses as a Percentage of Revenue

The Controlling Officer stated that these expenses were due to expansion of supervisory activities such as monitoring, market conduct activities, financial inclusion programmes, awareness raising on pensions and insurance services and capacity building programmes. Further, in order to carry out these activities, the Authority recruited additional staff.

Further, he mentioned that there was a drastic increase in prices of goods and services between 2013 and 2016 owing to the increase in inflation and the exchange rate depreciation.

Committee's Observations and Recommendations

Your Committee finds the reasons stated by the Controlling Officer unacceptable as it was evident that decisions made by management at this institution were imprudent. As was stated above, your Committee makes reference to the increase in salaries, despite the institution grappling with insolvency and lack of profitability. Your Committee strongly urges the Controlling Officer to ensure that management is cautioned and that a lasting solution is found to holistically resolve the matter relating to unprofitability. Your Committee resolves to await a progress report on the matter.

19.2. Financial Position - Statement of Financial Position

An analysis of the Statements of Financial Position revealed the following:

i. Failure to Collect Pension and Insurance Levies

The Controlling Officer stated that the debts were only due and collected 60 days after the end of the quarter in line with Statutory Instrument (SI) 100 of 2007. Regarding the outstanding levies, the Controlling Officer had put in place measures to collect these levies through reconciliations with entities. Reminders had been written to entities owing the outstanding levy debts. As at 31st December, 2016, an amount totaling K19,030,833 out of a total of K19,905,866 (inclusive of current year levies) was received from most regulated entities confirming that most entities had since paid. However, ZSIC General, ZSIC life and Mukuba Pension Scheme had been facing challenges to pay levies. Following further engagements with the entities, positive results had yielded as ZSIC General and Mukuba submitted commitment letters to offset the debts.

The Controlling Officer submitted that he would ensure enhanced debt collection mechanism and where necessary the law would be enforced through the Legal Services Unit which was recently enhanced.

Committee's Observations and Recommendations

Your Committee observes with concern the failure by the Authority to collect insurance levies despite grappling with liquidity problems. Furthermore, this laxity by the officers was done with impunity. Your Committee strongly urges the Controlling Officer to ensure that the debt recovery

strategy is enhanced at the Authority and further that the erring officers are disciplined for this laxity. Your Committee resolves to await a progress report on the matter.

ii. Receivable Turnover Days

The Controlling Officer submitted that receivables on pension and insurance levy were due sixty days after the end of each quarter. This distorted the perception of turnover days. Regarding those debts that were beyond the required days, the Controlling Officer would work to reduce the receivable turnover days significantly through enforcement of the provisions of Statutory Instrument No 100 of 2007.

Committee's Observations and Recommendations

Your Committee observes with concern the failure by management at the Authority to enforce the provisions of the Statutory Instrument No. 100 of 2007, despite facing liquidity problems. Your Committee urges the Controlling Officer to ensure that management is reprimanded for this failure and further that all the outstanding amounts are recovered without any further delay and resolves to await a progress report on the matter.

19.3. Irregular Payment of Procurement Committee Allowances - K123,362

The Controlling Officer submitted that these Procurement Committee Allowances were granted after consultation with Zambia Public Procurement Authority and were provided for in the budget. However, he stated that the allowances were discontinued in the fourth quarter of 2017 and payment of external members of the Committee would be recognised in the Procurement Policy due for amendment.

Committee's Observations and Recommendations

Your Committee does not accept the reasons given by the Controlling Officer, as it is of the view that a provision in the budget cannot substitute the Cabinet Office Circular No. 11 of 2013, which is clear as to how they ought to have proceeded on the matter. Your Committee directs the Controlling Officer to ensure that all the irregularly paid funds are recovered from the affected officers and that management at the authority is cautioned to desist from abrogating procedure at will. Your Committee will await a progress report on the matter.

19.4. Management of Loans

The following were observed:

i. Lack of Insurance Cover on House Loans - K1,280,000

The Controlling Officer agreed that insurance policy was a desired condition in the loan policy to enhance measures to secure the loans. However, the loans were payroll backed and granted to confirmed staff who were either on permanent and pensionable terms or on contract. The

Controlling Officer was reviewing the current policy and an appropriate provision would be included.

Committee's Observations and Recommendations

Your Committee observes that the officers were not proactive in securing loans, which is a serious omission that could result in loss of public funds. Your Committee firmly directs the Controlling Officer to ensure that the policy is reviewed expeditiously and that all subsequent loans are secured to avoid a recurrence of this irregularity. A progress report on the matter would be awaited.

ii. Failure to Surrender Original Title Documents

The Controlling Officer agreed with the findings and responded that the matter was being pursued as the two employees had since submitted copies of lodged documents with Ministry of Lands to obtain Titles.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that loans for unqualified officers were approved by management with impunity. It is also worrying to note that these officers did not even have title deeds at the time and they are to date, in a process of obtaining these documents. Your Committee finds it highly irregular that management at this institution disregarded laid down procedures as per Clause 5 of the House Loan Agreement by not getting original title deeds from the officers. Your Committee urges the Controlling Officer to ensure that Management at this Institution is cautioned for this omission and that those officers whose loans were inadvertently approved expeditiously surrender their title deeds to management. Your Committee would await a progress report on the matter.

iii. Failure to Provide Collateral Equivalent to House Loans Obtained

It was observed that amounts totalling K470,000 paid to two staff as loans were not adequately covered by the collateral surrendered to the Authority. The value of the properties used as collateral was only K295,000. The Controlling Officer submitted that this matter was being handled through placing of caveats on the two affected staff.

Committee's Observations and Recommendations

As in (ii) above, your Committee observes with concern the rampant disregard of procedure by management at this institution. The Controlling Officer is urged to ensure that management is reprimanded for this failure and further that, the matter is normalised without any further delay. Your Committee will await a progress report on the matter.

19.5. Lack of Adequate Monitoring and Enforcement of Law

The following were observed:

i. Failure to Prepare Financial Statements

The Controlling Officer submitted that the Authority did actually carry out the monitoring on the entities and that enforcement of the law as a supervisory action had equally been undertaken. Despite the weakness in the law, which currently had no provision for sanctions, the PIA carried out some supervisory interventions. Companies that had not complied had been suspended from operating. Relevant documents were available for verification.

Committee's Observations and Recommendations

Your Committee expresses concern over the failure by management to enforce the provisions of the law. Your Committee further directs the Controlling Officer to ensure that management puts in place a strong monitoring system to ensure that all entities adhere to the provisions of the law. Your Committee awaits a progress report on the finalisation of the statement.

ii. Failure to Prepare Fourth Quarter and Annual Returns

The Controlling Officer submitted that Leadway and Kafue Insurance Brokers did submit their Annual Returns for 2016, although they were delayed. The Controlling Officer further submitted that the Authority did not grant licences to entities that did not submit their annual returns.

Committee's observations and recommendations

Your Committee expresses concern at the failure by management to prepare fourth quarter and annual returns and as required by law. Your Committee further directs the Controlling Officer to ensure that management puts in place a strong monitoring system to ensure that all entities adhere to the provisions of the law. Your Committee resolves to close the matter subject to audit verification.

iii. Failure to Adequately Protect Members' Interest

The Controlling Officer submitted that the matter had been discussed with the employer who had cited some financial challenges as the reason for accumulating the arrears. Going forward, a commitment to settle these arrears once funding was received was made as per letter dated 16th October, 2017.

• TAZARA Pension Trust Scheme

- The scheme had not remitted any funds to ZSIC Life Limited during the period under review despite deducting pension contributions from staff amounting to K675,737 during the period from January, 2013 to March, 2015.

- The scheme was owing amounts totaling K57,072,216 to retirees for the period from 2013 to 2016.

The Controlling Officer submitted that the challenges relating to the TAZARA Pension Trust Scheme initially came to the attention of the Authority in June, 2004. At that time, the employer had been defaulting in remitting contributions for a decade. The Authority engaged with the employer then and it was revealed that the employer was facing financial challenges and had consequently not been remitting obligations such as pension contributions and taxes relating to its employees. Interventions were undertaken by the Authority and in view of this, the Scheme's petition to wind up was approved in September, 2017 following persistence in non-compliance with respect to funding of the scheme.

- **National Heritage Conservation Pension Trust Scheme**

The Controlling Officer submitted that the Authority discussed with the employer, and a commitment to be paying an amount equal to one-month worth of arrears whenever they were remitting contributions for each month was made to the Authority. He, further, stated that the Authority had been monitoring the progress with the Fund Administrator (ZSIC Life) and the arrears had reduced from K710, 070.34 to K608, 596.93 as at October, 2017.

Ultimately, the Controlling Officer submitted that the Authority undertook an inspection of the ZSIC Pension Trust Fund in August, 2016, and subsequently an exercise was carried out in order to engage all employers with contribution arrears under the Fund. This mainly involved reconciliations with the service provider from December, 2016, and all employers were written to in February, 2017.

Committee's Observations and Recommendations

Your Committee is displeased over the failure by the Authority to ensure that they regulated and supervised the establishment and management of occupational pension schemes and insurance businesses. Further, your Committee is dismayed over the failure by management to protect the interests of members and sponsors of occupational pension schemes, shareholders and policy holders. As regards to the assertion by the Authority that it was difficult to pursue quasigovernment institutions on such matters, your Committee reminds the Controlling Officer that the provisions of *Sections 5 (1) (c) and (d) of the Pensions Scheme Regulation Act, No. 28 of 1996* are non-selective. Your Committee strongly urges the Controlling Officer to ensure that there is enhanced enforcement of this law by at the Authority. Your Committee resolves to await a progress report on the full payment of the pension contributions.

20.0. PUBLIC SERVICE PENSION FUND

Review of Operations

A review of operations for the financial years ended 31st December, 2012, 2013, 2014, 2015 and 2016 carried out during the period from December, 2016 to August, 2017, revealed various irregularities, to which the Controlling Officer responded as set out below.

20.1. Governance and Management of the Fund

i. Unlimited Tenure of Office – Board Members

The Controlling Officer acknowledged that auditors had correctly observed that five board members had served for more than the prescribed period of at most six years in the Board Charter. As a corrective measure and in line with good corporate governance practice, the appointing/nominating authority would now be notified when the three years elapsed. He also stated that with effect from 23rd October, 2015 being the date the current Charter was approved by the Board, he would ensure that expiry dates were monitored closely. In addition, the *Public Service Pension Act, No 35 of 1996*, was being amended to include the tenure of appointment for all Board members.

Committee’s Observations and Recommendations

Your Committee notes the submission, but warns that the matter must not recur. Your Committee resolves to close the matter subject to audit verification.

ii. Excessive Number of Board Meetings - K8,817,846

The Controlling Officer acknowledged the number of meetings held in the period under review as noted by the auditors. He, however, stated that the 247 meetings were over a period of four years. In the years 2014 and 2015, the Fund was formulating its strategic plan, policies and recruiting two key positions of Chief Executive Officer and Operations Manager which necessitated the meetings. Further, during the same period, there were a number of investment decisions that required Board intervention. This included the Alick Nkhata Road Project and the Panganani Mall Project.

The Controlling Officer submitted that, the average number of Board and Committee meetings per year was forty. As a corrective measure, the Board had increased threshold and delegated authority to management in terms of investments. This had already been demonstrated in the year 2016 and the first quarter of 2017 as set out below.

TOTAL NO. OF PSPF BOARD & COMMITTEE MEETINGS AS AT 31 JULY 2017		
DETAILS	NO. OF MEETINGS	
Ordinary Board meeting	2	
Extra-ordinary Board meeting	4	
Finance & Investment Committee	3	
Staff & Administration Committee	3	
Pension Benefits Committee	5	
Audit & Risk Committee	3	
Total	20	
Total expenditure	1,305,280	
Total Budget	3,042,800	

Committee's Observations and Recommendations

Your Committee does not accept the reasons given and it has observed with concern that public funds are being misused by the very officers who are tasked with the responsibility of protecting them. It was disheartening to hear that this institution held extra ordinary meetings ranging from ten to thirty one days over and above what is allowable in accordance with the Board Charter. Your Committee directs the Controlling Officer to ensure that all these funds are reimbursed without any further delay and that management of the fund be sternly cautioned to desist from abrogating the guiding provisions at will. Your Committee will await a progress on the full recovery of the funds.

20.2. Financial Statements

i. Under Funding of the Fund - K879,945,226

The Controlling Officer admitted that auditors correctly noted that an amount of K879,945,226 was the financing gap as at 31st December, 2016 for PSPF from Ministry of Finance. As a corrective measure the Treasury factored the above arrears in the 2017 expenditure estimates, hence the increase in the allocation to PSPF from K805 million in 2016 to K1.6 billion in 2017 of which K928 million had since been funded to PSPF by the Treasury as at 23rd August, 2017.

Committee's Observations and Recommendations

Your Committee observes with concern the underfunding by the Ministry of Finance and calls the Controlling Officer to be proactive on such matters. It is evident that the Controlling Officer only followed up with the Treasury after the audit, which your Committee finds unacceptable, as he is expected to be proactive. Your Committee, therefore, calls upon the Secretary to the Treasury to ensure that, the matter is resolved without any further delay by releasing the balance to this institution to enable it pay arrears to its members. Your Committee resolves to await a progress report on the matter.

ii. Inadequate Dependency Ratio

The Controlling Officer submitted that auditors correctly noted that the dependence ratio for the PSPF scheme during the period was not sustainable. As a corrective measure, Government had

embarked on pension reforms aimed at making the PSPF scheme financially sustainable. Reforms included opening the scheme to new entrants at occupational tier so as to reduce the dependency ratio.

Committee's Observations and Recommendations

While noting the measures suggested by the Controlling Officer, your Committee bemoans the lack of innovation on the part of management at the Fund, and urges the Controlling Officer to impress upon management to devise more income generating activities and ultimately come up with a turnaround strategy to improve the current status quo. Your Committee resolves to await a progress report on this matter.

iii. Decline in Net Assets Available for Benefits

The Controlling Officer admitted that auditors correctly noted that management did not provide strategic solutions on how the continuance decrease on the Net Assets Available for Benefits could be arrested. As a corrective measure, the following short term and long term measures were required to be implemented.

Short term:

- (i) Adequate funding of the financing gap by the sponsor of the scheme.
- (ii) Adjusting the contribution rates
- (iii) Improving investments by the Fund for example, PSPF developing a shopping mall and a hotel along Alick Nkhata road at an estimated cost of \$70 million which was scheduled for completion in 2019.

Long-term

- (i) Reforming the pension scheme to making it financially sustainable
- (ii) Improving membership coverage.

Committee's Observations and Recommendations

While noting the suggested strategies to overcome the prevailing situation at the Fund, your Committee is displeased over the lack of innovation by management at the Fund and also inertia by the supervising authority. Your Committee is of the view that, if left to continue with this trend, the Fund would collapse and cause untold suffering to many retirees despite qualifying for their benefits. Your Committee strongly urges the Controlling Officer to ensure that innovative approaches are employed in the management of the Fund, and further that the suggested strategies are implemented expeditiously to save the Fund from total collapse. Your Committee implores the supervising authority to ensure the expedition implementation of the identified short/long term measures without undue delay.

iv. Mismatch in Growth of Income from Member Contributions and Benefits Payable

The Controlling Officer informed your Committee that auditors correctly noted that there was mismatch between contributions from members and the benefits payable and that no deliberate strategy or policy direction to match growth of income from member contributions and benefits payable existed. As a corrective measure, the Government had embarked on pension reforms aimed at making the PSPF scheme financially sustainable. Reforms included opening the scheme to new entrants at occupational tier in order to reduce the dependency ratio.

Committee's Observations and Recommendations

Your Committee strongly urges the Controlling Officer to ensure that innovative approaches are employed in management of the fund and further that the suggested strategies are implemented expeditiously to save the Fund from total collapse. Your Committee resolves to keep the matter in view during future audits.

v. Government Indebtedness- Pension Contributions (K106,854,740 in 2012, K79,363,925 in 2013, K243,935,380 in 2014 and K337,553,303 in 2015)

As a corrective measure, the Controlling Officer submitted that Government had endeavored to ensure that all pension contributions that were deducted from employees, including the employer portion, were remitted to the Fund. Since April, 2017, the Treasury had been releasing all pension deductions and the employer portion within the month of deduction so that these were remitted before the due date as required. In this regard, Government did not have any current indebtedness on the payroll administered through Payroll Management and Establishment Control (PMEC).

However, some Government departments whose payrolls were administered outside the PMEC delayed to make their remittances, resulting in the said debt. As a way forward, the Treasury would withhold at source the employer portion to make direct payments to clear and halt the growth of the said debt.

Committee's Observations and Recommendations

While noting the efforts made by the Government, your Committee urges the Controlling Officer to ensure that the move to monitor Government institutions whose payrolls were not administered through the PMEC system is enhanced so as to curb recurrence of this irregularity. Your Committee resolves to seek a progress report on the matter.

20.3. Operational Performance

i. Irregular Inclusion of Members to the Fund After Enactment of the NAPSA Act

The Controlling Officer submitted that management would now request the Minister responsible to issue the Statutory Instrument to formalise the membership of the above mentioned public service workers. This was a more feasible solution taking into account the length of time people

had been contributing to the Fund and that some of them had since retired under national interest and were receiving a pension from PSPF.

Committee's Observations and Recommendations

Your Committee does not accept the reason given by the Controlling Officer as it is clear that the introduction of the 29,996 new public service workers as members of the Fund between March 2000 and June 2015 was highly irregular and a total abrogation of the law which must not be condoned. Your Committee is alarmed that there is an attempt to request the Minister responsible to issue a Statutory Instrument purporting to regularise this irregularity. This is because a Statutory Instrument cannot change the provision of a statute which were and continue to be violated by this action. Your Committee reiterates that the provision of the law should visit all those who violated it without discrimination as there should be no sacred cows in the enforcement of the law. A progress report on the enforcement of the law will be awaited.

ii. Failure to Obtain Payment Schedules for Non Account Holders K13,240,988

The Controlling Officer argued that auditors were provided with evidence for two agents, namely Zambia Postal Services and Finance Bank, amounting to K8,503,786.20 which was verified. It should be noted that the system of paying non-account holders was discontinued in March, 2014. For the remaining three institutions, PSPF had engaged them to provide proof of payment to pensioners and beneficiaries

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the remaining amounts are verified with banks without any further delay. Your Committee resolves to await a progress report on the matter.

iii. Delayed Payment of Lump Sum

The Controlling Officer informed your Committee that PSPF had been providing check lists to the various ministries regarding documentation needed for processing pension benefits so that there were no delays.

Committee's Observations and Recommendations

While noting the efforts made, your Committee urges the Controlling Officer to ensure that these are implemented expeditiously and that no further delays should be reported going forward. Your Committee will await a progress report on the matter.

iv. Actuarial Reports 2012 and 2014 Analysis

The following were observed from the results of both valuations:

i. Growing Financial Deficit of the Fund

The Controlling Officer informed your Committee that the Government ensured that the projected retirement benefits expected to be paid in the subsequent budget year were factored into the budget. To that effect, Government had allocated K1.4billion in the 2017 national budget to clear the backlog of outstanding pension lump sums. Further, Government had embarked on pension reforms aimed at making the PSPF scheme financially sustainable.

Committee’s Observations and Recommendations

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

ii. Failure to Adjust Contribution Rates

The Controlling Officer submitted that the Government was addressing the matter through the reforms under consideration and would be done regularly in accordance with actuarial assessments.

Committee’s Observations and Recommendations

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

iii. Failure to Finance Actuarial Deficit

The Controlling Officer informed your Committee that the following short term and long term measures were required to be implemented.

- i) Adequate funding of the financing gap by the sponsor of the scheme.
- ii) Adjusting the contribution rates.
- iii) Improving investments by the fund for example, PSPF is developing a shopping mall and a hotel along Alick Nkhata road at an estimated cost of \$70million which is scheduled for completion in 2019.

Long-term:

- i) Reforming the pension scheme to make it financially sustainable
- ii) Improving membership coverage.

Committee’s Observations and Recommendations

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

20.4. Investment Management and Performance

i. Investment in Excess of 20 Percent of Net Asset Value

The Controlling Officer acknowledged the findings of the Auditor. However, he informed your Committee that the *Public Service Pensions Act*, Chapter 260 of the Laws of Zambia on the 20 percent threshold presupposed that the Fund had excess income and Net Assets which was currently not the case. For instance, in 2015, the net asset value was about K218 million. This amount was the net of total assets and liabilities. The assets included investments of about K1.2 billion, implying that any disinvestment in any of the investments would correspondingly reduce the net asset value. Therefore, the Fund had been concentrating on growing the asset base, with a view to cushioning future liability.

As a corrective measure, the Board had proposed amendments to the current law taking advantage of the pension reforms to provide for flexibility through regulation and possibly align with the pensions and insurance investment guidelines. Further, the governance aspect was also being strengthened by ensuring that the Pensions and Insurance Authority supervised the public schemes.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the Controlling Officer to expedite the process of reviewing the Public Service Pensions Act. Your Committee resolves to await a progress report on the matter.

ii. Equity Investment

The Controlling Officer took note that the investment in equity in the period under review performed below average inflation. The equity portfolio average annualised effective return was 7 percent compared to the average inflation of 10 percent. The performance of equity from 2012 to 2016 was submitted as follows:-

YEAR	2012	2013	2014	2015	2016	Average
Equity Return	4%	57%	18%	-7%	-40%	7%
Year-end Inflation rate	7.3%	7.1%	7.9%	21.1%	7.5%	10%

It can be observed from the table above that the performance of the portfolio was mostly hit in 2015 and 2016. This was due to the economic slump as during that period, the economy experienced a significant rise in the inflation rate and drastic depreciation of the local currency. The performance of capital market was normally directly linked to that of the economy. Taking

into account that the situation was temporary, they held onto the stocks. In addition, they held onto some stocks knowing that they were strong companies with high possibility to recover and grow. The market had since recovered resulting in positive gains starting from 2017 as confidence had been restored in the economy. By the close of 2017, PSPF had registered an annualised return of 21 percent from the equity portfolio. It should also be noted that the PSPF investment horizon was normally long-term.

The Controlling Officer also informed your Committee that he acknowledged that because of the capital losses incurred between 2015 and 2016, the income for the period under review reduced to K34,162,500. It should, however, be noted that one expected booms and slumps for investing in listed equity because the performance was normally cyclical depending of the economic environment prevailing. The year 2015 was not good for the equity investments given the economic environment prevailing then. The year witnessed sudden and huge fall in the value of the local currency resulting in rising of inflation. This negatively affected the financial markets resulting in capital flight. Despite the loss of value incurred in most of the companies in which PSPF had invested, they still had strong potential for future recovery and growth.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the Controlling Officer to ensure that more investment options are explored to counter economic downturns, which are inevitable from time to time. Your Committee resolves to keep the matter in view during future audits.

iii. Failure to Turn Around Investment in PG Bisonite Zambia Limited

The Controlling Officer informed your Committee that during the time of the audit it was observed that the PSPF management had failed to turn around the Bisonite Zambia Limited investment. At its 2nd Extraordinary Board meeting held on 6th April, 2016, the Board resolved that an administrator be appointed and stationed at Bisonite Zambia Limited in Ndola to secure the company assets pending the appointment of a Liquidator.

A Liquidator was, thereafter, appointed on 11th November, 2016 took over of the company done on 22nd November 2016. The liquidation process had, however, faced a challenge following the Development Bank of Zambia (DBZ) taking the matter to the courts of law claiming K247 million as outstanding debt plus interest, costs and charges; foreclosure of mortgaged property, and delivery of vacant property from Bisonite. The hearing was adjourned to 28th March, 2018. The decision in this matter was critical as it would facilitate the release of title deeds and commencement of negotiations with the potential buyer. It should be noted that the latest valuation of the assets of the company was estimated at K87.2 million against the total outstanding liability of K467.3 million. It was regrettable that PSPF investment in the company might not be recovered.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by the Controlling Officer to undertake due diligence before investing in P G Basonite. It was also worrying that the matter had taken so long to be resolved. Your Committee directs the Controlling Officer to take interest in the matter and pursue it with urgency and ensure that it is resolved, while also taking care of Government interest in the matter. Your Committee will await a progress report on the matter.

iv. Poor Management of Investment Properties

The Fund owned and managed twenty seven properties situated in various residential and commercial areas within Lusaka that it offered for rent to both individuals and organisations. The following were observed:

- **Weaknesses in the Collection of Rental Income**

The Controlling Officer informed your Committee that the Auditor General correctly observed that PSPF was expecting rental income of K19,918,634 while the Fund only collected rental income amounting to K17,447,240, leaving a variance of uncollected rental income of K2,471,394. This represented a collection efficiency level of 88 percent of the rentals due.

It was further observed that 57 percent of the outstanding debt was owed by three government institutions. PSPF had since written for authority to deduct at source from Ministry of Finance for the rental amounts. The amounts outstanding reduced to K1,470,075.89 as at December, 2017.

Committee's Observations and Recommendations

Your Committee is dismayed that, despite struggling with liquidity problems, the Fund showed no aggressiveness in pursuing their receivables in terms of rentals. Your Committee urges the Controlling Officer to ensure that its debt collection strategies are revisited and enhanced to counter the status quo. Your Committee resolves to await a progress report on the collection of the remaining debt owed in rentals.

20.5. Irregularities in the Procurement of Standby Generator

The Controlling Officer informed your Committee that this happened at a time when load shedding of power, was informed, as not to affect service delivery to the pensioners and beneficiaries. The resolution was passed in order to avoid protracted costly court processes and allow the Fund to recover its costs as quickly as possible. It was regrettable that the contractor supplied a generator with wrong specifications as a 160KVA generator was supplied instead of a 300KVA generator. Going forward, PSPF wrote to the Zambia Public Procurement Authority to have the supplier blacklisted.

Committee's Observations and Recommendations

Your Committee finds it highly irregular and unacceptable that, the matter relating to delivery of a wrong generator set, whose specifications differed from the contracted terms and condition was withdrawn from the court by the Fund. Your Committee directs the Controlling Officer to ensure that all the funds are recovered from the supplier. Your Committee also urges the Controlling Officer to ensure that disciplinary action is taken against all erring officers over this matter. Your Committee will await a progress report on the matter.

20.6. Decentralisation of PSPF Offices - Poor or No Connectivity in Decentralised Offices

The Controlling Officer informed your Committee that ICT equipment installed in the district offices in 2011 worked quite well till about December 2015 when much of it began failing, and Zamtel DSL data circuits started experiencing frequent failures due to the migration of circuits to fibre optic and MPLS. Much of the equipment was now obsolete and PSPF Management had begun procuring new equipment to replace the old ones. The offices would now be manned by PSPF staff beginning the fourth quarter of 2017. In 2011, Management installed Digital Subscriber Line (DSL) data circuits to connect decentralised provincial and district offices.

Your Committee was further informed that Management had since decommissioned these data circuits and was installing optic fiber data circuits at provincial offices, since DSL technology had become obsolete. So far, installations at Ndola, Choma and Mongu offices were complete. Chipata and Kasama offices would be connected on optic fiber by end of first the quarter of 2018. Management had also procured equipment for wireless broadband connectivity for all district offices. Deployment of this equipment would also be completed by 31st March, 2018.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that management at the Fund waited until their ICT equipment became obsolete before replacing it. Your Committee expresses sadness that management is not proactive, which is an integral part of good management. Your Committee urges the Controlling Officer to ensure that management is sternly cautioned for this failure. Management should be reminded that loss of public funds, will not be condoned going forward. Your Committee resolves to await a progress report on the matter.

21.0. THE ROAD TRANSPORT AND SAFETY AGENCY (RTSA)

A review of the operations of RTSA for the financial years ended 31st December, 2013 to 2016 revealed various irregularities, to which the Controlling Officer responded as set out below.

21.1. Board Related Expenses

i. Over Expenditure on Board Sitting Allowances K2,038,081 plus no Acquittals for K1,504,305

The Controlling Officer submitted that in 2015 the Board expense budget was K1.9 million budgeted under the Administration budget. He explained that the seventeen meetings observed by the Auditors in 2015 were not all Board meetings. The Agency had four ordinary Board meetings, four extra-ordinary Board meetings and one Board retreat to consider reports on countrywide station visit undertaken by the Board as it was new and needed to familiarise itself with the operations of the Agency. He also informed your Committee that the agency operated without a Board from 2012 to 2014. In essence, therefore, the total Board meetings for 2015 were nine during the period under review. Therefore, of the reported seventeen meetings, the eight other meetings were not Board meetings. These were other meetings which Board members attended and were entitled to a full sitting allowance according to the conditions of engagement of the Board approved by the Minister of Transport, Works, Supply and Communications on 10th April, 2015. The acquittal sheets for Board allowances paid out during the period under review for amounts totaling K1,504,305 were available for audit verification.

Committee's Observations and Recommendations

Your Committee notes the submission by the Controlling Officer and the matter is recommended for closure subject to audit verification.

ii. Questionable Payment of Allowances K228,855

The Controlling Officer informed your Committee that the activities mentioned related to payments which were made in accordance with Board conditions as approved by the Ministry of Transport, Works, Supply & Communication dated 10th April 2015. The Board conditions stipulated that whenever Board members attended a meeting other than a Board meeting, they were entitled to an allowance accordingly. The Board conditions were available for audit verification.

Committee's Observations and Recommendations

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

21.2. Statement of Income

The Controlling Officer lamented before your Committee that administration funding for the Agency remained static during the period under review despite recording positive increases in revenue collections for the same period resulting in a deficit. Further, Management had been engaging the Ministry of Finance, National Road Fund Agency (NRFA) and Ministry of Transport and Communications since 2013 regarding the funding challenges. Ministry of Finance

had since adjusted the administrative budget for 2017 from the initial budget of K70.2 million in 2016 to K100 million. However, the annual work plan budget which was funded through the NRFA had remained the same at K205 million.

Committee's Observations and Recommendations

Your Committee is extremely alarmed by the enormous rise in administrative costs without corresponding income or revenue generation. Your Committee urges the Controlling Officer to ensure that management honours its statutory obligations and to engage the Secretary to the Treasury that he considers deducting these statutory obligations at source to avoid huge penalties in default. Your Committee resolves to close the matter subject to audit verification.

21.3. Statement of Financial Position

The Controlling Officer informed your Committee that funding situation for the Agency during the period under review was not adequate; even after the staffing levels increased, there was no corresponding funding increase to the Agency. This resulted in the Agency failing to pay some of its liabilities. However, the funding had since improved in 2017 and the Agency was now able to pay most of its obligations.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that staffing levels were increased before corresponding funding was secured. Your Committee finds it imprudent for management to increase staff amid low funding. Therefore, it is unclear to your Committee as to what motivated the Agency to make such a decision. Your Committee directs the Controlling Officer to ensure that Management is sternly cautioned to desist from over committing Government, especially as it relates to human resource issues. Your Committee also urges him to ensure that all its outstanding obligations are paid without any further delay by soliciting for more funding. Your Committee resolves to close the matter subject to audit verification.

21.4. Non Remittance of Statutory Contributions K62,573,212 plus K64,550,000 in Penalties

The Controlling Officer acknowledged the observation and stated that, during the period under review, ZRA developed a programme for tax amnesty. Management engaged ZRA over the outstanding debt and a payment plan was agreed on how the Agency would liquidate the accumulated amount. Management had since provided for the principal debt on PAYE in the financial accounts of the Agency. As part of the agreement, the penalties were written off. The Agency had paid the agreed K5,000,000 for 2017. Further, the Agency had remained current with its statutory obligations. A settlement agreement and receipts were available for audit verification.

Committee's Observations and Recommendations

Your Committee is alarmed by the enormous outstanding statutory obligations owed by the Agency. Your Committee urges the Controlling Officer to ensure that Management honours its statutory obligations and to engage the Secretary to the Treasury to consider deducting these statutory obligations at source to avoid huge penalties in default. Your Committee resolves to await a progress report on the full remittance of the outstanding statutory contributions.

21.5. Staff Related Matters

i) Irregular Lunch/Overtime Allowances

The Controlling Officer submitted that all overtime payments were approved before the actual work was done. The employees were paid missing lunch in lieu of overtime. Going forward, management had revised the condition of service which had since been approved by the board. An extract of the revised conditions of service and Board approval were available for verification.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that officers were irregularly paid as there was no proof given to the auditors to indicate that an activity was carried out. Your Committee notes with displeasure that no deductions were made to that effect. The Controlling Officer is, therefore, directed to ensure that all the irregularly paid funds are recovered from the concerned officers. A progress report would be awaited.

ii) Outstanding Payment of Allowances to School and Traffic Wardens

The Controlling Officer submitted that management had provided for a contingent liability of K4,249,500 for the debt owed to Traffic Wardens in the 2016 financials. During the 36th Board Meeting held on 9th June, 2017, the Board ratified the payment for Traffic Wardens at the rate of K500 per month. Available were Board minutes in which payment of allowances to school traffic wardens was granted.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to ensure that disciplinary action is taken against erring officers for their failure to submit the relevant documentation regarding the approval of the allowance during the time of audit. Further, your Committee urges him to ensure that all the outstanding amounts owed to wardens are paid without any further delay. A progress report is awaited by your Committee.

21.6. Unaccounted for Stores Costing K14,628,021 (Fuel - K1,189,674 and General Stores – K13,438,347)

The Controlling Officer informed your Committee that the Agency procured fuel from three companies in the period 2013 to 2016 and these were Thika Filling Station, Imran Service Stations and Total Zambia. Further, the Agency procured general stores from various suppliers and the disposal details for fuel amounting to K1,189,674 and general amounting to K13,438,347 were available for audit verification.

Committee’s Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to ensure that disciplinary action is taken against erring officers for their failure to submit receipts and disposal details during the time of audit. Your Committee resolves to close the matter subject to audit verification.

21.7. Unvouched Expenditure K5,469,800

The Controlling Officer informed your Committee that the payments totaling K5,469,800 were cancelled cheques for the period under review. The cancelled cheques for the stated amounts were available for audit verification.

Committee’s Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to ensure that disciplinary action is taken against erring officers for their failure to submit payment vouchers and the purported cancelled cheques during the time of audit. Your Committee resolves to close the matter subject to audit verification.

21.8. Unretired Accountable Imprest - K2,750,926

The Controlling Officer submitted that retirable imprest was retired in line with *Public Financial Management Act No. 15 of 2004* and the Agency procedures. The retirement details and reports for amounts totaling K2,750,926 were available for audit verification.

Committee’s Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to ensure that disciplinary action is taken against erring officers for their failure to submit retirement details during the time of audit. Your Committee resolves to close the matter subject to audit verification.

21.9. Failure to Produce Activity Reports

The Controlling Officer informed your Committee that the Agency was not using log books in the retirement process. Management had since enhanced the control process over retirement to include log books for local trips and boarding passes for all foreign trips as recommended by the

Auditors. The activity reports for all tours undertaken and the memo to enhance controls over retirements were available for audit verification.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to institute disciplinary action against erring officers for their failure to submit activity reports during the time of audit. Your Committee resolves to close the matter subject to audit verification.

21.10. Failure to Implement the Accident Information System - Procurement of Computers from Shreeji Limited

The Controlling Officer informed your Committee that the delay in the roll out of the Accident Information System (AIS) was mainly due to the lack of network and internet connectivity at police stations. Further the Agency procured internet requisites to be installed in police stations in the second quarter of 2017. However, this was not undertaken as a go ahead by the Zambia Police Command had not been granted for the RTSA to install the internet routers and data SIM cards at twenty eight Police Stations in Lusaka for the pilot phase. It was envisaged that a go ahead would be granted and the system rolled out in Lusaka by the first quarter of 2018. Further, they had written to Zambia Police as a follow up for them to be given a go ahead. All correspondences with the Zambia Police were available for verification.

Committee's Observations and Recommendations

Your Committee does not accept the reasons given by the Controlling Officer as it is evident that, there was laxity on the part of the officers tasked with the responsibility. Your Committee is in fact displeased to note that these officers did this with impunity. Your Committee finds it unacceptable that the contract period which was expected to be three months has ended up stretching to three years. Your Committee directs the Controlling Officer to institute disciplinary action against erring officers involved for failing to complete this assignment timely. Your Committee resolves to await a report on full operationalisation of this project.

21.11. Unaccounted for Stores – ICT Equipment Nineteen computers and Nine Printers Costing K89,989 and K72,662)

The Controlling Officer stated that the actual computers, printers, distribution schedules with serial numbers and location relating to the ICT equipment were now available for audit scrutiny.

Committee's Observations and Recommendations

Your Committee notes the submission but urges the Controlling Officer to ensure that erring officers face disciplinary action for their failure to submit distribution schedules during the time of the audit. Your Committee resolves to close the matter subject to audit verification.

21.12. Unretired Accountable Imprest – Regional Offices K5,036,448

The Controlling Officer informed your Committee that the amount was reimbursed upon retirement and stations were under instruction to retire after the imprest allocated was exhausted at station level. All imprest retirements were sent to Head Office for re-imburement. Retirement details for retirable imprest in amounts totalling K5,036,448 paid to regional offices were available for audit verification.

Committee’s observations and recommendations

Your Committee notes the submission but urges the Controlling Officer to ensure that erring officers face disciplinary action for their failure to submit retirement schedules during the time of audit. Your Committee resolves to close the matter subject to audit verification.

22.0. THE RURAL ELECTRIFICATION AUTHORITY

Review of Operations

An examination of accounting and other records maintained at the Rural Electrification Authority (REA) headquarters and a visit to some selected districts for the financial years ended 31st December 2015 and 2016, revealed various irregularities, to which the Controlling Officer responded as set out below.

22.1. Board Related Matters

i) Lack of a Board Charter

The Controlling Officer submitted that a Board Charter was now approved by the Board of Directors and a copy was sent to the Minister of Energy for approval. When the charter was submitted to the Minister in 2017, the Minister authorised the REA Board Chairperson to sign it. However, the Board Charter would now be signed by the Vice Chairperson since the Chairperson resigned. The approved Board Charter was available for audit verification.

Committee’s Observations and Recommendations

Your Committee is concerned at the failure by the Controlling Officer, being the Board Chairperson, to put in place a Board charter. It is worrisome to your Committee that the Board operated without this important yardstick and it is not clear as to how they were able to establish whether all staff were carrying out their duties on behalf of the Authority effectively. Further, your Committee expresses concern that management at the Authority failed to avail the supporting documents in form of a letter of authority relating to the signing of the charter. Furthermore, your Committee finds it highly irregular for the Board to allow a Vice Chairperson to sign the charter without authority from the relevant authorities. Your Committee, therefore, directs the Controlling Officer to ensure that the matter is resolved without any further delay by

having the relevant officers to sign the finalised charter. Your Committee will await a progress report on the matter.

ii) Inadequate Staffing Levels

The Controlling Officer submitted that a part of the process to recruit key personnel, the Authority placed an advertisement in the national media to recruit six Project Engineers, six Project Technicians and one Technical Auditor. Furthermore, an internal advert was made to recruit the Manager (Implementation). Interviews were conducted for the Technical Auditor and Manager Implementation and suitable candidates had been picked for the positions. Interviews for the Project Engineers and Technicians were to be conducted in the week starting 25th February 2018. REA could not complete the recruitment of the rest of the staff to fill the approved structure due to a limited operational budget.

Committee's Observations and Recommendations

Your Committee expresses disappointment that the Authority is operating without key positions being filled up as per staff establishment. The Controlling Officer is directed to ensure that the recruitment of staff to key positions is done expeditiously, without further delay. Your Committee resolves to await a progress report on the recruitment exercise being undertaken by the Agency.

iii) Lack of Assets Transfer Policy

The Controlling Officer submitted that the Grid and the Renewable Asset Transfer Policy was approved by the REA Board of Directors on 13th April, 2017 and a copy of the document was available for audit verification.

Committee's Observations and Recommendations

Your Committee does not accept the reasons given by the Controlling Officer. This is because, without an asset transfer policy, there is insecurity on assets owned in the rural areas and that sustainability of REA's infrastructure is not guaranteed. Nonetheless, since the matter was resolved, your Committee recommends that the matter be closed subject to audit verification.

22.2. Financial Year ended 31st December 2014 to 2016

The following were observed:

i) Liquidity position

The Controlling Officer responded that despite the fall in the Current Ratio from 3.83 % in 2014 to 2.01 % in 2016, the Authority had a sound liquidity position as evidenced by its ability to settle all financial obligations as they fell due. Furthermore, the Government of the Republic of Zambia (GRZ) had since increased funding to the Rural Electrification Fund and this had improved the Current Ratio of the Authority.

Your Committee was further informed that Management had also continued lobbying for funds from the cooperating partners. It was submitted that the World Bank, through the Electricity Services Assess Project (ESAP) had committed USD26.5 million, while the European Union had also committed €40 million towards Capacity Building and Demonstration Projects. These projects would be implemented over a period of five years.

Committee's Observations and Recommendations

While noting the response by the Controlling Officer, your Committee urges him to ensure that more revenue generating activities are explored and to address the worrying liquidity levels in the Authority. Your Committee resolves to seek an update on the matter.

22.3. Extension of Contracts - Works on Grid Line Extension and Substations

The Controlling Officer informed your Committee that Management extended performance periods for Grid Extension Projects not because of poor performance by contractors but because of challenges experienced in the procurement of line gear materials. The Grid Extension Projects were designed in such a way that the contractors were engaged to undertake labour contracts while suppliers were also engaged to provide the line gear materials. However, the suppliers of the line gear materials failed to deliver the materials in time hence the delay in completing the projects. The line gear materials had since been delivered and most of the projects had been completed.

Concerning substations, the contractors who were engaged to undertake the works failed to complete the projects on time and REA terminated the contracts. Consequently, REA mobilised key staff to complete the remaining works for Luampa Substation, while ZESCO was engaged to complete the works at Chinsali Substation.

Committee's Observations and Recommendations

Your Committee observes with concern that evidence was not availed to auditors to validate that due diligence was carried out for the suppliers and contractors, whose services were terminated or extended and also that no action was taken against erring officers in this matter. Your Committee is of the view that officers did not simply carry out their duty which is totally unacceptable. Your Committee, however, resolves to close all matters relating to completed works subject to audit verification, while the Controlling Officer is strongly urged to ensure that all the outstanding works are completed without any further delay. Further it is recommended that disciplinary action be taken against erring officers and your Committee would await a progress report on the outstanding matters.

23.0. WORKERS' COMPENSATION FUND CONTROL BOARD

Review of Operations

A review of audited statements, ICT systems and other relevant documents for the financial years ended 31st March, 2013 to 2016 including physical inspection of infrastructure conducted in November, 2016, revealed various irregularities, to which the Controlling Officer responded as set out below.

23.1. Absence of the Board

The Controlling officer submitted to your Committee that, the tenure of office of the then Board expired and no substantive Board was in place during the material time. However, a caretaker Board appointed by the Minister was in place during this period, and regular meetings were held as per the copy of the schedule of meetings that was available for the auditors' verification.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the WCFCB had a caretaker Board, when in fact the law does not provide for appointment of a caretaker Board. Further, your Committee finds it unacceptable that the Controlling Officer, who is aware, that management of WCFCB had administrative limitations, took unnecessarily long to have ensured that a Board was in place. Your Committee resolves to seek a progress report on the matter.

23.2. Failure to Approve Internal Audit Charter

The Controlling officer submitted to your Committee that the Audit Charter was approved at the Board meeting held on 14th November, 2017 as per the submitted copy of the Board Resolution and Charter, for the auditor's verification.

Committee's Observations and Recommendations

Your Committee urges the Controlling officer to ensure that, considering that WCFCB is a financial institution, it is imperative for the company to adhere to financial regulations and standards, both local and foreign. Your Committee resolves to close the matter subject to audit verification.

23.3. Weakness in ICT systems management

A review of WCFCB Management Information Systems revealed the following:

i) Wasteful Expenditure on the Procurement of Rental Module

The Controlling officer informed your Committee that the Board in 2016 acquired the following modules in Sun Systems for the purposes of accounting for Statements Receivables:-

1. Sales Ledger module for purposes of Debtors Management;
2. Recurring Sales invoicing module for the purpose of invoicing clients including rental debtors, and not necessarily as a new Rental module; and
3. Integrated Receipting Module for purposes of integration of receipts from various income sources of the Board.

Management decided to transfer rental administration from PAS to the upgraded Sun Systems as it had capabilities to manage lease administration and invoicing. Since 2012 the rental administration on PAS had challenges as indicated on the information which was submitted for audit verification. Further, it was important to note that as at 31st March, 2017 the useful economic life of the software was exhausted.

Committee's Observations and Recommendations

Your Committee observes with concern that the Board had spent colossal sums of money on a computer system that did not function as expected. Your Committee finds this to be wasteful expenditure and blames the management for failing to undertake a due inspection before purchase. Your Committee calls for recovery of the expenditure from the responsible officers. Your Committee will await a progress report on the matter.

ii) Lack of Direct Interface between Pension Administration System (PAS) and Sun System

The Controlling officer submitted to your Committee that in 2012, Management decided to procure the Pension Administration System in order to computerise its manual operations. The system was commissioned in March, 2012. Management signed User Acceptance Forms on 15th March, 2012 to acknowledge development and deployment of the application; acceptance testing activity; data migration to the new system, and training of users. The interface to Sun Systems was partially implemented at the time of going live, for assessments and receipts. Management wished to start using the functioning modules of the system, including pensioner payroll, employer registration, Claims and Pensions administration. The contract provided for the continuous enhancement of the interface between Sun Systems and Pension Administration System during the maintenance phase as per the documents that were submitted for the auditors verification.

After four years of system implementation, due to continued challenges with implementation of the full interface between Sun Systems and PAS, Management decided to procure the Sun Systems Connect software in 2016 to facilitate the direct interface between the two systems and thereby discontinue the practice of manual upload. In this regard, Management was of the view that the expenditure on Sun Systems Connect was necessary in order to overcome the challenges of interface and resolve the resulting errors.

Committee's Observations and Recommendations

Your Committee notes the Controlling officers responses. However, your Committee is of the view that the company did not undertake a thorough investigation and research on the new Systems Software, hence leading to the purchase of the Sun Systems Connect, which in the Committee's view resulted in wasteful expenditure. Your Committee strongly cautions the Controlling Officer to ensure that, in future the Company should endeavour to undertake a thorough investigation on any new Software and other products meant to improve the operations of the Company. Your Committee resolves calls for recovery of the wasteful expenditure from the responsible officers. Your Committee awaits a progress report on the matter.

iii) Discrepancies between the Pension Administration System (PAS) and Accounting System

The following were however observed:

1) Discrepancies in Assessment Raised

The Controlling officer submitted to your Committee that management acknowledged that there were indeed discrepancies between PAS and Sun Systems. The reason for the discrepancies was the partial interface between the two systems for the adjustments which included re-assessments and penalties charged on outstanding assessments. Further, PAS was being configured to recognise accounting periods instead of transaction dates.

Committee's Observations and Recommendations

Your Committee notes with concern that the discrepancies were caused mainly because management had only purchased part of the Systems Software, hence had to buy the extra Computer system. Your Committee resolves to keep the matter in view of future audits.

2) Discrepancies in Assessment Receivable

The Controlling officer submitted to your Committee that management acknowledged that there were indeed discrepancies between PAS and Sun Systems for assessment receivables. The reason for the discrepancies the partial interface between the two systems for the adjustments which included re-assessments and penalties charged on outstanding assessments. Despite these discrepancies, monthly reconciliations of interface data between the two systems were done. Further, PAS was being configured to recognise accounting periods instead of transaction dates.

Committee's Observations and Recommendations

Your Committee notes with concern that the discrepancies were caused mainly because management had only purchased part of the systems software, hence had to buy the extra computer system. Your Committee resolves to keep the matter in view of future audits.

3) Discrepancies in Rental Income

The Controlling officer submitted that management acknowledged that there were indeed discrepancies in rental income between PAS and Sun Systems. The differences in Rental Income between the PAS and Sun Systems were attributed to the fact that PAS reported transaction dates while the Sun System reported accounting periods. The challenges had since been resolved with the generation of invoices through the Sales Ledger module in Sun Systems.

Committee's Observations and Recommendations

Your Committee notes with concern that the discrepancies were caused mainly because management had only purchased part of the system's software. This is why they had to buy the extra computer system. Your Committee resolves to close the matter subject to audit verification.

23.4. Assessment Revenue Collected on Employers without Assessment Raised

The Controlling officer informed your Committee that the Board assessed employers every financial year. Some employers would pay the full assessment in the year in which they were assessed. For those employers who would pay in subsequent years, the Board did not re-assess the arrears. In this case, the 142 cases were investigated as follows:

- i) 135 cases were in respect of payments received on account of old debt which was assessed in each respective prior financial year;
- ii) five cases were assessed and paid accordingly in the financial year 2013/2014; and
- iii) two cases were assessed and paid accordingly in the financial year 2015/2016;

He further informed your Committee that schedules indicating the assessment and outstanding arrears had been sent to the Auditors in 2016 for verification.

Committee's Observations and Recommendations

Your Committee notes the response but further cautions the Controlling Officer to ensure that management keeps correct records to avoid misinterpretations and any possible misunderstanding. Your Committee resolves to close the matter subject to audit verification.

23.5. Financial Performance

A review of the statement of comprehensive income revealed the following:

Financial Position

The Controlling officer informed your Committee that the reported increase in receivable days from 106 days in 2013 to 165 days in 2016 was due to the inclusion of the long outstanding debt brought forward and reconciled as at 31st March, 2013. The funds receivable days, however,

reduced from 49 days in the year ended 31st March, 2013 to 5 days in the year ended 31st March, 2016.

Your Committee was informed that in April, 2016, Management put in place the following measures of managing debt:-

- i) establishment of dedicated Prosecution Unit to prosecute defaulting employers;
- ii) commencement of civil and criminal proceedings against long outstanding debtors such as University of Zambia (UNZA), Tanzania Zambia Railway (TAZARA) and local authorities and also implementation of debt swaps. Documents were available for the auditors to verify;
- iii) discontinuance of arbitrary assessments; and
- iv) in respect of the brought forward debt as at 31st March, 2013, the Board of Directors had since approved the engagement of a Consultant to carry out verification of closed companies for the period to 31st March, 2016.

Committee's Observations and Recommendations

Your Committee was concerned that WCFCB had failed to collect its receivables and that the receivable days had increased tremendously between 2013 and 2016. Your Committee, therefore, directs the Controlling officer to ensure that all the measures earmarked for management of debt are implemented expeditiously and that the books of accounts are adjusted regarding the receivables that are now considered as bad debts. Your Committee resolves to await a progress report on the matter.

23.6. Costly Decision to Discontinue Monthly Pension Payments to Ex-employees

The Controlling officer informed your Committee that management acknowledged that the decision to discontinue monthly pension to seven ex-employees in 2011 was wrong. The ex-employees had sued the Board in the Industrial Relations Court for wrongful discontinuance of monthly pension payment. When the matter went to mediation, the Board realised that it did not have a good case. In order to mitigate costs, the matter was settled, and Management learnt a lesson to be consultative before making critical decisions. Documentation was available for the auditors to verify.

Committee's Observations and Recommendations

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

23.7. Procurement, Construction and Management of Assets

The Controlling officer informed your Committee that management engaged NHA/MKP to construct forty housing units at Northgate in Lusaka in May, 2011. A dispute arose in relation to provision of services to the houses and also regarding delivery of complete housing units by NHA/MKP to the Board in accordance with the provision and timeframe stipulated in the Contract.

The dispute was settled through arbitration as per the contractual provisions. The Arbitral Award dated 18th December, 2015 granted the Board compensation for loss of rental earnings from the date that the housing units were supposed to be delivered to it complete with services, to the date of the Award. NHA/MKP appealed to the High Court to have the Arbitral Award set aside. The High Court on 27th December, 2016, ruled in favour of the Board. NHA/MKP had since appealed to the Court of Appeal and the decision of the court is awaited. The copies of Arbitral Award, Order on Assessment of Claims and a judgment of the High Court were available for the auditors to review.

The handover of the houses by NHA/MKP was concluded on 5th August, 2017. This was to enable the facilitation of installation of the bulk services; while the Board waited for the appeal case to be disposed of.

The Board of Directors approved the procurement of the bulk services on 11th August, 2017, as per the documents that were submitted for the auditors to verify. Management had since obtained a “*No Objection*” from ZPPA to engage NHA for installation of bulk services.

Committee’s Observations and Recommendations

Your Committee notes the responses given by the Controlling Officer and resolves to await a progress report on the matter.

23.8. Car Park - Questionable Procurement/Idle Property

The Controlling Officer informed your Committee that the Board had been using the car park in issue for its fleet of vehicles and renting it from Ndola City Council. Without the knowledge of the Board, there was a claim for ownership of the said piece of land before the Ndola High Court by the vendor. The Board only came to know about the claim when a judgment in favour of the vendor was presented to it. After the judgment, the following ensued:

- a) the vendor opted to offer the said land to the Board for purchase, since the Board had been using this property as a car park. Management submitted the proposal to the Board of Directors, who approved the transaction and a contract of sale was subsequently executed as per the documents that were submitted for the auditors to verify;
- b) the land in issue was indeed a subdivision and the cadastral diagrams had since been prepared by the Surveyor General for purposes of processing of title;
- c) the Board shall continue to rent the private car park despite purchase of the car park in question owing to its large fleet of operational vehicles; and
- d) a contractor had been engaged to construct a perimeter fence to secure overnight parking.

Committee’s Observations and Recommendations

Your Committee expresses disappointment over the purchase of property without having conducted a thorough investigation to ascertain whether the property was on title. Your

Committee notes the submission by the Controlling Officer and resolves to await a progress report on the process of subdivision and acquiring of the title to the property, in the name of WCFCB.

23.9. Lack of Title Deeds

The Controlling officer informed the Committee that, the status of the sixteen properties was as follows:

- 1) Three properties had title deeds, namely;
 - a) S/D2,3 and 4 of S/DJ of F748 Block of Flats, Ndola;
 - b) Stand No 377a Maisonette Flats Lusaka and
 - c) Stand No 5766 Dwelling House Kitwe.
- 2) For the following seven properties, certificates of title went missing and the process of obtaining duplicate certificate of title was in process.
 - a) Stand No 2259 Dwelling House Kitwe;
 - b) S/D11 of S/DAZ of F748 Dwelling House Ndola;
 - c) S/D36 and 37 of 187 of F748 NJO Dwelling House Ndola;
 - d) S/D116 of S/DAZ of F748 Dwelling House Ndola;
 - e) S/D660 of S/DAZ of F748 Dwelling House Ndola;
 - f) S/DL7 of F748 Dwelling House Ndola; and
 - g) Stand No 2051A Dwelling House Kitwe.
- 3) For four properties, certificates of title were being processed;
 - a) Northgate Housing Complex, Lusaka;
 - b) Stands No 6667 and 6668 bare plot Mpika;
 - c) Stands No 3356 and 1970 bare plots Chinsali; and
 - d) Stand No Z26/9CS commercial plot Kafue.
- 4) For one plot, Stand No 680 double storey building, Chingola – management was in the process of upgrading title from a fourteen year under-lease to a full lease.
- 5) The allocation for Lot 3944/M (1193 commercial plot Solwezi) was cancelled.

All documentation was available for audit verification.

Committee's Observations and Recommendations

Your Committee notes the responses and resolves to await a progress report on the pending acquisition of the certificate of title to the properties. Meanwhile, all relevant documents should be submitted to the Auditor General for verification.

23.10. Failure to Recover Rental Income

The Controlling officer informed your Committee that, prior to 31st May, 2017, the property management function was outsourced and there was no proper handover of records to the Board. Management had conducted a rental audit on the outstanding rental debtors, which revealed the following:-

- 1) Out of K1,962,417 owed for a period of more than one year:
 - A total of 214 tenants with total outstanding rental of K1,780,271.82 were old tenants who had since vacated Board properties. Management is recommending the outstanding rental debt to the Board of Directors for write-off as per the documents submitted for the auditors to verify ; and
 - A total of 13 tenants with total outstanding rental of K182,145.74 were current tenants and demand letters were prepared for the outstanding amounts.
- 2) Out of a total of K2,015,095 owed by 201 tenants for a period between one month and twelve months,
 - A total of 155 tenants with total outstanding rental of K1,358,367.89 were old tenants who had since vacated Board properties. Management was recommending the outstanding rental debt to the Board of Directors for write-off; and
 - A total of 45 tenants with total outstanding rental of K656,726.68 were current tenants and demand letters were prepared for the outstanding amounts.

The property management function had been established in-house and the Board had commenced civil proceedings against defaulting tenants. Documents were available for the auditors to verify.

Committee's Observations and Recommendations

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

23.11. Lack of Lease Agreements

The Controlling Officer informed your Committee that, out of 168 lease agreements that were not signed, a total of sixty-nine had since been signed as 31st January, 2018, leaving a balance of ninety-nine spaces without signed leases, due to various reasons:

- a) Kola Court, under rehabilitation – 5
- b) Fyalipwa (vacant) – 1
- c) Buteko – issued notices to vacate due to planned rehabilitation – 35
- d) Sheila Dare – earmarked for demolition to pave way for construction of new blocks of flats – 1
- e) Showground Pavillion- terminated lease agreement to pave way for establishment of the Southern Regional Office– 1
- f) Compensation House Ndola – 7 tenants evicted offices.

- g) Compensation House Chingola – the three year lease expired and at the time of the audit a new lease agreement was under negotiation (1).
- h) Kasama Compensation House –20 Leases unsigned. For these spaces Leases were prepared and sent to the respective Government Institutions for execution.
- i) Compensation House Kitwe – 8 leases for execution to Government Agencies.
- j) Compensation House Residential Kitwe – 4 Leases unsigned, the tenants were being followed up.
- k) Compensation House Lusaka – 14 Leases unsigned. Following rental review after the valuation, tenants appealed against the new rental charges and negotiations are in progress.
- l) Ibex Hill Flats Lusaka –2 Leases unsigned. Property vacant and undergoing rehabilitation.

The latest status on lease administration was available for the auditors to verify.

Committee’s Observations and Recommendations

Your Committee urges the Controlling officer to ensure that Management expeditiously signs the lease agreements with the tenants, to avoid painting a bad impression on the management of properties owned by WCFCB. Your Committee resolves to await a progress report on the matter.

24.0. ZAMBIA CARGO AND LOGISTICS LIMITED

Review of Operations

The Controlling Officer responded to the audit findings which were identified during the course of the audit as set out below.

24.1. *Underutilisation of Clearing License*

The Controlling Officer informed your Committee that a lot of efforts had been made following the infusion of new management to ensure the Clearing & Forwarding Section made a reasonable contribution to the overall income of the organisation. Specifically, the following income had been generated over the period to date:

1. Income already invoiced by ZCL in 2016 arising from clearing and forwarding amounted to TZS 52,857,200 or US\$ 24,026 (ZMW240, 260); and
2. Income from newly signed copper contract with Reload Logistics
On 15th August, 2017 Zambia Cargo and Logistics (ZCL) entered into a copper business contract with Reload Logistics. From the above mentioned contract, Zambia Cargo and Logistics (ZCL) had already invoiced \$47,427.35 (ZMW474, 273.50) and it was available for verification.

Committee’s Observations and Recommendations

Your Committee notes the innovations reported by the Controlling Officer and encourages him to ensure that management is impressed upon to enhance its efforts towards the utilisation of the

Clearing and Forwarding Section. Your Committee resolves to seek a progress report on the matter.

24.2. *Internal Audit Unit*

The Controlling Officer reported that the recruitment process chaired by the then Chairperson of the Audit and Risk Management Committee of the Board was undertaken in March, 2017, and a candidate was selected. However, ZCL could not employ the selected candidate at the time due to budgetary constraints in 2017. He also stated that the matter had been factored in the 2018 budget. The appointment would be finalised by the end of April, 2018. The Report on the recruitment process was available for audit scrutiny.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the Controlling Officer to ensure that the recruitment of the Internal Auditor is prioritised in order to strengthen the institution's internal controls. Your Committee resolves to await a progress report on the matter.

24.3. *Irregular Payment of Out of Pocket Allowance on Local Trips (Irregular US\$5,871.20 and Overpayment-US\$3,858)*

The Controlling Officer acknowledged the Auditor General's observation concerning an over payment of Board members allowances. He, however, reported to your Committee that, ZCL Management had since recovered over paid amounts from the former Board members' outstanding board allowances except for one member who had since left the Ministry. The Controlling Officer had since written to the Management to ask the former Board Member to reimburse the overpaid amounts totalling USD465. The documentation relating to the recovery of the said funds and a letter to the former Board Member was available for audit verification.

Committee's Observations and Recommendations

Your Committee bemoans the lack of adherence to regulations exhibited by ZCL Management and also the delayed action to resolve the matter. The Controlling Officer was urged to ensure that Management is sternly cautioned for this failure and that the remaining amount should be recovered from the former Board Member, without any further delay. Your Committee resolves to await a progress report on the matter.

24.4. *Statement of Comprehensive Income for the Financial Years Ended 31st December, 2014, 2015 and 2016*

The following were observed:

i. Failure to meet Operational Targets

The Controlling Officer acknowledged the Auditor General's observation and concerns by ZCL's inability to meet operational targets in the years under review. He, however, reported to your Committee as set out below.

2016:

- 1) During 2016 the Board of Directors passed a directive that the financial year end of ZCL be aligned with the financial year end of the Government of the Republic of Zambia which ended at 31st December, instead of 31st March which had been in use. This culminated in preparation of nine months financial ending 31st December, 2016;
- 2) Sales for the year ended 31st December, 2016, were TZS6,068,206,000 or US\$3, 001, 091 (ZMW 30,010,909.99) which represented about 5% improvement over the sales recorded in the financial year ending March 31st, 2016;
- 3) In the financial year ending 31st December, 2016 the company made a profit of Tzs 329,420,000 or US\$147,391,50 (ZMW1,473, 914,99) leading to Board declaring dividends at the 24th Board Meeting on 24th October, 2017. A copy of financial statements approved by the Board was available for audit verification; and
- 4) Management acknowledged the fact that the performance of the Inland Container Depot (ICD) Department had been a major concern to the Company for some time. The situation was expected to change by the following:
 - The Company had signed a Service Level Agreement (SLA) with the Tanzania Port Authority (TPA) for storage and delivery of containers under extension mode of the Port of Dar-es-Salaam in October 2017. This SLA, referred to import cargo into Tanzania where part of the volume of this cargo would be given to ZCL in order to reduce congestion at the port of Dar-es-Salaam;
 - Currently, the Government of the Republic of Zambia and the United Republic of Tanzania were in discussion over handling of Zambian imports through ZCL and documentation was available for audit verification; and
 - With business expected to be generated from Government ministries, state owned enterprises and other Government Spending Agencies as per Circular reference CO. 101/12/36 dated 29th June, 2016, income for ICD would further be boosted. A copy of the Circular was available for audit verification.

With this development, ICD revenue was expected to increase. Regarding the deterioration in Company performance for the years cited. He also reported to your Committee as follows: -

2014-2015

- 1) The major reason for the deterioration of income during this period was due to the aggressive debt collection enforced by Management during the period under review. This caused a number of customers to go to ZCL's competitors for the same services; and

- 2) During this period, the Company's transport income reduced significantly as customers opted to use their transport due to transport inadequacy by ZCL.

2015-2016

- 1) Introduction of Value Added Tax (VAT) by the United Republic of Tanzania on transit goods from July, 2016 to June, 2017 adversely affected the cargo from Zambia and DRC through the port of Dar –Es-Salaam and vice versa; and
- 2) ZCL's major copper clients were largely supplied by First Quantum (Kansanshi mine) and Konkola Copper Mine (KCM). During this period, KCM operations were adversely affected and therefore copper exports by their client also reduced in volume.

The Controlling Officer informed your Committee that Management was making efforts to increase ZCL's income as follows:

- a) the implementation of the marketing plan that had been developed which was leading to a number of contracts being signed between the Company and the new customers averaging at least two contracts per month. The marketing plan was available for audit verification;
- b) Government issued a circular where all Government Ministries, state owned enterprises and other Government spending agencies were required to utilise the services of ZCL. Management was actively following up on this with various Ministries and SOEs;
- c) ZCL was opening offices in other towns and seaport areas in countries within the Region as a way of expanding the company's presence;
- d) the need to construct a closed warehouse and a cold-room facility within the depot; and
- e) the acquisition of handling equipment would also boost income. The first step had already been undertaken where the Company had now acquired a new reach stacker to handle laden containers. This development gave comfort to the current customers as well as sent a positive message in the market.

Committee's Observations and Recommendations

Your Committee finds the lack of pro-activeness by management at ZCL unacceptable as they needed to have had a plan to counter the declining business activity, which was adversely affected by changes in copper trading. Your Committee reiterates that it is worrying to note that management depends fully on one line of business, which was dangerous, as circumstances changing with it would adversely affect them financially. Your Committee, therefore, implores the Controlling Officer to ensure that management stays alive to the new devised plans and maximise its potential to turn around the current worrying trend. Your Committee resolves to await a progress report on the matter.

ii) Deteriorating Sales and subsequent Losses

The Controlling Officer acknowledged the Auditor General's observation. However, they brought to the attention of the Committee that for the period ended 31st December, 2016, ZCL recorded a profit of US\$147, 391.50 (ZMW1,473,915.00).

Your Committee was informed that Management had taken the following measures to address the declining revenue performance:

- a) The implementation of the marketing plan that had been developed;
- b) With the support from the Government as per circular issued in 2016 whereby all Government ministries and state-owned organizations and agencies were required to utilise the services of ZCL income was likely to be increased. As Management, they were actively following up on this;
- c) diversifying income streams by expanding in other areas such as Nakonde, Ndola, Walvis Bay in Namibia, Mombasa in Kenya and Mtwara in Tanzania;
- d) the need to construct a closed warehouse and a cold-room facility within the depot;
- e) the acquisition of handling equipment would also boost income. In this regard, a new Reach Stacker machine had been acquired. However, the Company required to procure other equipment such as a 5 tonnes forklift to handle copper anodes and other cargo that weigh above 3 tonnes. The other equipment required to be procured was a skid loader to handle manganese that was received by rail and road in bulk mainly from Zambia;
- f) The signing of the Service Level Agreement between ZCL and Tanzania Port Authority (TPA) in October, 2017 would boost income for the Inland Container Depot section of ZCL business; and
- g) ZCL was in current discussion with Tanzania International Container Terminal Services (TICTS) where the latter had formally indicated that it intends to grant the annual Zambia volume of cargo of 5,000, Twenty Equivalent Units (TEUs) or 20ft containers to ZCL.

Committee's Observations and Recommendations

Your Committee observes that management at ZCL needs to have a plan to counter the declining business activity, which is adversely affected by changes in copper trading. Your Committee reiterates its serious concern over the fact that management depends solely on one line of business. This is risky because circumstances change and this would affect the financial performance of the company. Your Committee, therefore, implores the Controlling Officer to ensure that management minimises the administrative costs and that they stay alive to the new devised plans to maximise its potential to turn around the current worrying trend. Your Committee resolves to seek a progress report on the matter.

iii) Excess increase in Administrative Expenses

The Controlling Officer acknowledged as correct the Auditor General's observations that ZCL did not provide for bad and doubtful debts prior to 2014. When the Policy was implemented a provision had to be made for prior periods which increased the Administrative costs during the period under review.

The Controlling Officer submitted to your Committee that, the following measures had been taken by ZCL to curb the increasing levels of bad and doubtful debts:

- a) ZCL had since developed a Credit Policy which had been approved by the Board. The purpose of the policy was to ensure that, there was prompt payment of all monies owed to ZCL. ZCL suspended credit for non-compliant customers and further did not release cargo for such customers. Records were available for verification;
- b) ZCL had reduced the number of customers enjoying credit facilities and hence requiring a number of its customers being served on cash basis. This had reduced the accumulation of bad debts;
- c) further, Management had taken measures in ensuring that bad debts were reduced by requiring that all customers sign contracts with ZCL;
- d) Management developed a Policy on Provision of Doubtful Debts and Writing Off of Irrecoverable Debt in June, 2014. This Policy compels management to make the required provision for bad debts on an annual basis. This had been a break from the past where no provision was being made for any bad debts; and
- e) as can be seen from the nine-month financial year ending December, 2016, the administration cost reduced significantly by 60% over the previous financial year March, 2016. Income had increased by almost 5% in the same period.

Committee’s Observations and Recommendations

Your Committee is concerned to note that management depends fully on one line of business and calls upon the Controlling to ensure that the company diversifies its business while, implores the Controlling Officer to ensure that management minimising the administrative costs, so as to maximize its potential to turn around the current performance of the company. Your Committee resolves to seek a progress report on the matter.

iv) Gross Profit Margin Ratio

In view of the above, the Controlling Officer responded that the Company was making efforts to improve the sales profile as noted in Section (ii) above on ‘*Deteriorating Sales and Subsequent Losses*’. As could be computed from the financial figures contained in the signed financial statement of the financial year ending 31st December, 2016, there had been an overall improvement in the key indicators resulting in the Gross Profit Margin Ratio positive movement from 61.11 percent to 65.25 percent as shown below.

a) Turnover (TZS)	6,068,206,000
b) Profit / (Loss) for the year (TZS)	3,965,736,000
c) Gross Profit Margin (%)	65.25

The Controlling Officer implored your Committee to note that in this Sector, the best performing entities were around 82 percent, while the low performers were at 54 percent, and the Average was at 63 percent. Given the above, ZCL was gravitating towards the high performers.

Committee's Observations and Recommendations

Your Committee notes the submission by the Controlling Officer and urges him not to relax considering that ZCL is gravitating towards the high performers but instead implement measures that will in turn increase the sales and the company's gross profit margin. Your Committee resolves to seek a progress report on the matter.

24.5. Company Financial Position

The following were observed:

i. Capital and Reserves

The Controlling Officer submitted that Capital and Reserves during the period under review had declined due to the following major reasons:

- a) a bad debt of approximately US\$953,242 that was never provided for in the previous financial years was written off during the period under review. The negative impact on the profitability of the Company and hence on its retained earnings was felt in the Financial Year Ending March 31st 2016. If on the other hand, the Company had provided for bad debts for the previous years, the writing off of bad debts would not have had any negative impact on the profitability of ZCL for the audited period;
- b) payment of backlog of taxes in the region of US\$600,000 for previous financial years which were not audited by external auditors. The payment of the backlog taxes had eroded the Company's working capital that ordinarily should have been used to boost its operations;
- c) losses arising from major litigation cases such as CML Vs Efficient Freighters, which ZCL lost in 2013, and SK Dar Snooker Vs ZCL. ZCL lost in 2016, resulting in loss of US\$77,000 currently held under court administration and TZS 165 million (approximately US\$75,000; ZMW 412,500.00) respectively. These cases arose from theft of copper in 2009 in the case of CML and the installation of Closed Circuit Television (CCTV) cameras in 2013 in case of SK Dar Snooker prior to the arrival of the new management; and
- d) ZCL's major copper client was largely supplied by First Quantum (Kansanshi Mine) and Konkola Copper Mine (KCM). During this period, KCM operations were adversely affected and therefore copper exports by our client also reduced in volume.

Your Committee was further informed that Management was making the following efforts to increase its profitability so as to be able to acquire critical assets such as equipment and also for the company to be able to pay the required dividends to the shareholders:

- (i) the implementation of the Marketing Plan that had been developed as stated earlier;
- (ii) with the support from the Government as per cited Circular issued 2016 requiring all Government Ministries and State-Owned Enterprises to utilize the services of ZCL. As Management, they were actively following up on this and this should enable the organization to increase its profitability;

- (iii) the need to construct a bigger closed warehouse would enable ZCL to handle/store more copper and other commodities. A case in point was the newly acquired contract with Reload Logistics where they had been awarded an initial trial of 2,000 tons with a promise to handle up to 10,000 tons per month. With this kind of volumes, their current closed warehouses could only accommodate a maximum of 3,000 tons. A cold-room facility within the depot would enable ZCL to offer refer services to perishable goods for shipping lines and other customers;
- (iv) The acquisition of a cold room and a reach stacker would help to boost income; and
- (v) Since June, 2017, ZCL had acquired a number of contracts from its clients who were already bringing a lot of Manganese ores from Zambia. For the last six months, the volume of manganese ores handled was over 6,000 tons per month and it was expected to increase by an addition of 10,000 tons per month. The ore was coming into the depot by rail and road. With this kind of volumes, the Company hoped to increase its income in the region of US\$ 130,000 per month at the projected 16,000 tons volume of ore per month.

Committee’s Observations and Recommendations

Your Committee notes the submission but observes with concern that the depletion of capital and reserves is a serious irregularity which needs immediate intervention to save the company from total collapse. It worries your Committee that retained earnings were not forthcoming coupled with non provision for bad debt, tax arrears, losses on litigation, reduction in business activities, and hence the reduction in capital and reserves as also acknowledged by the Controlling Officer. Your Committee, however, notes the strategies suggested, but urges the Controlling Officer to ensure that the new shift was realised to turnaround the current worrying trend. Your Committee resolves to await a progress report on the matter.

ii. Liquidity Position - Deteriorating Current and Quick Ratios

The Controlling Officer brought it to the attention of the Committee that, there was an improvement in working capital, current ratio and quick ratio respectively for the audited financial year ending 31st December, 2016 compared to 31st March, 2016, as shown below in the table:-

	December, 2016 TZS	March, 2016 TZS
Current Assets	2,580,122,000	1,747,659,793
Current Liabilities	1,727,237,000	1,701,192,987
Working Capital	852,885,000	46,466,806
Current Ratio	1.49	1.03
Quick Ratio	1.41	0.91

The Controlling Officer further submitted that Management acknowledged the need for customers to pay on time in order to improve the Company’s liquidity position. To this effect, majority of their customers were now on cash basis.

Committee’s Observations and Recommendations

Your Committee observes with concern the lack of innovation by management at ZCL, where current and liquid ratios were not kept within acceptable levels. Your Committee, however, notes the strategies suggested, but urges the Controlling Officer to ensure that the new shift is realised to turnaround the current worrying trend. Your Committee resolves to keep the matter in view during future audits.

iii. Return on Capital Employed (ROCE)

The Controlling Officer reported to the Committee that, there was an improvement in the ROCE figure for the financial year ending 31st December, 2016, mainly from an increase in sales as shown in the table below:-

ROCE=Net Operating Profit/Capital Employed		
Year	December, 2016	March, 2016
Sales	TZ6, 068, 206, 000	TZs5, 805,198, 000
	US\$2,793,190.33	US\$2,672, 127.96
	ZMW27, 931,903.34	ZMW26, 721,279.63
Actual ROCE	0.091	-0.8022

The Controlling Officer further submitted that, Management, however, understood that there was still need to improve its ROCE and was taking necessary measures to improve its performance in this area.

Committee’s Observations and Recommendations

Your Committee observes with concern the failure by management at ZCL to maintain its Return on Capital Employed (ROCE) within acceptable levels. Your Committee, however, notes the strategies suggested, but urges the Controlling Officer to ensure that the new shift is realised to turnaround the current worrying trend. Your Committee resolves to await an update on the matter.

iv. Overdraft Facility

The Controlling Officer submitted that the Auditor General’s observations had been noted. However, he responded as follows on the issues raised:

Bank Security: Plot 316 Toure Drive, Kinondoni District

- At the time of getting the two facilities, the legal matter had not been brought up. The legal case that had now arisen was after the Company pledged the property as security for the bank

facilities that had been cited above; the tenant's claim to have had the right to lease the house for an additional ten years was based on the letter reference MFD/plt 316/11 of 23rd June, 2011 purported to have been written by the former Chief Executive Officer (CEO) at the time. This letter was availed to the Auditors during the audit. The claim by the tenant had since been disputed by the former CEO as per his letter dated 23rd February, 2017 that was also availed to the Auditors. The former CEO had stated categorically that the letter in question alleged to have been written by him in June, 2011 was a forged one as he did not issue such a letter. The former CEO was prepared to testify in courts in Tanzania to prove his innocence.

- The latest development on the house was regrettable and the current management could not have anticipated that the property that was used as security would be a subject of a legal case in future. However, management was doing everything possible to ensure the matter was heard in court so that the property was free from any litigation as soon as possible. The Company lawyers' indication was such that this matter would be finalized by mid of 2018 and the Company's attorneys were optimistic that this matter would be determined in ZCL's favour.

Your Committee was informed that currently, the Bank was satisfied with their level of servicing of the overdraft and lease facilities and had not raised any concern with the legal case as it had no bearing on the security.

2016 Company Projections

The Auditor General's observations had been noted. With regard to projections made to the bank, it was reported as follows:

The Company performed more or less within the stated income projection for the audited financial year end 31st December, 2016, wherein on average for the nine months of operations, the income per month was TZS674,245,111 or US\$310,340.20 or ZMW3,103,402.00. The monthly average income achieved was only 10 percent short of the monthly projected income. This was despite the financial year being only nine months instead of the normal twelve months period. The Company's financial position was negatively impacted by the following major developments:

- a) Forced payment by Tanzania Revenue Authority (TRA) through ZCL's bank on the backlog of taxes of TZS 444,206,705 (US\$ 205,000 or ZMW2,050,000 approximately) in April, 2016;
- b) Garnishee order nisi (freezing) of part of the Company's bank account by the Tanzanian Courts of US\$77,350 or ZMW773, 500 for the loss of the case of CML Vs Efficient Freighters and ZCL in March, 2016; and
- c) Payment of US\$98,300 or ZMW983, 000 being the 20 percent purchase price of the new equipment, which was required to be made in order to ensure the Company's business, was safeguarded in the short to long term.

Thus, the overdraft that the Company was currently operating was directly linked to the above stated events. The three items stated above, make up a total of US\$380,671 or ZMW3, 806,710

Committee's Observations and Recommendations

Your Committee observes that there was overdependence on overdrafts, which was highly irregular and unacceptable for the financial health of an organisation. The Controlling Officer is urged to ensure that the company comes up with strategies aimed at raising revenues to improve the status quo. Your Committee resolves to keep the matter in view during future audits.

24.6. Penalty payment due to delay in paying Clearing Agents and Licence fees.

The Controlling Officer informed your Committee that the Auditor General's observation had been noted. He admitted that a tax clearance certificate was required before acquiring a clearing and forwarding license. However, ZCL could not obtain tax clearance certificate due to previous outstanding tax liabilities. Due to the delay in obtaining the tax clearance certificate, ZCL could not obtain a clearing and forwarding license on time. Both matters had now been resolved and ZCL was now able to clear and forward.

Committee's Observations and Recommendations

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

24.7. Staff Related Issues

i) Unfilled Positions

The Controlling Officer reported to your Committee that management was working to ensure that the recommended candidates for positions of Regional Manager and Senior Internal Auditor for Zambia were employed.

The Company had targeted this financial year, 2018, to ensure the three positions were filled. They anticipated that the Auditor would be employed by April, 2018 followed by the Regional Manager in July, 2018 and finally the Company Secretary in September, 2018.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the Controlling Officer to ensure that the remaining key positions are filled in order to improve efficiency in the operations of this institution. Your Committee resolves to await a progress report on the matter.

ii) Legal Matters - Loss of Funds on Court Cases

With regard to each case concerning loss of funds due to court procedure, the Controlling Officer submitted to the Committee as set out below.

a) ZCL vs Stanley Nyakunga and 39 others - Case no 413/2016

This case related to staff who went on an illegal strike and got dismissed in 2013. However, the courts had ruled that the Company had not followed the right procedure to terminate their employment. The Company was given the option to either reinstate the staff concerned or pay them terminal benefits up to twelve months' salary. The Company decided to pay them their terminal benefits less loans and advances owed to the Company. The former employees concerned refused to accept the deductions hence they decided to appeal. The claimed amount was TZS 32,289,109.16 which after loan deductions the employees were only supposed to be paid TZS 16,918,998.84. This matter was before the courts.

Management had acknowledged the errors that were made and would ensure that going forward all matters of labour would be handled according to the law by ensuring that disciplinary procedures were followed.

b) ZCL v Hafidh Shabani and 8 others

This case related to staff who were engaged as casuals for a fixed period but for some reason when this fixed period ended, the staff were not released by ZCL and they continued working. When there was a change in Management at ZCL, these employees were offered a one-year contract after which they were paid off for the period they served under the one-year contract. The said former employees decided to sue the Company for terminal benefits prior to the one-year contract. The concerned employees had since been paid off their full claim.

The Controlling Officer submitted that, Management had been directed to ensure that the labour procedures were followed according to the labour laws of the country they were operating in.

c) ZCL V Richard Andrew and 4 Others - case no 1218

This case related to copper theft which was alleged to have been stolen in 2009 by five members of staff. The CML Vs Efficient Freighters and MOFED where the Company lost the case in 2013 leading to the Attachment of US \$77,000 or ZMW770, 000 ZCL funds at Stanbic Bank. The employees concerned were dismissed on 16th December, 2013. There was an agreement as a result of the mediation effort in 2011 where the employer, ZCL, agreed to pay unpaid half salaries for the period of suspension until 29th March 2011 and that the full salaries be paid from 29th March, 2011 until finalisation of the suspension. The former employees' appeal for unfair dismissal was dismissed by the courts.

d) ZCL v Dar Snookers Ltd

The Company lost the case on the basis that the claim for shoddy work in terms of CCTV camera installation by the contractor, Dar Snookers Ltd, on 7th August, 2013 was not supported by any documentation sent to the contractor within a reasonable time after they had handed over the complete equipment in December, 2013. The other issue was that the Court was able to establish

that as a Company they supervised the works and they could therefore not claim that the work was not done according to our specifications.

Management had been directed to ensure that all turn-key projects were done according to the contracts signed and where there were issues of performance these were swiftly brought to the attention of the contractors concerned. In addition, the Management staff that supervised the CCTV installation was terminated.

Committee's Observations and Recommendations

Your Committee did not accept the reasons given by the Controlling Officer, as public funds were lost in most of these cases due to wrong decisions made by management, which your Committee finds unacceptable. Your Committee questions if the ZCL had a strong human resource and legal departments to advise on labour matters, to avoid loss of court cases as observed. The Controlling Officer is strongly urged to ensure that management is sternly cautioned for this loss and also that as a matter of urgency, the company enhanced its establishment to include a legal mind, to advise on labour related matters. Your Committee resolves to await a progress report on the matter.

iii) Irregular Payment of Education Allowance

- **Chief Operations Officer – US\$68,000/US\$12,500**

The Controlling Officer responded that the Auditor General's observations had been noted. The Controlling Officer further reported that the Chief Operations Officer had since separated from the company. Management had since been directed to recover the overpaid amount of US\$12,500 from the former officers' outstanding terminal benefits.

On the payment of the education allowances, Management's interpretation had been that, these were paid to all officers entitled at a fixed rate of US\$500 per registered dependent as per contractual obligation. An extract of employment contract was available for audit verification.

- **Chief Executive Officer – US\$11,100**

The Controlling Officer submitted that the Auditor General's observations had been noted. The Controlling Officer, however, reported that the payment of education allowance had been made, based on the conditions of service for the officer in the Contract. The payment of education allowance by the Company had been fixed according to the officer's contract. Therefore, an officer could have children paying more than US\$500.00 or children paying less than US\$500.00.

- **Chief Finance Officer (CFO) – US\$66,677.26, No evidence of actual school fees paid**

The Controlling Officer reported that the payment of education allowance of US\$66,677.26 over the stated period was disbursed as per the officer's conditions of service in the contract and also based on the data contained in the Dependence Registration Form, completed by the officer at the time of his engagement with the organisation.

In this regard, Management's interpretation had been that, these were paid to all officers entitled at a fixed rate of US\$500 per registered dependent as per contractual obligation.

Committee's Observations and Recommendations

Your Committee expresses concern that the policy on education allowance though based on the provision of the contract did not take into account the financial position of the company. Your Committee cautions the Controlling Officer to ensure that such a policy is reviewed by management to reflect the financial performance of the company, which currently is not satisfactory. A progress report on the matter will be awaited.

iv) Failure to Provide Limits on Rental Payments

The Controlling Officer informed the Committee that Management was already devising a measure to redress this exposure. To this effect, Management was developing a policy for the approval during the next Board meeting. This policy would had caps on the maximum amounts that would be payable for accommodation depending on the seniority of the officers involved.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the company operated without a limit on rental payments for its officers. It is disheartening to note that this loophole was abused to a greater extent by management at this institution and what worries your Committee most, is the failure to control the expense considering the financial status of the company. It is evident to your Committee that management at this institution is adept in capitalising on weakened systems to their advantage, which the Committee finds totally unacceptable. Your Committee directs the Controlling Officer to ensure that management is sternly cautioned for this failure and only then would the matter be closed. Your Committee resolves to await a progress report on the matter.

v) Wasteful Expenditure- Payment in lieu of notice US\$8,239

The Controlling Officer stated that the lease agreement for the rented accommodation was deliberately kept by the former Officer concerned instead of the Administrative Officer and by the time it was realised that the termination notice needed to be given to the landlord it was too late. Given this development, all lease agreements were kept by the Human Resource Manager and she had been tasked to ensure such problems did not recur in future.

Your Committee was informed that, Management had been directed by the Board to recover the overpaid amount of US\$8,239 from the former officer from his unpaid dues. Going forward, Management would present a proposal to the Board for consideration that instead of providing accommodating to staff housing allowance be paid to officers.

Committee's Observations and Recommendations

While noting the efforts made by the Controlling Officer, your Committee directs him to ensure that management is sternly cautioned for this failure and that the amount be recovered from the erring officer without any further delay. Your Committee resolves to await a progress report on the matter.

vi) Irregular Payment of Car Allowance – REGIONAL MANAGER

The Controlling Officer informed your Committee that although there was no policy to be applied on this case where the former Officer operated without a company car, Management had found it prudent to apply existing Government of the Republic of Zambia (GRZ) Transport Allowance rates of 20% of the Basic Salary instead of the Company hiring a vehicle to enable the Officer to undertake ZCL assignments. Given this lack of policy in place, Management was developing a policy to guide the Company on the issue of transportation where transport for the Officers was not being provided by the Company and the Officers concerned were required to perform ZCL assignments. This would be submitted to the Board for approval.

Committee's Observations and Recommendations

In noting the submission, your Committee directs the Controlling Officer to ensure that management is sternly cautioned for the failure to have a policy in place to guide on how transport allowance would be expended, and that the abrogation of misapplying the provision is discontinued immediately. Your Committee also directs the Controlling Officer to ensure that the relevant policy is put in place to avoid recurrence of the issue, and only then would the matter be closed. Your Committee resolves to await a progress report on the matter.

24.8. Procurement of Goods, Works and Services

i. Failure to carry out maintenance works

The Controlling Officer reported to your Committee that a report from the maintenance company, Technology Concept, was submitted to the Auditor General's Office for review. Further, it was the normal Company procedure to only make payments based on work done and such works must be verified by the respective user departments. The Company did not make advance payments to the contractor. The documentation was available for scrutiny.

Committee's Observations and Recommendations

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

ii. Failure to adopt ICT Standards and Frameworks

Your Committee was informed that the Company had not adopted any ICT Standards and frameworks for managing its ICT operations. The Controlling Officer further submitted that, an

ICT draft policy had already been developed and that it would be presented in the next Board meeting for review and approval. The draft policy was available for audit verification.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the company operated without an ICT Policy, which situation made the company vulnerable to ICT related security frauds. Your Committee directs the Controlling Officer to ensure that management is sternly cautioned for this failure and that the process of approving a draft ICT policy is expedited to make it fully operational without any further delay. Your Committee resolves to await a progress report on the matter.

iii. Lack of Installation Report – TANCIS

The Controlling Officer reported that the Company was issued a TANCIS certificate on 12th October, 2017 in order to operate the system. The TANCIS system was a Tanzanian Revenue Authority system similar to the Zambia Revenue Authority (ZRA) ASYCUDA World System which was intended to process customs entries.

In view of the above, he reported to your Committee that eight operations employees were trained on 25th October 2017, by TRA officials on how to use the TANCIS system. The trained staff had been given passwords to access the system.

Your Committee was also informed that this was not training for a system installation, but was rather a requirement to gain access to the TANCIS system and therefore, no installation report was necessary. A letter from the Tanzania Revenue Authority (TRA) outlining the preconditions to obtaining access to the TANCIS system was available for audit verification, while Container Freight Station TANCIS Licence was available for inspection as well as confirmation of training by employees on the system.

Committee's Observations and Recommendations

Your Committee notes with concern the failure by the management to provide the needed response to auditors during the time of audit. It is not impressive to note that the response only came after audit which is a clear act of disregard to the audit process. The Controlling Officer is urged to ensure that, management is cautioned to take the audit process seriously each time auditor's visit, so as to reduce the number of unresolved queries going forward. Your Committee, however, resolves to close the matter subject to audit verification.

iv. Contract with Mining Agricultural & Construction Services Ltd for Repair of Liebherr Reach Stacker

The Controlling Officer reported as set out below.

- a) ZCL had not paid the US\$ 45,288 to Mining Agricultural & Construction Services Ltd (MACS) as the amount was still in dispute. The minutes of the meeting between ZCL

management and MACS officials of 18th September 2015 and 9th October 2015, were available for verification, as well as the email exchange between MACS and ZCL management for the months of September, October and November of 2015;

- b) the payment had not been made by the Company as they had agreed for MACS to prove that the equipment had been working for the period from November, 2014 to July, 2015. It was agreed by both parties that payment would be made for the repair works that were done once MACS were able to download the information from the equipment using the card from Liebherr factory in Europe. This information would prove the number of hours the equipment had been working. The last emails dated 27th October, 2015 from their former Procurement Officer and MACS official and also an email issued by MACS on 3rd November, 2015 would confirm the same and Minutes and email correspondence were all available for audit scrutiny;
- c) the equipment had been working all along until November, 2014 when it developed a major fault; and
- d) the Company had since acquired a new Reach Stacker at a cost of US\$493,000 to replace the Liebherr Reach Stacker. The option for the Company may be to dispose the Liebherr and scout for some more funds to procure a third Reach Stacker in future.

Committee's Observations and Recommendations

Your Committee observes with concern the failure by management to carry out feasibility studies before embarking on engaging a company to repair the equipment. Your Committee notes that management risked loss of public funds which may arise due to litigation especially with regards the eminent dispute with the contractor. As a matter of urgency, your Committee implores the Controlling Officer to ensure that the matter is resolved without any further delay. Your Committee resolves to await a progress report on the matter.

24.9. *Non-Current Assets*

i. Lack of an updated Non-Current Asset Register

The Controlling Officer reported to your Committee that the Electronic Asset Register had since been implemented and was available for inspection. Further, coding of all company assets had been undertaken and completed.

Committee's Observations and Recommendations

Your Committee notes the efforts made by management but urged the Controlling Officer to ensure that erring officers are disciplined for this failure and only then, would the matter be closed. A progress report would be awaited.

ii. Lack of Title Deed for Plot Number 1616, MASAKI

The Controlling Officer informed your Committee that ZCL had been liaising with the Ministry of Justice and the Ministry of Finance in order to obtain a deed of transfer. The MOJ had written

to the MoF requesting for final approval and transfer. The Deed of Transfer, once obtained, would be the basis for the issuance of the Certificate of Occupancy by the Ministry of Land in Tanzania.

Committee's Observations and Recommendations

Your Committee observes with concern the laxity by management in ensuring that, they secure their property with title deeds. Your Committee urges the Controlling Officer to ensure that management is cautioned, and further that, they impress upon the ministries involved to ensure that the matter relating to securing a deed of transfer for this property is done. Your Committee also urges the Controlling Officer to ensure that he helps by coordinating with his colleagues in the two ministries. A progress report would be awaited by your Committee on the matter.

iii. Lack of Ownership details for leased Shed by Tanzania Port Authority

The Controlling Officer reported to your Committee that a lot of efforts had been made by both previous and current Management including the Zambian High Commission in Tanzania to establish the facts on the ground in Mtwara to enable ZCL claim ownership of the properties. ZCL contacted ZCCM IH for details and some documents had been provided from the ZCCM Ndola archive.

Committee's Observations and Recommendations

Your Committee observes with concern the laxity by management in ensuring that they secure their property with title deeds. Your Committee urges the Controlling Officer to ensure that he helps by ensuring that the matter is resolved expeditiously. A progress report would be awaited by the Committee on the matter.

iv. Failure to Replace Stolen Motor Vehicles

The Controlling Officer reported that the vehicle would be replaced before end 2nd quarter 2018.

Committee's Observations and Recommendations

Your Committee observes with concern the inordinate delays by the management to replace the vehicle and wondered as to what held them this long. Your Committee implored the Controlling Officer to ensure that the stolen vehicle was replaced without any further delay. A progress report would be awaited by your Committee on the matter.

v. Failure to Dispose Obsolete Machinery

Although the Company's equipment was fully depreciated and obsolete, none of the departments had made any recommendations for disposals to the Secretary of Asset Disposal Committee. The Controlling Officer informed your Committee that Management had stated identifying all obsolete equipment with a possibility to dispose the concerned assets after Board approval. The Company intended to present the proposal to the Board in the second Quarter of 2018.

Committee's Observations and Recommendations

While appreciating the efforts made by management to address the problem highlighted, your Committee finds it unacceptable that this action came only after audit. It is evident that management is not proactive to most of the serious anomalies and irregularities in the company, which your Committee finds unacceptable. Your Committee directs the Controlling Officer to ensure that management is sternly cautioned for this laxity, and further that, the matter be resolved without any further delay. A progress report would be awaited by your Committee on the matter.

vi. Loss of Government Land for a Dry Port - Nakonde

The Controlling Officer submitted that the Auditor General's observations had been noted. On the loss of land in Nakonde District, they reported to the Committee on the as follows:-

- a) The Nakonde issue, as per documentations availed to the Auditors during the audit period, were being handled by the Anti-Corruption Commission (ACC) of Zambia. The letter to ACC reference ZCL/ACC/01/2016 of 29th March, 2016 and their letter to the Auditor General referenced ZCL/OAG/01/2017 of 12th July, 2017 were available for verification.
- b) Given that the issue was now being handled by ACC, it was their belief that the matter was in the hands of the competent authorities. However, they would make regular follow ups on the matter.

Committee's Observations and Recommendations

While appreciating that the matter is with the Anti-Corruption Commission, your Committee observes with concern the length of time it has taken without the matter being resolved. The Controlling Officer is urged to ensure that the matter is treated with the urgency it deserved so that, land is repossessed without any further delay. Your Committee also observes that circumstances are not clear as to how management then, decided to transfer land to its partner without clear explanation. A progress report would be awaited by your Committee on the matter.

25.0. ZAMBIA INSTITUTE OF MASS COMMUNICATIONS EDUCATION TRUST

Review of Operations

A review of accounting and other records maintained at the Trust for the years 2014 to 2016 carried out in July 2017, revealed the following to which the Controlling Officer responded as set out below.

25.1. Lack of a Risk Management Policy

The Controlling Officer submitted that ZAMCOM was still in the process of developing its Governance Procedures. From the Year 2010, the Institution almost collapsed and there was no Management to attend to important procedures, hence all policy documents were not done.

ZAMCOM had since worked on many documents including the Risk Management Policy. During the Audit, the Risk Management Policy was availed to the Auditors in the draft form before approval by the Board. ZAMCOM Board met on 14th December, 2017 and approved the Risk Management Policy.

Committee's Observations and Recommendations

Your Committee notes the response from the Controlling officer and resolves that measures should be instituted to ensure that all the necessary documents are formulated Your Committee resolves to keep the matter in view in future audits.

25.2. Lack of an Internal Audit Function

The Controlling Officer submitted that Management had made several attempts to engage a full time internal auditor. In 2015, advertisements were placed in the national media. However, the candidates identified during interviews which were conducted with the help of the Zambia Institute of Chartered Accountants (ZICA), were demanding salaries which were beyond the capacity of the Institute to pay. The Board of Trustees advised management to engage a part-time accountant to carry out this function. Another advertisement was placed in the national media and again the Risk, Audit and Governance Committee of the Board thought the candidates were asking for too much money in payment for their services. Your Committee guided that management should instead liaise with ZICA to identify a small company to provide this service. ZAMCOM had since engaged the auditing firm (CTTK Chartered Accountants) to carry out audit function on a part time basis. The Institute shall endeavour to employ a full time internal auditor when the financial outlook becomes positive. The engagement letter for the provision of internal audit functions was available for audit verification.

Committee's Observations and Recommendations

While noting the efforts made to employ a qualified internal auditor by the ZAMCOM management and the engagement of a small company performed the needed functions, your Committee strongly urges the Controlling Officer to ensure that the matter is resolved expeditiously, as operating without a full time staff in the organisation to provide independent assurance on risk management, governance and assessment of whether the internal control processes were operating effectively, is risky and against best practices. Your Committee resolves to await a progress report on the matter.

25.3. Failure to Produce Audited Financial Statements and Annual Reports

The Controlling Officer informed your Committee that, prior to 2012, ZAMCOM lost all the key management staff, and hence, there was no one to carry out any Management function, until 2012, when the Executive Director was engaged and other Finance Personnel. In addition, the funding to ZAMCOM from both Government and Donors sharply dwindled hence unable to produce audited financial statements and annual reports. From 2012, the Zambia Institute of Mass Communication (ZAMCOM) was required to audit a backlog of seven years of unaudited

statements by the Office of the Auditor General following its forensic audit of the institution. During this period, management had audited the entire backlog and current years up to 2014. The 2015 and 2016 statements were ready for audit at the time of the review to which management was responding and these statements were made available to the audit team. The delay in auditing 2015 and 2016 arose on the requirement that the auditors should be appointed by the Auditor General. This process took time although it had now been resolved. 2015 and 2016 statements would be audited before the end of May 2018. Management would from this year start submitting annual Reports to the Office of the Minister of Information and Broadcasting Services. The Audited statements for the year 2014 were available for verification, while the 2015 and 2016 were yet to be audited as stated above.

Committee's Observations and Recommendations

Your Committee does not accept the reason given by the Controlling Officer, as it took so long for them to prepare the financial statements for the previous years and also the current year. Your Committee is, however, comforted to hear that the statements are now available for audit verification. Your Committee resolves to close the matter subject to audit verification.

25.4. Failure to Insure Trustees

Your Committee was informed that ZAMCOM had been going through financial challenges due to erratic funding from Government and other Donors. Its core function of training media professionals could not raise enough revenue to guarantee the provision of insurance covers to its Trustees. Currently, ZAMCOM had earmarked various activities and projects from which it anticipated to raise enough revenue to guarantee insurance covers to all Trustees. ZAMCOM had further allocated funds amounting to K125,000 in its 2018 Budget for this purpose. The Management had since initiated the process of insurance through Standard Chartered Bank.

Committee's Observations and Recommendations

Your Committee notes the submission but expresses concern at the failure by the Controlling Officer to consider the matter as a serious omission. Your Committee feels that this may result in exposing the Trustees to possible future personal litigations, especially considering that, whatever act or omission committed was during the Trustee's performance of his/her fiduciary duty. Your Committee urges the Controlling Officer to ensure that insurance covers for Trustees is availed for audit verification. Your Committee resolves to await a progress report on the matter.

25.5. Lack of Appointment Letters for Board of Trustees

The Controlling Officer responded that at the time of the operational review, all Trustees had appointment letters and that they were available for audit verification.

Committee's Observations and Recommendations

Your Committee is displeased with the Controlling Officer's response as it was evident that he was disputing what was unearthed by the Office of the Auditor General. Your Committee sternly cautions him to desist from arguing with the Auditor General and directs him to ensure that officers who fail to avail the documents are disciplined for this failure, and only then, would the matter be closed. Your Committee would await a progress report on the matter.

a) Non Payment of Statutory Contributions - K17,490,887 (NAPSA K16,472,533 and PAYE K1,018,354)

The Controlling Officer submitted that the ZAMCOM had been going through financial challenges due to erratic funding from Government and other Donors. Its core function of training media professionals could not raise enough revenue to guarantee the payment of statutory contributions. Due to financial challenges ZAMCOM accumulated arrears for staff from 2013 until an allocation was subsequently included in the 2017 Ministerial budget for this purpose, hence the non-payment of statutory obligations. During the period under review, management had held several meetings with NAPSA management regarding outstanding payments. Management had managed to get a stay on the penalties while it attempted to remain up to date with current payments. This had been a challenge due to poor cash flows. However, Management through the Board of Trustees was hoping that debt swap could be reached as plans were under way for new investments into the ZAMCOM Lodge to upgrade it to a larger and more profitable facility. For PAYE, Management had taken advantage of the amnesty and this had been agreed with ZRA. ZAMCOM had allocated in its 2018 Budget so as to start dismantling arrears for NAPSA and PAYE on a monthly basis.

Committee's Observations and Recommendations

Your Committee expresses concern at the state of affairs at ZAMCOM, especially with regards to their financial instability currently being experienced. Your Committee warns that statutory contributions are capable of causing loss of public funds due to possible litigation. The Controlling Officer is therefore, urged to intervene in the matter by way of liaising with the Office of the Secretary to the Treasury to find options of assisting the Corporation, including the use of debt swaps at source. Your Committee resolves to await a progress report on the matter.

b) Failure to Pay Outstanding Salary Arrears - K1,158,871

The Controlling Officer submitted that ZAMCOM had been going through financial challenges due to erratic funding from Government and other Donors. The Institution could not enough revenue through its core function of training media professionals so as to guarantee the payment of statutory contributions. Due to financial challenges ZAMCOM accumulated arrears for staff from 2013, and it had made a request was made for support from the Ministry of Information and Broadcasting Services for assistance to pay outstanding arrears. An allocation of K2 Million was subsequently included in the 2017 Ministerial budget. The Government had since paid this

amount and all the arrears were paid. ZAMCOM had currently no staff obligations. In addition, ZAMCOM had put in place a turnaround strategy to improve operation challenges.

Committee's Observations and Recommendations

Your Committee expresses concern at the challenges the Corporation was facing and bemoans that it would defeat the purpose of its existence as it is evident that it is operating below viability level. Your Committee urges the Controlling Officer to ensure that a turnaround strategy is put in place and fully implemented, to save the Corporation from total collapse. A progress report would be awaited by your Committee on the full liquidation of the outstanding salary arrears owed to its members of staff.

25.6. Lack of Asset Identification Marks (Valued at K15,555,395)

The Controlling Officer submitted that ZAMCOM 'lost' key staff in Finance and the remaining 'Skeleton' staff could not cope up to do the job. ZAMCOM had now engaged the Finance and Administration Manager and now had in place an inventory of all its assets. This followed an extensive physical inspection and asset identification marks would be put on all assets before the end of the first quarter of 2018.

Committee's Observations and Recommendations

Your Committee notes the submission and urges the Controlling Officer to impress upon management to ensure that assets are marked without any further delay. Your Committee would await a progress report on the matter.

25.7. Unvouched Expenditure - K68,070

The Controlling Officer submitted that this was caused by staff misplacing either the Goods Received Note or Invoices. The staff were not adequate in Finance Department. ZAMCOM had now employed adequate staff to ensure that all documents were properly filed.

Committee's Observations and Recommendations

Your Committee notes the submission and urges the Controlling Officer to impress upon management to ensure that documents are availed for audit verification without any further delay. Your Committee would await a progress report on the matter.

25.8. Obsolete Studio Equipment

The Controlling Officer submitted that ZAMCOM had been going through financial challenges due to erratic funding from Government and other Donors. Its core function of training media professionals could not raise enough revenue to guarantee the purchase of broadcasting equipment, hence the old equipment getting into obsolete condition. The Ministry of Information and Broadcasting Services had provided for an allocation of K1 Million in the Ministerial budget for purchase of studio equipment in 2018. At the time of the review, the audit team was informed.

A breakdown budget of the K1 Million allocated in 2018 Budget was available for audit verification.

Committee's Observations and Recommendations

Your Committee notes the submission and urges the Controlling Officer to ensure that new equipment is bought without any further delay. Management is, however, cautioned to ensure that equipment is regularly upgraded to avoid recurrence of similar challenges in future. Your Committee would await a progress report on the matter.

26.0. ZAMBIA MEDICINES REGULATORY AUTHORITY

Review of Operations

An examination carried out during the period from January to March 2017 on accounting and other records maintained at the Authority's Headquarters and selected stations for the financial years ended 31st December, 2012, 2013, 2014 , 2015 and 2016 revealed the following, to which the Controlling Officer responded as set out below:-

26.1. Failure to Fill Key Positions

The Controlling Officer submitted that observations made by the auditors that, forty six (46) positions of the staff establishment were vacant which included positions of Internal Auditor, Legal Officer and thirty (30) inspectors was correct.

The Controlling Officer further informed your Committee that, the staff establishment for the Zambia Medicines Regulatory Authority (ZAMRA) could not be filled in full due to financial constraints and lack of adequate office accommodation.

However, management reported that, by 31st December, 2017 nineteen (19) positions of inspectors were filled leaving a balance of twenty seven (27), yet to be filled. Your Committee was informed that the recruitment process to fill two positions had begun.

Furthermore, offices for ZAMRA were being constructed with the financial support from the European Union and Ministry of Health along airport road and expected to be completed by the end of 2018. This project, once completed, would address the office accommodation challenges.

Committee's Observations and Recommendation

Your Committee appreciates the efforts made ZAMRA to address the office accommodation, which was critical in ensuring that the Institution operated with a full structure. Your Committee, therefore, urges the Controlling Officer to ensure that the establishment is filled up as soon as the office accommodation is completed and Treasury Authority to recruit all the staff sought. Your Committee resolves to keep the matter open and await a progress report.

26.2. *Lack of a Communication Policy*

The Controlling Officer agreed with the observation made by the Auditor General's Office, regarding the Communication Policy, which was not in place at the time of the audit. The Controlling Officer further submitted that, at the time of audit, ZAMRA was still in the process of developing a communication policy.

The Committee was informed that the communication policy has been developed and was operational.

Committee's Observations and Recommendation

Your Committee expresses disappointment that, ZAMRA was operating without a Communication Policy as required by the Act. Your Committee further warns the Authority to desist from abrogating the provisions of the Act and resolves to close the matter subject to audit verification.

26.3. *Failure to Maintain a Register of Pharmacies, Agro-veterinary and Health Shops*

The Controlling Officer submitted that the observations made by auditors were true that during the period under review, ZAMRA neither maintained a register nor published annually the names of registered pharmacies, agro-veterinary and health shops. This was due to the following:-

i. Register of Pharmacies

Your Committee was informed that the Act required that ZAMRA maintains a register of Pharmacies; however, the details to be entered in the register were not prescribed in the Principal Act and therefore needed to be developed through a Statutory Instrument. At the time of audit, ZAMRA was awaiting approval of the draft regulations by Ministry of Justice. The regulations were however published on 14th July, 2017, under Statutory Instrument 58 of 2017 (Certificate of Registration).

In this respect, your Committee was informed that the Register of Pharmacies was now available as required by SI 58 of 2017.

Committees Observations and Recommendations

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

ii. Register of Agro-Veterinary

It was submitted by the Controlling Officer that, at the time of the audit, Agro Veterinary Shops were not yet in existence hence the register could not be maintained. ZAMRA was in the process of developing guidelines as required by the Act to operationalise the Agro-Veterinary Shops, which was a new concept.

Management submitted that, guidelines for operations of Agro veterinary Shops were approved in December, 2017 and had been implemented. The call for registration of Agro-veterinary shops was published in January 2018 and companies had since started complying.

Committees Observations and Recommendations

Your Committee resolves to keep the matter open and await a progress report on the finalisation of registration of agro-veterinary.

iii. Register of Health Shops

The Controlling Officer submitted that a register of Health Shops could not be developed because currently in Zambia, Health Shops were none existent. As provided for by the regulations on Health Shops (SI No 12 of 2016), the Health Shop should be managed by a Health Shop Dispenser. Management realised that Dispenser cadre was not readily available in the country and therefore, there was need to train dispensers to manage the Health Shops. The dispensers' course was not being offered at any training institution in Zambia. In this regard, the process to develop a curriculum and guidelines and to identify institutions that could offer the training needed to be undertaken. Additionally, there was need for management to develop guidelines for health shops.

Management submitted that the dispensers training curriculum had been developed and three training institutions namely Robert Kapasa Makasa University in Muchinga Province, Senanga School of Nursing and Lewanika School of Nursing and Midwifery in Western Province had been identified. The training of dispensers in Western Province commenced in December, 2017. The first set of Dispensers was expected to graduate within the first quarter of 2018. In this regard, Health shops would then be permitted to operate and registers maintained.

The Controlling Officer submitted a progress report on the implementation of the health shops to the Committee. In addition, your Committee was informed that the guidelines on health shops were also developed and approved by the ZAMRA Board in August 2017. The guidelines had since been published and disseminated to guide would be owners on the requirements to operate Health Shops. Your Committee was further informed that the Authority had also commenced conducting stakeholder sensitizations around the country to educate members of the public.

Committee's Observations and Recommendation

Your Committee appreciates the effort made by the management in ensuring that, guidelines were put in place, to guide would be owners on the requirements to operate Health Shops and also developing the curriculum for Dispensers to manage the health shop's. Your Committee however resolves to keep the matter open and wait for a progress report on the registration and operationalisation of health shops across the country.

26.4. *Failure to Inscribe Assets*

It was submitted by the Controlling Officer that, the observations made by the Auditors that, ZAMRA did not mark assets costing K1,659,369 procured during the period under review with unique identification marks were true. Your Committee was informed that marking of the assets was done by the Ministry of Works and Supply and at the time of audit, ZAMRA had just acquired new assets.

The Controlling Officer submitted that an application for labelling of new assets had been made to the Ministry of Works and Supply and ZAMRA was on the waiting list.

Committee's Observations and Recommendation

Your Committee is dismayed at the failure by ZAMRA to facilitate marking all assets belonging to Government, as required by the Public Stores Regulation No.154 for easy identification. Your Committee urges the Controlling Officer to ensure management expedites the process. Your Committee would await a progress report on the matter.

26.5. *Lack of Storage Space for Seized Medicines and Allied Substances*

The Controlling Officer submitted that the observation made by the auditors that Nakonde, Chirundu and Livingstone offices did not have adequate storage space for seized medicines and allied substances were correct. Ports of Entry offices such as Nakonde, Chirundu and Livingstone were located at rented buildings whose space was limited.

Your Committee was informed that the seized medicines were not kept at the boarder offices but were sent to ZAMRA Head Office. The Head office then would expedite the disposal process of products to avoid accumulation. In addition, ZAMRA had also acquired two state of the Art incinerators with the support from the Global fund for disposal of such products.

Committee's Observations and Recommendation

Your Committee reiterates that, there is an urgent need for ZAMRA Head Office to facilitate disposal of seized medicines and allied substances in order to create storage space at the offices in Nakonde, Chirundu and Livingstone. Your Committee resolves to keep the matter open and wait for a progress report on this issue.

26.6. *Failure to Adopt ICT Standards and Frameworks*

The Controlling Officer submitted that the observations made by the auditors that ZAMRA had not adopted any ICT Standards and frameworks for managing its ICT operations were correct. Your Committee was informed that ZAMRA Management was in the process of adopting the ICT Standards and developing the frameworks to manage ICT operations. In this regard, the ICT personnel had undergone training in CoBIT which had been identified for adoption.

Committees Observation and Recommendation

Your Committee expresses disappointment at the lack of ICT Standards at ZAMRA and urges the Controlling Officer to ensure that Management at ZAMRA operationalise ICT Standards, including developing a framework to manage the ICT. Your Committee awaits a progress report on the matter.

27.0. ZAMBIA NATIONAL BROADCASTING CORPORATION

Review of Operations

A review of operations of the Corporation for the financial years ended 31st December, 2015 and 2016 revealed various irregularities, to which the Controlling Officer responded as outlined:-

27.1. Failure to Appoint a Full Board of Directors

The Controlling Officer informed your Committee that the Corporation operated without a board because the tenure of the previous one had already expired on 16th December, 2016. In view of the above, matters requiring specialists were mainly performed by management at the Corporation. Further, he submitted that the process of appointing a new Board was ongoing since names had already been submitted to the ministry for ratification.

Committee's Observations and Recommendations

In noting the submission, your Committee urges the Controlling Officer to ensure that he liaises with the relevant authorities to ensure that a Board is put in place without any further delay, as managing such a huge Corporation without a Board is against the requirement of good Corporate Governance. Your Committee would await a progress report on the matter.

27.2. Agreement Star Times

The Controlling Officer admitted the failure but stated that the joint venture agreement stipulated that the total amount of authorised share capital should be contributed within a period of two years. Since the Joint Venture Agreement was signed on 12th March, 2016, there was still more time for share capital contribution and ZNBC did not make any payment so far due to lack of funds. The ZBNC Board, however, resolved to borrow from Star Times and a letter was written to that effect.

Committee's Observations and Recommendations

Your Committee expresses concern at the failure by of the Corporation to honour its obligation of contributing start-up capital amounting to USD40,000. What worries your Committee most is the fact that management of this Corporation engaged in signing a contract without a clear strategy as to where the funds would come from, which action is highly irregular. Further, your Committee feels that management overcommitted Government to a transaction which was not well planned.

Your Committee finds that management of the corporation was negligent of its duty and takes great exception to this failure. Your Committee, therefore, directs the Controlling Officer to ensure that he intervenes in the matter by ensuring that he engages the Secretary to the Treasury on the possibility of saving the Corporation by mobilising funds to pay this counterpart capital meant for the joint venture on behalf of the corporation. At the same time, management of the corporation must be sternly cautioned to desist from over committing itself, a matter which may lead to loss of public funds through litigation. Your Committee urges the Controlling Officer to treat this matter with the urgency it deserves and resolves to await a progress report.

**i. Weaknesses in the Joint Borrowing with Top-Star Communications Company Ltd
US\$232,181,138.85**

The Controlling Officer submitted that the matter should be understood in the context of the Escrow Account Management Agreement on the Zambian National Digital Terrestrial Television Migration Project. The Escrow Account Management Agreement provided for details on loan repayment mechanisms and the project had a feasibility study report which had a comprehensive Business Plan or Strategy showing, among others things, stipulated timeframe for receiving loan proceeds, their application, expected cash inflows and outflows, net present value, rates of return and payback period.

Committee's Observations and Recommendations

Your Committee is seriously concerned over the failure by the Corporation to provide the Escrow Account Management Agreement on the Zambian National Digital Terrestrial Television Migration Project, during the time of audit and the laxity with which the Corporation handles matters raised by auditors. Your Committee directs the Controlling Officer to ensure that the said report is availed for audit verification, while officers who failed to avail it to the auditors should face disciplinary action. Your Committee resolves to await a progress report on the matter.

• Failure to Produce Escrow Account Management Agreement

The Controlling Officer informed your Committee that the agreement had not been yet signed by September, 2017 because the process was still ongoing. He, however, stated that the agreement was signed on 5th December, 2017.

Committee's Observations and Recommendations

Your Committee notes the submission made by the Controlling Officer and directs him to ensure that the agreement is availed for audit verification without any further delay. Your Committee will await a progress report on the matter.

27.3. Financial Performance – Statement of Comprehensive Income

The Controlling Officer informed your Committee that administrative costs mainly comprised staff costs that were a major component of the expenditure. For all the years from 2014 to 2016, staff costs were over 70% of administration expenses as reflected at table below.

	2016	2015	2014
Administrative costs	166,600,802	177,311,362	222,603,323
Staff Costs	128,879,247	140,226,524	189,892,320
Staff Costs % of administrative costs	77%	79%	85%

In his submission, the Controlling Officer stated that the Corporation could not generate enough revenue like the private broadcasters and that its mandate was limited to broadcasting content to the public in a non partisan way and widely.

Committee’s Observations and Recommendations

While appreciating the efforts that the Corporation had made by engaging an independent consultant in an endeavour to reduce the alarming staff costs, your Committee does not accept the reasons given by the Controlling Officer, concerning the Corporation’s unprofitability. Your Committee is of the view that it is lack of innovation by management, which results in the Corporation’s failure to generate revenue to meet staff and other administrative costs. Your Committee urges the Controlling Officer to ensure that he impresses upon management to devise and explore more revenue generation options to improve the current status of the Corporation. Your Committee resolves to wait a progress report on the matter.

i. Staff Costs Compared to Revenue Generated

The Controlling Officer informed your Committee that the broadcasting industry was generally labour intensive and staff costs were fixed in nature because eligibility for payments was enshrined in the conditions of service. Human resource costs had been reducing as some measures were put in place to rationalise expenditure. In addition, the Corporation had commenced a work study by an independent consultant–Grant Thornton for the purpose of determining optimal staffing levels and strengthening the staff performance management system.

Committee’s Observations and Recommendations

Your Committee does not accept the reasons given by the Controlling Officer concerning their challenges relating to staff costs. Your Committee is of the view that it is lack of innovation by management which results in the Corporation’s failure to generate revenue to meet the staff administrative costs. Your Committee urges the Controlling Officer to ensure that he impresses upon management to devise and explore more revenue generation options to improve the financial standing of the Corporation. Your Committee resolves to await a progress report on the matter.

ii. **Statement of Financial Position as at 31st December, 2014**

An analysis of the Statement of Financial Position revealed the following:

a. **Current Ratio**

The Controlling Officer informed your Committee that the Corporation had accumulated excessive liabilities due to its poor liquidity position. The Corporation prioritised payment of salaries in financial disbursement due to the need to maintain industrial harmony coupled with the bargaining power of unionised employees. Thus other liabilities (mainly statutory obligations) remained unpaid. The Corporation's plans to meet its long term financial needs are set out below.

- **Government Subvention**

Being a public broadcaster, a request had been submitted to the Government for subvention. Since the Corporation provided service to all Zambians countrywide even in areas that were not commercially viable, Government subvention was being sought in order to enable the Corporation deliver on its mandate effectively.

- **Asset Utilisation**

The Corporation had adopted asset utilisation as a strategy to enhance its revenue once the Digital Migration Project was fully rolled out and other logistics were put in place. This would be done through effective utilisation of new studios, newly acquired outside broadcasting vans, provincial studios, intellectual property rights and live streaming

- **Film Policy**

Actualisation of the recently passed film policy had been embraced as a deliberate strategy to enhance revenue through partnerships and collaboration with artists and production houses.

- **Overall Service Delivery Proposition as a Strategy**

As a way to counter competition, the Corporation had embarked on a strategy to compete through cooperation by leveraging on strategic partners such as TopStar for both local and international content.

- **Land Utilisation as a Strategy - Twinpalm Project**

The Corporation had embarked on a project to develop the 32-hectare land in Lusaka's Twinpalm area through a PPP model as a way of improving its revenue stream through service fees, once the project was complete. In this regard, the Corporation has already engaged a consultant – Bascom to undertake a feasibility study.

- **Cost Containment as a Strategy – Workstudy**

The Corporation had commissioned a work study by an independent consultant – Grant Thornton, to determine optimal staffing levels and strengthen staff performance management systems.

Committee's Observations and Recommendations

Your Committee notes the efforts made by the Controlling Officer, but expresses concern at the lack of proactiveness exhibited by management of the public broadcaster whose coverage is country wide. Your Committee observes that attempts to put all these strategies in place were only made after the auditors highlighted the irregularities. Your Committee, therefore, wonders as to whether the Corporation has an internal audit unit. Your Committee, therefore, urges the Controlling Officer to impress upon management of the Corporation to ensure that the turnaround strategy is implemented in order to improve the current position. Your Committee resolves to await a progress report on the matter.

b. Receivables Days

The Controlling Officer informed your Committee that a substantial amount of the debt stock comprised large customers who were also slow payers such as some Government ministries like Ministry of Agriculture (NAIS) and parastatals such as ZESCO, Zamtel, RTSA and Lusaka City Council. Most of the large customers made large periodic payments to clear many months of unpaid invoices that come through several years. Other clients negotiated the debts and were now paying the bargain amounts. The Corporation would continue to make frantic efforts to collect debts on time and would endeavour to expedite processing debt swaps.

Committee's Observations and Recommendations

Your Committee does not accept the reason given by the Controlling Officer for the late collection of receivables, and is worried that the Corporation, whose liquidity is very poor, has no deliberate efforts to aggressively pursue its debtors in order to improve its financial base. Your Committee urges the controlling Officer to ensure that the Corporation enhances its efforts to pursue its debtors and that a clear strategy is devised to improve the current status quo. Your Committee will await a progress report on the matter.

c. Negative Equity (From -K942,693,851 in 2014 to -K1,078,529,639 in 2016)

The Controlling Officer informed your Committee that the negative equity was as a result of the Corporation's revenue being significantly lower than its expenditure. He, however, stated that a number of revenue generation initiatives had been developed to improve the company's financial position and, therefore, its equity.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that management of the corporation comes up with a clear strategy on how to improve the company's equity position. Your Committee will await a progress report on the matter.

iii. Financial Performance Analysis – Statement of Cash Flows

27.4. Failure to Generate Positive Cash Flows from Operating Activities

The Controlling Officer submitted that the failure to generate positive cash flows from operating activities was as a result of the Corporation's revenue being significantly lower than the expenditure. Your Committee was informed that a number of revenue generation and cost saving initiatives are being explored to improve the company's financial position.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that management comes up with a clear strategy on how to improve the corporation's revenues so that the Corporation can record a positive cash flow from operating activities. Your Committee will await a progress report on the matter.

a. Analysis of Net Increase in Cash and Cash Equivalents

The Controlling Officer submitted that as a public broadcaster, the Corporation's assignments were not driven by commercial viability of the activities it undertook. The Corporation engaged in activities that were loss making whose costs were not fully covered by the internal generated revenues. In addition, the major cost component of human resource costs and negative cash flows were attributed to operating losses. Intensify debt collection and control costs and embark on various revenue generation initiatives to improve the financial position of the company.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that management of the corporation comes up with a clear strategy on how to improve the current status quo and ensure that the Corporation records a positive cash flow from operating activities. Your Committee will await a progress report on the matter.

27.5. Declining Cash Inflows from Investment in an Associate (from K49,980,000 in 2014 to K13,506,500 in 2016)

The Controlling Officer informed your Committee that there was a significant reduction in revenue during 2015 largely on account of economic challenges that were further compounded by electricity deficits. Since dividend payments were driven by profits generated by Multi-Choice Zambia Limited, the Corporation expected dividends payments when Multi-Choice Zambia Limited recorded profits.

iv. Questionable Going Concern

Going concern is the ability of an entity to continue existing and providing services in the foreseeable future. The Controlling Officer submitted that the status of ZNBC as at 31st December 2016 as a going concern was questionable due to the following:

- The Corporation recorded a net loss of K59,834,755;
- The Corporation had negative accumulated funds (negative equity) amounting to K1,078,529,639;
- The Corporation had negative cash flows from operating activities amounting to K2,499,943; and
- The Corporation's current liabilities were higher than its current assets.

The Controlling Officer further submitted that the Auditor General's observation that the losses were incurred year on year culminated into negative accumulated funds while current liabilities outstripped current assets, largely on account of inadequate revenues and a poor liquidity position were correct.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that management comes up with a clear strategy on how to improve its balance sheet. Your Committee would await a progress report on the matter.

v. Non-Remittance of Statutory Contributions - K458,824,474

The Controlling Officer informed your Committee that the poor liquidity position was the major cause of this state of affairs. He, however, stated that debt collection had been intensified as well as enhanced controls on costs, while also embarking on various revenue generation activities aimed at improving the company's cash flow to meet statutory obligations.

Committee's Observations and Recommendations

Your Committee would await a progress report on the matter.

PART III

28.0. GENERAL RECOMMENDATIONS

In order for Government to maximise its wealth through investments in State Owned Enterprises (SOEs) as well as improve financial management and accountability in statutory bodies, your Committee recommends the following.

- i) The Industrial Development Corporation should regularly monitor the performance of SOEs to ensure that the objectives for which they were created are met;

- ii) SOEs should devise and implement innovative and cost cutting measures to improve their operational efficiency and self-sustainability;
- iii) SOEs should ensure that statutory obligations to NAPSA and LASF are paid to secure the welfare of the employees;
- iv) SOEs and other statutory bodies should ensure that their tax obligations to ZRA are paid timely;
- v) Government should consider recapitalising viable SOEs and restructuring those which are loss making;
- vi) The Minister of Finance as the custodian of shareholding in the IDC and other SOEs not under the shareholding of IDC, should ensure that corporate governance practices in the SOEs are improved by ensuring, among others, that:
 - Clear Board Charters are developed for all the SOEs;
 - SOEs have Board of Directors at all times to drive their strategic direction;
 - Boards of Directors of SOEs to have clear service contracts;
 - Boards of Directors have clear calendars for Board meetings; and
 - Boards to have a robust process to evaluate their performance on a regular basis.
- vii) SOEs should strengthen their internal control systems so as to reduce the risk of asset loss through unaccounted for revenue, unaccounted for stores and unretired imprest,
- viii) Government should address the inability of the pension funds (LASF and PSPF) to pay pension obligations arising from declining numbers of contributing members and the consequent mismatch between contributions from members and benefits payable.

28.1. COMMITTEE'S INTERACTION WITH THE SECRETARY TO THE CABINET

Arising from the interaction with the Secretary to the Cabinet, your Committee makes the following observations and recommendations:

- (i) Your Committee observes that the model adopted by Singapore of managing state owned enterprises through Temasek Holdings has yielded positive economic results.

Your Committee recommends that the IDC should strictly emulate the model being used by Singapore and ensure that contextual variables such as fostering mindset change, corruption, adherence to good corporate governance, and human resource care are factored into SOE reform process.

- (ii) Your Committee notes the submission by the Secretary to the Cabinet of listing companies on the stock exchange, as an option to raise financing to recapitalise state owned enterprises that had a viable business model.

Your Committee recommends that Government, through the IDC should consider listing parastatal institutions that have viable business and need further recapitalisation on the stock exchange. Your Committee reiterates that listing of public institutions on the stock exchange would compel SOEs to adhere to good corporate governance which is a requirement for listed companies. In addition, your Committee opined that, the move to list SOEs on the stock exchange would foster ownership by the public.

(iii) Your Committee observes that the Government has put in place good policies to enable Parastatal Bodies function efficiently and profitably. However, the challenge has been lack of loyalty and patriotism to drive the implementation process of these policies.

Your Committee recommends that values and morals as espoused in the Zambian Constitution must also be enhanced and upheld in the public service in order to drive the process of implementing these policies.

(iv) Your Committee observes that the IDC has been overloaded with parastatals whose mandate was to provide social public goods and which were not profit oriented.

In order to sustain the operations of the IDC, your Committee recommends that those SOEs whose mandate was to provide social public goods must be hived off from the IDC and taken back to the respective line ministries so as leave only those that are profit oriented.

29.0. ANALYSIS OF OUTSTANDING ISSUES FROM 2009 TO 2016

The Report of the Auditor General on accounts of parastatal bodies for the financial years ending 31st December, 2013 to 2016 highlighted the status of outstanding issues from 2009 to 2016, for which necessary remedial action is required. The table below gives an analysis of closed and outstanding issues for 2016.

Para	Name of Institutions	Total Issues Raised	Closed Issues	Outstanding Issues	Percentage Outstanding Issues (%)
1	Chambeshi Water and Sewerage Company Limited (CHWSC)	40	2	38	95
2	Independent Broadcasting Authority (IBA)	4	0	4	100
3	The Judiciary	7	0	7	100
3	Kwame Nkrumah University	8	0	8	100
4	Lukanga Water and Sewerage Company Limited	19	1	18	95
5	The Mulungushi University	19	2	17	89
6	The Mulungushi Village Complex	20	1	19	95
7	The National Housing Authority	15	2	13	87
8	Nitrogen Chemicals of Zambia (NCZ)	34	0	34	100
9	Southern Water and Sewerage Company Limited	12	1	11	92
10	The Tanzania Zambia Railway Authority (TAZARA)	22	0	22	100
11	Tobacco Board of Zambia	5	1	4	80
12	Water Resources Management	5	0	5	100

	Authority (WARMA)				
13	Zambia Forestry and Forest Industries Corporation Limited (ZAFFICO)	18	2	16	89
14	Zambia Revenue Authority (ZRA)	7	2	5	71
15	The Zambia Wildlife Authority (ZAWA)	23	20	3	13
16	ZSIC Group of Companies	13	1	12	92
	Totals	298	35	263	

In 2015, the Report of the Auditor General indicated that out of 399 issues raised, 148 were closed upon audit verification and 251 were still outstanding.

Your Committee was informed that of the 924 issues raised by the Auditor General on statements of parastatal bodies in 2014, only 273 were closed upon audit verification, while 651 were still outstanding. In 2013, the Auditor General raised a total of 252 issues and upon audit verification, 170 have since been closed. For 2012, your Committee observes that out of 236 issues raised by the Auditor General on accounts of parastatal bodies and other statutory bodies, 106 had since been closed, leaving a total of 130 outstanding. Upon audit verification, 187 out of 220 issues raised by the Auditor General in the Audit Report for 2011 on the accounts of parastatal bodies and other statutory bodies have been closed.

In 2009 and 2010, the issues raised in the Report of the Auditor General were 127 and 178, respectively. As at 2016, a total of 35 out of 298 had since been closed, following audit verification.

Committee's Observation and Recommendation

Your Committee observes that the number of outstanding issues raised in the Auditor General's Reports on accounts of parastatal bodies and other statutory institutions have been reducing. It is your Committee's view that there is an effort by Controlling Officers to ensure that most of the recommendations by your previous Committee were being implemented. Your Committee, however, observes that even though remedial action in line with the recommendations of the Public Accounts Committee, was undertaken, the number of audit queries have been on the increase. Your Committee, therefore, recommends that Controlling Officers must ensure that internal controls systems in parastatal bodies and other statutory institutions are enhanced and that all parastatal bodies uphold prudent financial management in line with the provisions of the public finance management legislation and regulations. It is your Committee's recommendation that officers failing to adhere to the public finance legislation and regulations and those showing laxity in management of public assets must be sternly disciplined.

30.0. CONCLUSION

Your Committee wishes to pay tribute to all the witnesses who appeared before it and made both oral and written submissions. It also wishes to thank you, Mr Speaker for your invaluable guidance throughout the Session. Your Committee also expresses gratitude to the Office of the Clerk of the National Assembly and her staff for services rendered to it during the session. Your Committee is confident that the observations and recommendations contained in this report will be favourably considered and fully implemented by the Executive, in the interest of the Nation.

Mr P M W Daka, MP
CHAIRPERSON

July, 2018
LUSAKA

APPENDICES

Appendix I – Committee’s Recommendations on the Treasury Minutes on the Public Accounts Committee for the Fifth Session of the Eleventh National Assembly on the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial Year Ended 31st December, 2014.

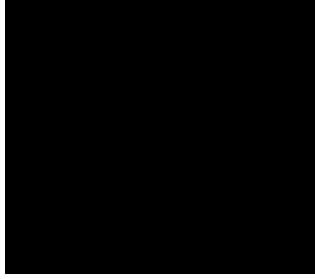
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Appendix II – List of Witnesses

- i. Ministry of Finance
- ii. Industrial Development Corporation
- iii. Judiciary
- iv. Electoral Commission of Zambia
- v. Ministry of Agriculture
- vi. Ministry of Labour & Social Security
- vii. Ministry of Health
- viii. Ministry of Information and Broadcasting
- ix. Ministry of Local Government and Housing
- x. Ministry of Communications and Transport
- xi. Ministry of Energy
- xii. Ministry of Water Development and Environmental Protection

Appendix III – List of National Assembly Officials

- i. Ms C Musonda, Principal Clerk of Committees
- ii. Mr H Mulenga, Deputy Principal Clerk of Committees (FC)
- iii. Mr S Mtambo, Senior Committee Clerk (FC)
- iv. Ms B C Chanda, Committee Clerk
- v. Mr A Chilambwe, Committee Clerk
- vi. Mr E I C Chilimboyi, Committee Clerk
- vii. Ms Karen Lyondo, Typist
- viii. Ms A Choongo, Receptionist/Intern
- ix. Mr M Chikome, Committee Assistant
- x. Mr D Lupiya, Acting Committee Assistant



REPUBLIC OF ZAMBIA

**APPENDIX TO THE REPORT OF THE COMMITTEE ON PARASTATAL BODIES
ON THE REPORT OF THE AUDITOR GENERAL ON ACCOUNTS OF
PARASTATAL BODIES AND OTHER STATUTORY INSTITUTIONS FOR THE
FINANCIAL YEARS ENDED 31ST DECEMBER 2013,2014,2015 AND 2016**

RECOMMENDATIONS ON THE TREASURY MINUTE OF THE

PUBLIC ACCOUNTS COMMITTEE

FOR THE FIFTH SESSION OF THE ELEVENTH NATIONAL ASSEMBLY

APPOINTED BY RESOLUTION OF THE HOUSE ON 25TH SEPTEMBER, 2015

ON THE REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF

PARASTATAL BODIES AND OTHER STATUTORY INSTITUTIONS FOR THE

FINANCIAL YEAR ENDED 31ST DECEMBER, 2014

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REPORT OF THE COMMITTEES' RECOMMENDATION ON THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF PARASTATAL BODIES AND OTHER STATUTORY INSTITUTIONS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2014, FOR THE FIFTH SESSION OF THE ELEVENTH NATIONAL ASSEMBLY APPOINTED BY RESOLUTION OF THE HOUSE ON 25TH SEPTEMBER, 2015

1.0. INTRODUCTION

The Secretary to the Treasury acknowledged that the audit of accounts of the eighteen Parastatal Bodies and Other Statutory Institutions was done within the provisions of the Constitution of Zambia and the *Public Audit Act, CAP 378 of the Laws of Zambia*.

2.0. SCOPE OF AUDIT

The Report is a result of a programme of test checks and reviews of audited accounts of selected Organisations for the financial years up to 31st December 2014. In preparing the Report, Controlling Officers and Chief Executive Officers of the affected Organisations were availed draft paragraphs for comments and confirmations of the correctness of the facts presented. Where comments were received and varied materially with the facts presented, the paragraphs were accordingly amended.

Secretary to the Treasury submission

The Secretary to the Treasury stated that the scope of audit used by the Auditor General was appreciated as she undertook test checks and reviews of accounts of the financial year ending 31st December, 2014 for the eighteen selected Parastatal Bodies and other Statutory Institutions.

Committee's Observations and Recommendations

The Secretary to the Treasury submitted that the interaction of the Auditor General with Chief Executive Officers through their Controlling Officers upheld good corporate governance values in the management of Parastatal Bodies and other statutory institutions entrusted with the responsibility of managing public resources.

Treasury Response

The matter is noted and the Treasury through the establishment of Industrial Development Corporation (IDC) will enhance the monitoring and supervision of the Parastatal Bodies and Other Statutory Institutions in the budget execution by ensuring that all transactions are in conformity with the Company Act, Public Finance Act and Financial Regulations, thus improving the timely submission of the Certified Financial Statements.

3.0. INTERNAL CONTROL

Specific mention is made of non-preparation of financial statements, failure to remit statutory contributions, weaknesses in procurement procedures, irregular payments and poor financial

performance among other issues by the respective Organisations. These are clear indicators of internal control lapses in most Parastatal Bodies and Statutory Organisations.

Secretary to the Treasury submission

The Secretary to the Treasury reported that the Controller of Internal Audit was assigned to review internal control systems in Parastatal Bodies and other Statutory Institutions. In addition, the Board of Directors and Management had been engaged to enhance Internal Control Systems and adhere to the *Public Finance Act No.15 of 2004* and the *Financial Regulations of 2006* in the management of Public Funds.

Committee's Observations and Recommendations

While noting the response by the Secretary to the Treasury, your previous Committee expressed concern that this had been a perennial problem which had not been dealt with firmly by the Treasury. Your previous Committee further observed that as long as the Treasury did not take concrete measures, internal control systems would continue to be weak, resulting in the massive abuse of public resources. In this regard, your previous Committee strongly urged the Secretary to the Treasury to take practical steps to strengthen the systems without any further delay.

Treasury Response

The Treasury took note of your previous Committee's observations and recommendations. Further, the Treasury committed to ensure that the concerned Controlling Officers executed Performance Contracts with the Board of Directors of the institutions on the production of audited financial statements, as one of the key performance indicators.

4.0. INSTITUTIONS THAT HAVE NOT SUBMITTED AUDITED FINANCIAL STATEMENTS

Secretary to the Treasury submission

The Secretary to the Treasury submitted on each one of the institutions that were cited for not preparing annual financial statements as set out below.

4.1. *National Heritage Conservation Commission*

Your previous Committee observed that the failure to produce financial statements at the Commission can be attributed to poor performance by management which is unacceptable. Your previous Committee urged the Secretary to the Treasury to work with the Board and institute disciplinary action against the erring officers. Your Committee further urged the Secretary to the Treasury to ensure that the Financial Statements are expeditiously completed and submitted to the Office of the Auditor General for verification. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter be closed as the financial statements were being prepared.

Committee's Observations and Recommendations

Your Committee has not received a progress report on the recommendation made by your previous Committee. And therefore, your Committee resolves not to close the matter and would await progress report on the preparation of the financial statements for NHCC.

4.2. Citizenship Economic Empowerment Commission

Your previous Committee observed that the failure to produce financial statements at the Commission can be attributed to poor performance by management which is unacceptable. Your previous Committee therefore, urged the Secretary to the Treasury to work with the Board and institute disciplinary action against the non performing officers. Your Committee, further, urged the Secretary to the Treasury to ensure that the statements are expeditiously completed and submitted to the Office of the Auditor General for verification. A progress report will be awaited by your Committee.

Treasury Response

The Treasury resolved and recommended to keep the matter open and that a progress report be submitted to the Committee.

Committee's Observations and Recommendations

Your Committee agrees with the recommendation by the Treasury and resolves to await a progress report from the Citizen Economic Empowerment Commission.

4.3. Zambia Public Procurement Authority

Your previous Committee observed that the failure to produce financial statements by the Commission was attributed to poor performance by management which was unacceptable. Your previous Committee therefore, urged the Secretary to the Treasury to work with the Board for ZPPA and institute disciplinary action against the non performing officers. Your previous Committee further urged the Secretary to the Treasury to ensure that the statements were expeditiously completed and submitted to the Office of the Auditor General for verification. A progress report will be awaited by your Committee.

Treasury Response

The Treasury submitted that the matter was resolved and recommended for closure.

Committee's Observations and Recommendations

Contrary to the response given by the Secretary to the Treasury, your Committee's recommendation was that this matter must be kept in open until the ZPPA submits a progress report.

4.4. *Zambia Institute of Mass Communication (ZAMCOM)*

Your previous Committee was informed that as directed by the Auditor General, ZAMCOM submitted both the engagement and management letters for the audit of 2013 and 2014 accounts to the Auditor General. Further, ZAMCOM also submitted the audited Accounts for 2008 to 2012. Your previous Committee resolved to keep the matter open until all the audited financial statements for the period under review were submitted to the office of the Auditor General for verification. Your Committee resolved to await a progress report on the audited accounts for ZAMCOM

Treasury Response

In response, the Treasury responded that the matter was resolved and recommended for closure as the financial statements were prepared.

Committee's Observations and Recommendations

Your Committee noted the submission by the Treasury, however resolved not to close the matter until the audit of the accounts under review was finalised.

4.5. *Food Reserve Agency*

Your previous Committee observed that the failure to produce audited financial statements did not reflect well on the Board and management of the Agency. Your previous Committee urged the Secretary to the Treasury to insist that financial statements must be produced on time and that the process of submitting those outstanding financial statements to the office of the Auditor General for verification should be expedited. Your previous Committee resolved to await a progress report on this matter.

Treasury Response

In response, the Treasury submitted that the matter was still outstanding and a progress report shall be submitted to the Committee.

Committee's Observations and Recommendations

Your Committee took note of the response by the Treasury and resolved not to close the matter and wait for a progress report on the auditing of the accounts for the Food Reserve Agency.

4.6. Tobacco Board of Zambia

Your previous Committee questioned the commitment by management of the Tobacco Board of Zambia towards the preparation of financial statements for failure to appoint another qualified Accountant immediately, following the demise of the previous office holder to avert the serious breach of audit requirements. Your previous Committee urged the Secretary to the Treasury to closely monitor the situation in order to avert a recurrence of such a lapse and ensure that the Tobacco Board of Zambia was up to date with the audited financial statements. Your previous Committee resolved to keep the matter open and await a progress report.

Treasury Response

In response, the Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation on the matter, and recommends for a timeline within which the Treasury would ensure the appointment of the Accountant and preparation of the audited financial statements would be finalised. Your Committee awaits a progress report on the matter.

4.7. Cotton Development Trust

Your previous Committee took note of the effort being made to bring the institution up to date with the preparation of the audited financial statements but was concerned that the financial statements in question were not prepared on time due to the unreliable revenue base of the Institution and consequently its inability to raise enough income to engage the External Auditors. In this regard, your previous Committee strongly urged the Secretary to the Treasury to assist the Institution to resolve the matter and requested for a progress report on this issue.

Treasury Response

In response, the Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolved that an update should be availed on the measures put in place to address the financial challenges and to engage the External Auditors and set the timelines for finalising this issue.

4.8. Nitrogen Chemicals of Zambia (NCZ)

Your previous Committee noted with regret the failure by NCZ to submit audited financial statements for the years 2009 to 2014. Your previous Committee also wondered if the Industrial Development Corporation (IDC) had executed performance contracts with the

Board of Directors of the above Institution with the production of audited financial statements as one of the key performance indicators. In this regard, your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the matter remained outstanding and the progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to keep the matter open and that an update should be availed on how much progress the NCZ has made on preparation of audited financial statements. Further, your Committee awaits a status report from the IDC on the execution of the performance contracts with the Board of Directors for NCZ.

4.9. Chambeshi Water and Sewerage Company

Your previous Committee observed that the failure to produce financial statements at the Company for the years 2012 to 2014 could be attributed to poor performance by management, which it deemed unacceptable. Your previous Committee, therefore, urged the Secretary to the Treasury to work with the Board and institute disciplinary action against all non-performing officers. Your Committee further urged the Secretary to the Treasury to ensure that the financial statements are expeditiously finalised and submitted to the office of the Auditor General for verification. Your previous Committee, therefore, resolved to wait for a progress report on this issue.

Treasury Response

The Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter until the company submits the audited financial statement to the Office of the Auditor General. In addition, your Committee resolves to await a progress report on the execution of performance contracts with the Board of Directors, with the production of audited financial statement as one of the key performance indicators.

4.10. Luapula Water and Sewerage Company

Your previous Committee found the Company's failure to pay its auditors unacceptable and urged the Secretary to the Treasury to prevail upon the management of the Company to regularise the financial operations of the Company without further delay. The Secretary to the Treasury was further urged to ensure that qualified accounting personnel were employed in order to expedite the process of preparing the financial statements. In this regard, your previous Committee recommended awaiting progress on the finalisation of all the necessary reports for the period under review.

Treasury Response

The Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation on the matter, and recommends to await a progress report on the execution of performance contracts with the Board of Directors, with the production of audited financial statements as one of the key performance indicators, including timelines within which the matter would be finalised.

4.11. National Housing Authority

Your previous Committee noted the response that the financial statements for National Housing Authority (NHA) for the years 2012, 2013 and 2014, were being audited by the Office of the Auditor General and would be submitted as soon as the process was completed.

Treasury Response

The Treasury submitted that the matter was still outstanding and a progress report would be submitted to the Committee.

Committee's Observations and Recommendations

Your Committee recommends that the matter should be kept open until the financial statements are submitted to the Office of the Auditor General for audit verification.

4.12. Zambia Education Publishing House (ZEPH)

Your previous Committee strongly urged the Secretary to the Treasury to ensure that performance contracts through the Industrial Development Corporation were put in place without further delay and that the audited financial statements must be included as one of the key performance indicators.

Treasury Response

The Treasury responded that the matter was still outstanding and a progress report shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report on the execution of performance contracts with the Board of Directors of Zambia Education Publishing House (ZEPH) with the production of audited financial statements as one of the key performance indicators. Further, your Committee recommends that it will await a progress report on the finalisation of the financial statements for the period under review for the ZEPH and submission to the Office of the Auditor General for verification.

4.13. Zambia Railways

Your previous Committee noted the response given by the Secretary to the Treasury indicating that the audited financial statements for the years 2012, 2013, 2014 and 2015 had been completed and were awaiting adoption by the ZRL Board which would sit on 23rd March, 2016. Your previous Committee resolved to await a progress report on the finalisation and verification of all the audited financial statements.

Treasury Response

The Treasury responded that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committee's recommendation on the matter, and recommends that it will await a progress report on the finalisation and verification of all the audited financial statements

4.14. TAZAMA

Your previous Committee expressed disappointed at the submission made by the Secretary to the Treasury indicating that the Company does not have a backup information system and is very vulnerable to loss of its critical information. Your previous Committee strongly urged the Secretary to the Treasury to work closely with the Board and Management of the Company in order to resolve this issue. Your previous Committee resolved to await a progress report on the preparation and verification of the accounts.

Treasury Response

The Treasury submitted that the matter should remain outstanding and that progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation on the matter, and recommends to keep the matter open and to await a progress report on the preparation and verification of the accounts

5.0. GENERAL FINDINGS

Secretary to the Treasury submission

The Secretary to the Treasury responded to the salient issues that were highlighted across the eighteen selected Parastatal Bodies and Other Statutory Institutions as set out below.

i. Weaknesses in Corporate Governance

Your previous Committee appreciated the efforts made by the Treasury in ensuring that the SOEs and statutory institutions adhered to good corporate governance through the establishment of the Industrial Development Cooperation (IDC). The IDC would have a mandate to ensure that the Boards of Directors for all State Owned Enterprises (SOEs) under them were put in place. Your previous Committee, however, observed that no time frame had been given for compliance with the directive. In light of this, your previous Committee recommended that the Government should ensure that all SOEs and statutory institutions conclude the establishment of the Boards by the end of the second quarter of 2016, as this would enhance good corporate governance, which in turn would result in enhanced efficiency and accountability. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury responded that the matter had been noted for compliance and would be kept in view in future audits.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committee's recommendation on the matter, and resolves to await a progress report.

ii. Weaknesses in the implementation of Information Communication Technology (ICT) Systems

Your previous Committee strongly urged the Government to ensure that the newly established division called Centre of Excellence under the Office of the President which would address all Information Communication Technology (ICT) policies in the Government institutions expedited the process of ensuring that ICT problems were eradicated in all the Government institutions. In this regard, your previous Committee recommended that a progress report on the matter be submitted to the Committee.

Treasury Response

The Treasury responded that the matter had been noted for compliance and would be kept open in view of the future audits.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committee's recommendation on the matter, and resolves to await a progress report on the issue.

iii. Poor Financial and Operational Performance

Your previous Committee observed that poor leadership often resulted in poor financial results and these poor financial results could threaten the existence of the SOEs. In this regard, your previous Committee encouraged the inclusion of performance indicators for

management team and urged the Secretary to the Treasury to expedite the process in an effort to improve the poor financial and operational performance in the Parastatal Bodies and Other Statutory Institutions.

The Secretary to the Treasury was also urged to ensure that there was transparency in the appointment of management in those institutions in order to guarantee the effectiveness of the management teams. Your previous Committee recommended that it would await a progress report on the implementation of performance indicators for management team.

The Treasury submitted that they had taken note of the need to ensure compliance and the matter would be kept open in view of future audits.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committee's recommendation on the matter, and resolves to await a progress report on the inclusion of performance indicators for management team. Your Committee also reiterates the need by the Treasury to ensure transparency in the appointment of management.

iii. Lack of Title Deeds for Properties that should be Owned by various Institutions

Your previous Committee observed with concern that most of the Parastatal Bodies cited in the Auditor General's Report, did not have legal title to the properties under their custody. In this regard, your previous Committee strongly urged the Secretary to the Treasury and the Commissioner of Lands to coordinate and ensure that all the properties in question were issued with title deeds without further delay. Your previous Committee resolved to keep the matter open and wait to receive a progress report on the matter.

The Treasury responded that the matter had been noted for compliance and will be kept it open in view of future audits.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation on the matter, and recommends that it will await a progress report regarding the institutions that had engaged the Ministry of Lands, Natural Resources and Environmental Protection to process their title deeds.

iv. Failure to Remit Statutory Contributions

Your previous Committee observed with concern that the failure by the institutions to remit the statutory contributions as required by law was denying organisations such as the Zambia Revenue Authority and the National Pension Scheme Authority, the opportunity to invest the contributions as well as effectively discharge their mandates. In this regard, your previous Committee sternly urged the Secretary to the Treasury to ensure that statutory obligations were honoured on time by all statutory institutions and state owned enterprises.

In response, the Treasury submitted that the matter had been noted and would ensure that all parastatal bodies and statutory institutions adhered to the requirement to remit statutory obligations.

Committee's Observations and Recommendations

Your Committee resolves not to close the matter and recommends that the Secretary to the Treasury comes up with measures to ensure that statutory contributions are provided for in the budget. Your Committee will await a progress report on the proposed measures to clear statutory obligation arrears.

v. Irregular Payments

Your previous Committee expressed concern that this matter had remained unresolved for too long and that the Government had continued to lose colossal sums of money as a result of irregular payments. Your previous Committee urged the Secretary to the Treasury to take concrete measures to correct this weakness. Your previous Committee resolved not to close the matter and wait for a progress report.

In response, the Treasury submitted that the matter had been noted for compliance in line with the Financial Regulations. The Treasury further submitted that necessary disciplinary action would be taken against officers involved in irregular payments to deter others from perpetuating such vices in future.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committee's recommendation on the matter and recommends that it will await a progress report and further insist that the Treasury should submit the measures it will implement to curb these vices.

6.0. THE COPPERBELT UNIVERSITY (CBU)

6.1. *Financial Performance –Statements of Comprehensive Income*

i. Losses

Your previous Committee observed that the University had made losses amounting to **K135,802,000** in 2012 which slightly improved to **K107,559,000** in 2013 but worsened to **K163,593,000** in 2014. Your previous Committee was informed that the losses had been attributed to underfunding which gave rise to negative financial results. Your previous Committee urged the Secretary to the Treasury to work closely with the University in urgently developing a robust survival strategy as a long term solution for the funding challenges affecting the Institution.

The Controlling Officer was further urged to ensure that the measures that were put in place to enhance the profitability of the University yielded actual results in order to avert a situation where the University would become insolvent and fail to deliver the service for which it was created. Your previous Committee resolved not to close the matter and insisted on a progress report on the matter.

Treasury Response

The Treasury responded that the matter was still outstanding as the Controlling Officer for the Copperbelt University did not report progress on the matter and a cautionary warning was sent to the Controlling Officer of the institution to take parliamentary business seriously. The matter, therefore, remained outstanding, and a progress report to be submitted to the Committee.

Committee's Observations and Recommendations

Your Committee observes with concern that if the funding situation at one of the highest learning institution in the country is not resolved, it will result in failure by the institution to deliver the service for which it was created. Your Committee, therefore, reiterates the previous Committee's recommendation on the matter, and resolves to await a progress report on the measures that were put in place to enhance the profitability of the University to ensure that it yields positive results.

ii. Staff Costs to Income Ratio

Your Previous Committee observed that income generated by the University during the period under review was not adequate to meet staff costs, as the University incomes generated between the periods 2012 to 2014, went to meet staff costs. It was reported that in 2012, 87% of the generated income was used for staff costs, while in 2013 98% of income generated went towards staff costs and in 2014, 98% of the income generated was used to meet staff costs. According to the table submitted below, the scenario worsened in 2014 as the staff costs surpassed total income by K50, 515,000 while total income was K234, 945,000 translating into a staff costs to income ratio of 122%.

	Yr to Dec 2014	Yr to Dec 2013	Yr to 31/03/2012
Income(K'000)	234,945	238,353	210,587
Total Staff costs(K'000)	285,460	234,443	182,957
Staff Cost as % of Revenue	122%	98%	87%

Your previous Committee observed that this was caused by the vertical and horizontal harmonisation of salaries by the Government which did not take into account the financial ramifications on the affected institutions. Your previous Committee, therefore, recommended that in future, such undertakings must only be implemented after a thorough scrutiny of the financial implications and that the budgets of the various institutions must be commensurate with anticipated financial outcomes in order to reduce the misapplication of funds by the Government spending agencies.

Your previous Committee recommended to keep the matter open and to await a progress report.

Treasury Response

The Treasury responded that a progress report on the matter had not been submitted by the Controlling Officer. In this regard, the Treasury cautioned the Controlling Officer to take

Parliamentary Business seriously. The matter remained outstanding and progress will be reported to the Committee.

Committee’s Observations and Recommendation

Your Committee reiterates the previous Committee’s recommendation on the matter, and resolves to await a progress report on the measures that have been put in place to ensure that the staff costs and income ratio are rationalised to meet staff costs arising from retirees benefits which had automatically gone up following the harmonisation process, and accrued interests and penalties for statutory debt.

6.2. Financial Performance – Statements of Financial Position

i. Liquidity - Negative Working Capital

Your previous Committee was concerned that the Copperbelt University’s current liabilities exceeded current assets as at the end of each year under review from the period 2012 to 2014 as depicted in the table below. It was observed by your previous Committee that the trend led to a negative working capital.

	Working Capital = Current Assets - Current Liabilities		
	31st Dec 2014	31st Dec 2013	31st Dec 2012
	K	K	K
Current assets	111,947	95,952	81,219
Current liabilities	763,876	578,625	450,563
Working Capital	(651,929)	(482,673)	(369,344)

Your previous Committee was informed that this state of affairs was due to underfunding which in turn had given rise to the ever growing indebtedness to statutory institutions. Your previous Committee observed that the indebtedness of the public universities had existed for too long and the situation contributed to disruptions to the university’s calendar caused by both staff and students, as the University could not effectively deliver services. In view of this serious concern, your previous Committee strongly recommended that the Government should initiate and implement a robust bail-out plan for the public universities in order to facilitate a self-sustaining model that will enable the public universities to not only be self-reliant but also self-accounting. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury responded that the Controlling Officer did not report progress on the matter and, therefore, the matter remained outstanding and progress would be reported to the Committee.

Committee’s Observations and Recommendations

Your Committee reiterates your previous Committee’s recommendation on the matter, and resolves to await a progress report on the measures that have been put in place by both the University and the Treasury to improve the financial situation. The strategies should include strategies for dismantling statutory obligation arrears which have been outstanding since 2004 and are accruing interest and penalty charges.

ii. Failure to Meet Statutory Obligations

Your previous Committee observed that liabilities in respect of the statutory contributions to ZRA and NAPSA increased from K329,848,000 in 2012 to K515,160,000 in 2014. Included in the liabilities were penalties of K19,260,00 in 2012, K29,085,000 in 2013 and K36,014,000 in 2014 incurred as a result of failure to remit the funds to the respective institutions on time.

Your previous Committee was informed that the liabilities in respect of statutory contributions continued to increase during the period under review as a result of under-funding to the institution. Your previous Committee noted the submission and urged the Controlling Officer and the Secretary to the Treasury to work together with the University Management to find a lasting solution to the matter. It was further learnt by your previous Committee that management was committed to ensuring that statutory obligations were remitted in full once the institution was funded gross amounts to meet personal emoluments. Your previous Committee resolved not to close the matter and await a report showing progress and measures put in place to clear outstanding statutory arrears to ZRA and NAPSA.

Treasury Response

The Treasury submitted that the Controlling Officer did not report progress on the matter and that the Treasury had cautioned the Controlling Officer to take parliamentary business seriously. The matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee expresses disappointment with the response given by the Treasury as the failure to remit statutory obligation does not rest upon the University alone but also with the Treasury. Your Committee, therefore, recommends that both the University and the Treasury should come up with measures to settle the statutory obligation arrears reflecting badly on the University's financial statements.

Your Committee resolves not to close the matter until a bail-out plan has been implemented to resolve the issue with NAPSA and ZRA.

6.3. Weaknesses in Managing Procurements of Works, Goods and Services

i. Failure to Produce a Procurement Plan

Your previous Committee learnt with dismay that the University did not have a procurement plan in place during the period under review contrary to the *Public Procurement Regulation No.26*. Your previous Committee learnt that procurement for the institutions was currently processed through the procurement committee. Your previous Committee took note of the responses but underscored that the establishment of the annual procurement plan was a positive move in fostering accountability and was a requirement under the *Public Procurement Regulation No. 26*. Your previous Committee, therefore, implored the

Institution to ensure that the annual procurement plans were initiated in order to make the procurement process be as transparent as possible.

Treasury Response

The Treasury responded that the Controlling Officer did not report progress on the matter and that the Treasury had cautioned the Controlling Officer to take parliamentary business seriously. The matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committee's recommendation on the matter and resolves to keep the matter open and await a progress report on the development of a procurement plan in line with the *Public Procurement Regulations No. 26*.

ii. Installation of the Multi-Purpose Marquee and Associated Works

Your previous Committee expressed concern that the *Public Procurement Regulation No. 36 (1)* was ignored in the procurement of a multi-purpose marquee (50m x 80m) which could sit 3,000 guests and other associated procurements to make the tent functional as listed below:

Procurement	Amount K
Multi Purpose Marquee	1,948,212
Site Preparatory Works	1,852,597
Graduation chairs	756,000
Air Conditioners	734,946
Drainage	77,798
Tables	567,936
	5,937,488

In light of the above, your previous Committee urged the Controlling Officer to institute disciplinary action against all erring officers immediately. Your previous Committee resolved to await a progress report on the matter.

The Treasury responded that the Controlling Officer did not report progress on the matter and the Treasury cautioned the Controlling Officer to take parliamentary business seriously. The matter therefore, remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation on the matter and recommends that stern action should be taken for failure by the Controlling Officers to take action as guided by the Committee. Your Committee further recommends that the matter be resolved quickly and action be taken to deter other officers from flouting tender procedures in public institutions.

iii. Consultancy Contract for the Construction of the School of Medicine

Your previous Committee was concerned with the manner in which the University handled the engagement of the Consultant for the construction of the School of Medicine. It was observed by your previous Committee that although the contract was signed with the Practice

Office, payment for the services were to be made to individual consultants and not the Practice Office. Your previous Committee further noted that there were no work plans and reports to indicate what each consultant was required to do and had actually done. In addition, your previous Committee learnt that the consultancy services were undertaken by the members of staff.

The Controlling Officer informed your previous Committee that the Practice Office was established as an entity within the University to undertake external consultancy and was, therefore, registered with the Zambia Institute of Architects. The Controlling Officer further submitted that the Practice Office was primarily used to cut down costs as fees charged were negotiated. Your previous Committee observed that the University did not have policies in place for engaging staff and remunerating them for the services rendered outside their normal terms of reference. The Controlling Officer informed your previous Committee that this would be put in place within the second quarter of 2016.

In light of the above, your previous Committee cautioned the Copperbelt University which is one of the leading business University in the country, to be exemplary in such corporate governance matters. Your Committee further urged the Controlling Officer to ensure that the procedures were submitted to the Office of the Auditor General not later than August, 2016 and requested the Ministry of Higher Education to ensure that such procedures were put in place in all public Universities and were consistent with public procurement procedures. It was further recommended by your previous Committee that this matter remains open until a report on the work plan for the consultancy services, policies for engaging members of staff to provide consultancy services, including the remunerations for services provided were availed to the Office of the Auditor General.

Treasury Response

In response the Government reported that the Controlling Officer did not report progress on the matter and the Treasury cautioned the Controlling Officer to take Parliamentary Business seriously. The matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and expresses concern on why such a leading business University in the country would flout tender regulations by engaging an institution established and comprising staff from the University without seeking a no objection from the ZPPA and the line Ministry. Your Committee resolves to keep the matter open and awaits a report on the matter.

7.0. COMPETITION AND CONSUMER PROTECTION COMMISSION

7.1. *Missing payments*

Your previous Committee expressed disappointment and found this to be unacceptable. In light of this, your previous Committee had strongly urged the Controlling Officer to ensure that, henceforth, her officers avail all the supporting documents to Auditors during the time of audit and not to trace documents after the Auditors had left. Your previous Committee further directed the Controlling Officer to ensure that disciplinary action should be taken against all

officers responsible for the failure to secure the supporting documents in accordance with the laid down Regulations. Your previous Committee resolved to keep the matter open and wait for a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the Controlling Officer had complied with the Committee's directive of disciplining the erring Officer. However, the matter remained outstanding until the missing payment vouchers were traced and availed for audit scrutiny.

Committee's Observations and Recommendations

Your Committee resolved to keep the matter open until the vouchers were found and submitted for audit verification.

7.2. *Unacquitted Funds*

The Controlling Officer informed your previous Committee that the payments were acquitted. However, as a result of the shifting of the accounts section, some documents were misplaced. The Controlling Officer informed your previous Committee that in order to address this challenge, the Commission had started making all payments in cash including the payment of allowances to the Board or staff in duplicate and such information was being filled in on two separate files in order to have a backup in case some documents were misplaced.

Your previous Committee observed with dismay that record keeping at the Commission was very poor and found this situation unacceptable. Your previous Committee urged the Controlling Officer to institute disciplinary action against the erring officers in accordance with the Financial Regulations, to avoid recurrence. Your previous Committee resolved not to close the matter and wait for a progress report on the matter.

Treasury Response

The Treasury responded that the Controlling Officer had complied with the Committee's directive of disciplining the erring Officer. He, however, recommended that the matter should remain open until the acquittal sheets were made available for audit scrutiny.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's observation and resolves to keep the matter open and wait for a progress report.

7.3. *Unretired Imprest*

Your previous Committee observed that failure to retire imprest in accordance with Financial Regulations is a very serious omission on which officers responsible should face disciplinary action. The Controlling officer was therefore urged to ensure that the traced documents are availed to the Auditor General for verification. Your previous Committee recommended to await progress on the matter.

Treasury Response

The Treasury had submitted that the Controlling Officer had complied with the Committee's directive of disciplining the erring Officer. However, the matter remained outstanding until the imprest retirement details are availed for audit scrutiny.

Committee's Observations and Recommendations

Your Committee resolves to keep the matter open until the imprest retirement details are availed for audit scrutiny and proof of the same submitted to the Committee.

8.0. CITIZENS ECONOMIC EMPOWERMENT COMMISSION

8.1. *Undisbursed Funds by Micro Finance Institutions*

(i) Gray Pages Financial Solutions

The Commission sued Gray Pages Financial Solutions Limited as the First Respondent and FNB as the Second Respondent for refund of Commission funds amounting to K419, 899.50 to be returned to the Commission. However, Bank of Zambia who placed Gray Pages Financial Solutions Limited under possession intervened on behalf of Gray Pages Financial Solutions Limited and sought a consent agreement between the parties. On 29th July, 2015, a Consent Order was executed by the Lusaka High Court between Bank of Zambia and CEEC wherein Bank of Zambia acknowledged the debt owed to CEEC in the sum of K419, 899.50 as full principal sum and agreed that the principal sum would carry simple interest at the Bank of Zambia lending rate from the date of the Writ of Summons till the date of final payment.

The Commission, therefore, was awaiting payment of the sum of K419, 899.50 full principal sum plus simple interest at the Bank of Zambia rate. The Commission has continued to follow up on the payment from Bank of Zambia which was still outstanding.

(ii) CETZAM Financial Services Plc

Your previous Committee expressed grave concern that the Commission appears not to have carried out any due diligence to ascertain whether the companies it entered into business with were able to fulfil their obligations. Your previous Committee, therefore, urged the Controlling Officer to caution management at the Commission against making decisions that could cost the nation huge amounts in losses. Your previous Committee resolved to await a progress report on the recovery of the funds from CETZAM.

Treasury Response

The matter remained outstanding until progress on the recovery of the funds from CETZAM is reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to keep the matter open until progress report on the recovery of fund from CETZAM is submitted for audit verification.

8.2. *Contract with ACCESS Bank Zambia Limited*

Your previous Committee expressed concern at the failure by the CEEC management to retrieve the records relating to the client loan statements before the suspension of the initial contract with the Bank. Your previous Committee further observed that CEEC suspended the contract without legal consultation which is not only irregular but could also result in loss of public funds. In light of this, your previous Committee urged the Controlling Officer to caution management for this serious irregularity. The Controlling Officer was further urged to ensure that the information was accessed from the Bank and that the remaining balances are recovered without any further delay. Your previous Committee recommended to await a progress report on this matter.

Treasury Response

The Treasury submitted that the matter is still outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to keep the matter open until the issue is resolved.

8.3. *Non-Performing Loans*

Your previous Committee noted the measures put in place to improve the performance of future loans as well as recover the current loans through the sale of properties. Your previous Committee, however, urged the Controlling Officer to ensure that the outstanding debt was recovered. Your previous Committee resolved not to close the matter and wait for the progress report on this issue.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee recommends keeping the matter open and awaits a progress report.

8.4. *Trade Finance*

i. *Questionable Procurement of Dairy Animals*

Your previous Committee expressed concern at the findings and wondered how the animals were procured without the required permits from the appropriate Ministry. It was your

previous Committee's further observation that the CEEC in most situations, had failed to carry out important background checks before releasing the funds. In this regard, your previous Committee urged the Controlling Officer to caution the CEEC management against wastage of public resources due to poor decision making. Since the matter was before the Courts of Law, your previous Committee resolved to keep the issue open and wait for a progress report.

Treasury Response

In response, the Treasury submitted that the matter was still under litigation in the Courts of Law and progress will be reported to the Committee.

Committee's Observations and Recommendations

Your Committee notes with concern the findings by the Auditor General at the Commission, where public resources are not prudently spent due to lapses in the due diligence by management at CEEC. Going forward, there is need for the Controlling Officer to ensure that before a transaction involving release of funds by the Commission, background checks are undertaken to avoid wastage of public resources. In light of this, it is your Committee's recommendation that the matter is kept open and a progress report should be submitted to your Committee.

9.0. ENERGY REGULATION BOARD

9.1. *Unsupported Payments*

Your previous Committee observed that poor record keeping is an area that has not been given adequate attention by the ERB and fears that it can be used as a conduit for malpractices. Your previous Committee further observed that the lapse was due to poor supervision by management and negligence on the part of the officers. Your previous Committee therefore strongly urged the Controlling Officer to take disciplinary action against the officers that failed in their duties of securing the supporting documents. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the matter was still outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee expresses concern at the poor accountability of public funds by most public institutions and reiterates your previous Committee's recommendation to discipline officers who are not taking their duties seriously. Your Committee further resolves to keep the matter open and wait for a progress report.

9.2. *Uncompetitive Procurement K2,127,644*

Your previous Committee expressed concern that supporting documents in respect of such a huge amount were not attached to payment vouchers and attributed the anomaly to the negligence on duty on the part of the officers responsible for securing the relevant supporting documents during the process of moving offices. In this regard, your previous Committee urged the Controlling Officer to institute disciplinary action against the officers that abrogated the provisions of the *Zambia Public Procurement Act of 2008* and report progress on the outstanding amount.

Treasury Response

In response, the Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee underscores the need for public institutions to be more diligent in their work and resolves to keep the matter open, pending the submission of a progress report.

9.3. *Failure to Allocate and Adequately Describe Assets K61,471,259*

Your previous Committee cautioned the Controlling Officer against failure to describe Government assets and directed him to ensure that the assets were adequately described without further delay to avoid the possible loss of Government assets. Your Committee resolved to await a progress report on the matter.

Treasury Response

The matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee underscores the need for public institutions to be more diligent in their work and resolves to keep the matter open, pending the submission of a progress report.

9.4. *Management Information Systems - Lack of IT Strategic Plan*

Your Committee expressed concern at the failure by the Energy Regulation Board to develop an ICT strategic plan that can help improve the efficiency and effectiveness of service delivery at the Institution. Your previous Committee therefore, urged the Controlling Officer to ensure that the ICT Strategic Plan is expeditiously finalised and operationalised without any further delay in order for the Board to adhere to good standard practices in the IT sector. Your previous Committee resolved to wait for a progress report on the matter.

Treasury Response

According to the submission made by the Treasury, the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee recommends keeping the matter open and await progress report on this issue. In addition, your Committee requests for a timeline on the finalisation of the ICT Strategic Plan.

10.0. FOOD RESERVE AGENCY

10.1. Failure to Produce Audited Accounts and Annual Reports

Your previous Committee expressed concern at the failure by the FRA to produce audited financial statements and annual reports as stipulated by under *Clause 12 (3) and 13(1) – (3) of the Food Reserve Act (Cap 225)* in Part II for such a lengthy period. Your previous Committee strongly urged the Controlling Officer to ensure that management steps up its efforts to finalise the preparation of financial statements for stakeholders and Parliament to appreciate its financial position. Your previous Committee resolved to wait for a progress report on the finalisation of all the necessary reports for the period under review.

Treasury Response

In response, the Treasury submitted that the matter was still outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee expresses disappointment with non-submission of audited financial statement and annual reports by FRA as required by Law. Your Committee further reiterates the need for FRA to specify the timelines for finalising this activity as it was unacceptable. Your Committee recommends for the matter to be kept open and awaits to receive a progress report on this issue.

10.2. Delays in Remitting Statutory Obligations K4,641,040 (penalties)

Your previous Committee expressed disappointment at the Agency's failure to remit these statutory obligations on time resulting in accumulation of arrears and penalties, and therefore loss of public resources. It was further observed by your previous Committee that failure to meet statutory obligations had implications on the financial position of the Agency and also inhibited the execution of planned activities. Your previous Committee therefore, strongly urged the Controlling Officer to liaise with the Treasury to have the funds released and the matter settled. Your previous Committee resolved to keep the issue open and wait for progress report on the outcome of the request made to NAPSA.

Treasury Response

The Treasury submitted that the matter was still outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee strongly recommends for the Treasury to release the funds to enable the Agency settle the outstanding NAPSA arrears to avoid accruing further penalties. The matter is to be kept open subject to settlement of the arrears to NAPSA.

10.3. Wasteful Expenditure - Purchase of Four (4) Cocoons K392,791,829 (US\$74,146.50)

Your previous Committee urged the Controlling Officer to ensure that the Agency expeditiously concluded this matter and recommended to await a progress report.

Treasury Response

In response, the Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to keep the matter open and wait for a progress report from the Agency.

10.4. Properties without Title Deeds

Your previous Committee observed with concern that the Agency had sixty nine properties that did not have title deeds. Your Committee further observed that this was exacerbated by *Statutory Instrument No. 145 of 1996* and that as long as the statutory instrument was not reviewed, the Agency would continue to lose large sums of money in litigation. Your previous Committee, therefore, recommended that the Controlling Officer engages the Office of the Attorney General to expedite the process of reviewing Statutory Instrument No. 145 of 1996 to facilitate the quick transfer of title deeds to the Agency. Your previous Committee further directed the Controlling Officer to liaise with the Commissioner of Lands on the transfer of the title deeds to the Agency so that the matter could be finalised without further delay.

Treasury Response

The Treasury submitted that this matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committee's recommendation and resolves to keep the issue open and wait for a progress report, including a timeline within which the matter would be finalised.

10.5. Lack of Assets Management Policy

Your previous Committee considered the failure by the Agency to put in place the Asset Management Policy and reiterated that this anomaly would expose the Agency to risk of fraud as the guidance on the acquisition, recording, use and disposal of the Agency's non-current assets, among other things, lacked clarity. In light of this revelation, your previous Committee strongly urged the Controlling Officer to ensure that management expedites the process of formulating the Asset Management Policy and a progress report be submitted to your Committee.

Treasury Response

In response, the Treasury submitted that the issue was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee considers this to be unacceptable that the Agency has to date failed to come up with the Asset Management Policy even after employing the Asset Manager as the custodian of the policy. As a matter of urgency, your Committee strongly recommends that the Agency puts in place the policy and the Controlling Officer surcharges the officers responsible to avert negative attitude towards work by others.

11.0. HOTEL AND TOURISM TRAINING INSTITUTE (HTTI)

11.1. Failure to Constitute the Board of Trustees

Your previous Committee expressed serious concern over the fact that the Institute had been allowed to operate without a Board of Trustees for so long. It was further observed by your previous Committee that the lapse would result in the non-execution of decisions requiring board approval, thereby, affecting the operations of the Institution. This notwithstanding, your previous Committee welcomed the idea of transforming the HTTI into the Zambia Institute for Tourism Studies and further urged the Controlling Officer to urgently expedite the process of appointing the Trustees by the relevant authorities. Your previous Committee resolved to wait for a progress report on this matter.

Treasury Response

In response, the Treasury has submitted that this matter is still outstanding and progress will be reported to the Committee.

Committee's Observations and Recommendations

Your Committee expresses disappointment at the pace at which the Government addresses issues considering that the institution has operated without a Board of Trustees since 2012. Your Committee further resolves to keep the matter open and requests for a timeline within which this issue would be finalised.

11.2. Lack of Audit Committee

Your previous Committee took note of the response given by the Controlling Officer and expressed concern that failure to put in an Audit Committee was a sure sign that the Institute lacked a proper financial reporting process, a practice which showed failure to adhere to proper accounting controls and auditing procedures. In this regard, your previous Committee strongly urged the Controlling Officer to be proactive and ensure that the Audit Committee was put in place in accordance with the *Public Finance Act, No. 15 of 2004* without any further delay. Your previous Committee therefore resolved to wait for progress report on this issue.

Treasury Response

In response, the Treasury has submitted that the matter is still outstanding and that progress will be reported to the Committee.

Committee's Observations and Recommendations

Your Committee expresses concern at the lack of an audit committee at the Institute as this undermines the internal control processes and further exposes the institution to the risk of fraud. Your Committee, therefore, recommends that the Controlling Officer ensures that the audit committee is put in place without further delay and waits to receive a progress report on this matter.

11.3. Inadequate Staffing of Internal Audit Function

Your previous Committee observed that the lack of an internal control unit was unacceptable as it affects the Institutes capacity to safe guard Government resources. In this regard, your previous Committee urged the Controlling Officer to take concrete steps to ensure that the Internal Audit Unit was adequately staffed and would await a progress report on the matter.

Treasury Response

In response, the Treasury has submitted that the matter is still outstanding and progress will be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committee's recommendation to ensure that the Internal Audit Unit is adequately staffed to uphold control systems in the institution. Your Committee awaits progress report on this matter.

11.4. Failure to Complete Works

Your previous Committee questioned the capacity of the contractor as well as the selection process of contractors at the Institute. Your previous Committee reiterated that the failure by the contractor to complete the works would result in the loss of public funds. In view of the foregoing, your previous Committee directed the Controlling Officer to ensure that the funds

are recovered and a new contractor engaged in order to complete the outstanding works and resolved to await a progress report on this matter.

Treasury Response

The Treasury has submitted that the issue is still outstanding and that progress will be reported to the Committee.

Committee's Observations and Recommendations

Your Committee observes with concern how the contractor was engaged without due diligence undertaken to ascertain the capacity of the contractor to carry out the works. Reiterating your previous Committee's recommendation, your Committee strongly urges the Controlling Officer to recover the funds from the contractor and ensure that when engaging the new contractor, all the tender procedures including the due diligence should be thoroughly followed. Your Committee resolves to wait for a progress report on this issue.

11.5. Failure to Secure Title Deeds

Your previous Committee observed that management did not appear to attach great value to the properties in question and urged the Controlling Officer to ensure that the matter is aggressively pursued to ensure that the title deeds to the properties were obtained to avoid the possible loss of government property to other people. Your Committee resolved to await a progress report on this matter.

Treasury Response

In response, the Treasury has submitted that the matter remained outstanding and progress will be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and resolves to keep the matter open. Further, your Committee recommends for a timeline to be put within which this matter will be finalised.

11.6. Non Payment of Statutory Contributions K1,793,285

Your previous Committee observed that the Institute's failure to pay statutory contributions would result into penalties and interest charges by the concerned institutions, thus affecting its financial position. The failure to pay statutory contributions to the Workers Compensation Fund could also disadvantage the workers in the event of injury. In this regard, your previous Committee strongly urged the Controlling Officer to ensure that the Institute was consistent with payments to the Workers' Compensation Fund and settle arrears owed to the Zambia Revenue Authority without any further delay. Your previous Committee further resolved to wait for a progress report on the matter.

Treasury Response

In response, the Treasury has submitted that the matter remained outstanding and that progress will be reported to the Committee.

Committee's Observations and Recommendations

Your Committee notes the submission by the Treasury and recommends that the Controlling Officer in liaison with the Treasury comes up with measures of settling bills between the Ministry of Chiefs and Traditional Affairs and the Institute. Further, your Committee recommends that the Controlling Officer must ensure that the statutory obligations to Zambia Revenue Authority are paid as the institute prepares its payroll to avoid accruing arrears which would attract interest and penalty charges. Your Committee resolves to wait for a progress report and the timeline for finalising this matter.

12.0. JUDICIARY

12.1. Inadequate Chambers and Office space

Your previous Committee resolves not to close the matter and urges the Controlling Officer not to relent, but continue to pursue the allocation of funds in the Budget by the Treasury for this purpose in order to resolve the matter. Your previous Committee resolved to wait for a progress report on the funding for construction of modern chambers and offices.

Treasury Response

In response, the Treasury has submitted that matter is still outstanding and progress will be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to wait for a progress report on the funding to the Judiciary by the Treasury, to enable them construct additional chambers and offices.

12.2. Inadequate Court Rooms

Your previous Committee resolved not to close the matter and urged the Controlling Officer not to relent, but continue to make pursue the allocation of funds for this purpose in order to resolve the matter. Your previous Committee resolved to wait for a progress report on the matter.

Treasury Response

In response, the Treasury submitted that matter the remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committees' recommendation to keep the matter open and wait for a progress report.

12.3. Inadequate Modern Court Rooms

Your Committee resolved not to close the matter and urged the Controlling Officer not to relent, but continue to pursue the allocation of funds for this purpose in order to resolve the matter. As such, a progress report was being awaited on the matter.

Treasury Response

The Treasury has submitted that the matter is still outstanding and progress will be reported to the Committee.

Committee's Observations and Recommendations

Your Committee is yet to receive a progress report on the funding issue to the Judiciary for the construction of modern court rooms.

12.4. Lack of Risk Management Systems

Your previous Committee resolved to keep the matter open and wait for a progress report

Treasury Response

The Treasury has submitted that the matter is still outstanding and that progress will be reported to the Committee.

Committee's Observations and Recommendations

Your Committee questions why a Risk Management Framework would require funding as this is an internal document that can be developed by staff within the institution. In light of the observation made by your Committee, it is recommended that a timeline should be indicated within which this activity would be finalised and funding should not be used as an excuse.

12.5. Delayed Completion of the Project

Your previous Committee urged the Controlling Officer to liaise with the Secretary to the Treasury to ensure that funds are released to attend to the concerns raised by the audit. A progress report will be awaited by your Committee.

Treasury Response

In response, the Treasury has submitted that the matter is still outstanding and progress will be reported to the Committee.

Committee's Observations and Recommendations

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

12.6. Weaknesses in Managing Third Party' Accounts

i. Under banking of Collections from Litigants K111,980

Your previous Committee noted the action taken and urged the Controlling Officer to closely monitor the handling of revenue and ensure that revenue banking and reconciliation was done in accordance with Financial Regulations. Your previous Committee resolved to await a progress report on the recoveries.

Treasury Response

The Treasury has submitted that the matter is still outstanding and progress will be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report on the recovery of litigants' funds from the dismissed officers' terminal and pension benefits.

ii. Erosion of Clients Account by Bank Charges

Your previous Committee implores the Secretary to the Treasury to intervene in this matter and assist the Controlling Officer to properly resolve it. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

According to the submission by the Treasury, the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the need by the Treasury to help resolve this issue through the Service Level Agreement signed between the Ministry of Finance and selected Commercial Banks holding public funds so that a waiver is given for such accounts to avoid erosion of funds held by the Courts on behalf of the litigants. In view of this, your Committee resolves to await a progress report and a timeline within which the matter will be resolved.

12.7. Failure to Pay Gratuity

Your previous Committee resolved to await a progress report on the matter.

Treasury Response

According to the submission made by the Treasury, the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee awaits a progress report on this issue and insists on the timeline within which to finalise the issue.

12.8. Weaknesses in Managing the Sheriff's Office of Zambia

i. Lack of Bailiwicks Records

Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury has submitted that the matter remained outstanding and progress will be reported to the Committee.

Committee's Observations and Recommendations

Your Committee waits to receive a progress report on this issue and the timeline within which the matter will be resolved.

ii. Lack of Warehouses for Sheriff's Office

Your previous Committee expressed concern at the lack of warehouses and urged the Controlling Officer to urgently put in place corrective measures and a progress report on the matter to be availed to your Committee.

Treasury Response

In response, the Treasury has submitted that the matter is still outstanding and progress to be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report on this issue.

12.9. Weaknesses in the Management of Judiciary Infrastructure

i. Subordinate Court Complex - Lusaka

Your previous Committee resolved to await a progress report on the completion of the project.

Treasury Response

According to the submission by the Treasury, this matter was still outstanding and progress to be reported to the Committee.

Committee's Observations and Recommendations

Your Committee expresses concern at the slow pace at which most issues raised by the Auditor General and recommendations made by your Committee are being handled and urges the concerned institutions to address outstanding issues expeditiously. A progress report and timeline within which this matter will be resolved is awaited by your Committee.

ii. Ndola Subordinate Court

Your previous Committee urged the Controlling Officer not to relent, but continue to make budget provisions in order for the matter to be resolved. Your previous Committee would await a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates to wait for a progress report on the issue.

iii. Kitwe Subordinate Court

Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury has indicated that the matter remained outstanding and progress will be reported to the Committee.

Committee's Observations and Recommendations

Your Committee is concerned with the non release of budgeted for funds by the Ministry of Finance to enable institutions undertake activities as planned and budgeted. Your Committee implores the Ministry of Finance to ensure that the funds should be released to finalise this issue. In this regard, your Committee resolves to await a progress report on the matter.

iv. Solwezi Subordinate Court

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

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to wait for a progress report on this issue.

v. Choma Subordinate Court

Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to wait for a progress report on this issue.

vi. Livingstone High Court and Subordinate Court

Your previous Committee resolved to await a progress report on the matter.

Treasury Response

Submission by the Treasury indicates that the matter remained outstanding and progress will be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to wait for a progress report on this issue.

vii. Mongu Subordinate Court

Your previous Committee expressed concern at the increasing number of projects that are being delayed on account of the treasury not releasing the necessary funding and urged the Controlling Officer to liaise with the Secretary to the Treasury on the possible solution to the problem. Your previous Committee resolved to wait for a progress report on the matter.

Treasury Response

The matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committee's recommendation of engaging the Secretary to The Treasury to ensure that the funds are released on time in the 2018 Budget to enable Mongu Subordinate Court undertake the rehabilitation works. Your Committee further resolves to wait for a progress report on this issue.

viii. Kabwe High and Subordinate Courts

Your previous Committee expressed concern at the state of courtrooms around the country, a situation which negatively affects the dispensation of justice. Your previous Committee, therefore, urged the Controlling Officer to ensure that all the queries relating to the management of Judiciary Infrastructure are given the serious attention that they deserve. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

According to the Treasury, the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committees' recommendation and resolves to await a progress report on this matter.

13.0. NATIONAL HERITAGE CONSERVATION COMMISSION

13.1. *Lack of a Board/Governance Charter*

Your previous Committee expressed disappointed with the casual manner in which the Controlling Officer responded to this query. In view of the foregoing, your previous Committee cautioned the Controlling Officer to desist from such a casual approach to issues of National interest. Your previous Committee further expressed concern that the Controlling Officer did not seem to understand the importance of the board charter as evidenced by his response. In this regard, your Committee reminded him that the board charter is important for the Commission as it clearly defines the responsibilities and authority of the Board of Directors and also helps management in setting the direction and control of the Commission. In view of the foregoing, the Controlling officer was directed to ensure that a board charter is implemented without any further delay to ascertain the effectiveness of the board. Your previous Committee would wait a progress report on the matter.

Treasury Response

The Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to wait for a progress report on the matter.

13.2. Lack of a Heritage Policy

Your previous Committee found the lack of a Heritage Policy at the Commission unacceptable as the situation would not allow for the optimum achievement of overall objectives. Not having the Policy would also result in the lack of prudent, responsible and informed decision making at the Commission. In this regard, your previous Committee strongly urged the Controlling Officer to ensure that the Heritage Policy is formulated without any further delay. A progress report was being awaited by your previous Committee.

Treasury Response

The Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee recommends that the Commission must expedite putting in place a National Heritage Policy to help the institution achieve its overall objective. Your Committee resolves to wait for a progress report on this matter.

13.3. Failure to Conserve and Promote Heritage

Your previous Committee observed with concern that the updated information about the surveyed and mapped National Monuments was not availed to auditors at the time of audit. Your previous Committee was dismayed that the Commission waited until the sitting of Public Accounts Committee to reveal the information. In this regard, your previous Committee urged the Controlling Officer to ensure that management was cautioned for this failure. He was further urged to ensure that all the sites are protected as there was a great risk for the loss of heritage sites through encroachment and vandalism. Your previous Committee resolved to wait for a progress report on the matter.

Treasury Response

According to the submission by the Treasury, this matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation of ensuring that all the heritage sites are protected to avoid loss of heritage through encroachment and vandalism. A progress report will be awaited by your Committee in this regard.

13.4. Over Expenditure on Personal Emoluments

Your previous Committee found it unacceptable that funds were misapplied to pay for personal emoluments contrary to the Appropriation Act. Your previous Committee directed the Controlling Officer to sternly caution management at the Commission to desist from overspending but maintain their expenditure within the budget for any planned activity or programme. Your previous Committee further directed the Controlling Officer to ensure that

the funds were reimbursed without any further delay. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee sternly cautions the Controlling Officer to ensure that public entities spend within their budget lines and authority for variation should be sought before expenditures are undertaken. Your Committee indicated that this is important to ensure that planned activities according to the budget lines are not affected. Your Committee resolves to await a progress report on the reimbursement of funds that were misapplied by management, without any further delay.

13.5. Lack of Title Deeds

Your previous Committee directed the Controlling Officer to ensure that he liaised with his counterpart in the Ministry of Lands and Natural Resources on the matter in order for the process of acquiring the title deeds for the properties to be expedited. A progress report would be awaited by your Committee.

Treasury Response

In response, the Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee recommends that the Commission must expedite the process of acquiring title deeds for the seven (7) properties. A progress report will be awaited on this matter.

13.6. Weaknesses in Managing Liabilities

i. Lack of a Documented Risk Management Policy

Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury responded that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee underscores the importance of putting in place a Risk Management Policy to safeguard the assets and variable information for the Commission. Your Committee resolves to await a progress report on the matter.

ii. Non Remittance of Statutory Contributions K46,389,702

Your previous Committee urged the Secretary to the Treasury to intervene in this matter and ensure that the Controlling Officer was assisted to resolve this matter in order to avoid possible litigation and the payment of penalties as well as interest. Your previous Committee further urged the Controlling Officer to ensure that all statutory obligations were paid as and when they fell due to avoid recurrence. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury has submitted that the matter remained outstanding and progress will be reported to the Committee.

Committee's Observations and Recommendations

Your Committee raises concern on the failure by the Commission to remit statutory obligations as they fall due. In addition, your Committee recommends that going forward, there is need for the Secretary to Treasury to increase funding allocation to the Commission to enable them meet statutory obligations. Further, there is need for the Treasury and the Controlling Officer to come up with modalities of ensuring that the outstanding arrears to NAPSA, ZRA and ZSIC are settled as soon as possible. Your Committee resolves to wait for a progress report on this matter.

13.7. Weaknesses in the Procurement of Goods, Works and Services

i. Inadequate Maintenance of Stores Records

Your previous Committee observed that there was a great risk of pilferage in the absence of accountability in the stores. Your previous Committee urged the Controlling Officer to ensure that disciplinary action was taken against the erring officers for failure to secure the relevant documents. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee observes that this anomaly is unacceptable and reiterates the previous Committee's recommendation to have officers involved disciplined. A progress report is awaited by your Committee on this matter.

13.8. Construction of Ablution Block, Walk Trails, Barricading and Steel Palisade Fence – Afriwoods & Development Ltd.

i. Lack of a Performance Bond

Your previous Committee observed with concern the failure by the Commission to provide for the performance bond as per requirement in the general conditions of a contract. In this regard, your previous Committee sternly cautioned the Controlling Officer and reminded him that any default by the contractor would lead to the loss of public funds and should, therefore, be avoided. The Controlling Officer was further urged to ensure that management was also cautioned to ensure that future contracts should include a performance bond as required by the Public Procurement Regulations. Your previous Committee, resolved to await a progress report on the completion of the project.

Treasury Response

The treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee’s Observations and Recommendations

Your Committee reiterates the previous Committee’s recommendation and resolves to await a progress report on the matter.

ii. Failure to Adhere to Site Instructions

Your previous Committee found it unacceptable for the Controlling Officer to defend the non- adherence to contract provisions by the contractor as it was evident from the supervisor’s report that the contractor did not adhere to clear instructions. Your previous Committee was further concerned that the contractor did not put in writing the progress reports as per contract provision and depended upon weekly meetings and verbal submissions. In this regard, your previous Committee sternly cautioned the Controlling Officer for this omission and directed him to caution the management at the Commission to ensure that written reports are insisted upon. The Controlling Officer was further urged to ensure that liquidated damages were claimed from the contractor for his failure to follow the architectural plan, specifications and measurements for the septic tank. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to Committee.

Committee’s Observations and Recommendations

Your Committee expresses disappointment at the poor supervision of the contractor and ensuring that specifications are adhered to, so as to guarantee quality control of all works in public buildings. Your Committee resolves to keep the matter open and await a progress

report on recommendation made by your previous Committee to claim for damages from the contractor for failure to adhere to contract specifications.

13.9. Dilapidated Gallery

Your previous Committee urged the Controlling Officer to improve the Gallery by ensuring that there was a budgetary allocation for the said amount. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committee's recommendation on the need by the Controlling Officer to improve the Gallery by ensuring that the institution makes adequate provision in the budget. Your Committee resolves to await a progress report on this matter.

13.10. South West Regional Office

i. Kalomo Administrator's House – Dilapidated state

Your previous Committee urged the Controlling Officer to ensure that the matter in court was resolved and to also ensure that funds are secured for the dilapidated house without any further delay. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury indicated that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee observes that the matter is still in court and resolves to await a progress report on the rehabilitation of the Kalomo Administrator's House, which is a national monument.

ii. Livingstone Railway Museum - Non Maintenance of Rented Properties

Your previous Committee urged the Controlling Officer to ensure that funds are secured for the rehabilitation exercise without any further delay and your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report on the rehabilitation of the Commissions' houses and awaits a progress report.

13.11. Construction of a Boundary Wall at the Railway Museum and Painting two Historic Buildings – the Anglican Church and Jewish Synagogue – Imaza Building Contractors

Your previous Committee expressed concern at the failure by the Commission to adhere to contract provisions. It observed that there was no proof to the fact that works were completed and also that damages were not claimed despite the provisions. Your previous Committee, therefore, urged the Controlling Officer to direct management at the Commission to ensure that liquidated damages were claimed from the contractor as he did not perform within the contract terms and there were no certificates of completion to prove the successful completion of works. Your previous Committee resolved to wait for a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee observes with concern the lack of adherence by the institutions to supervise public works and ensure that the Contractor adheres to contract provisions to safeguard public resources. Your Committee, therefore, urges the Commission to claim damages from the Contractor who failed to perform according to the Contract terms. A progress report is being awaited by your Committee on this matter.

13.12. Unsatisfactory Work-Imaza Contractors

Your previous Committee did not accept the reason given by the Controlling Officer as it was evident that there was no proper supervision of works on this project. In view of the foregoing, your previous Committee urged the Controlling Officer to ensure that the erring officers were sternly cautioned and also that works are rectified without any further delay since there was no evidence to prove that the works were rectified. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury responded that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee observes with dismay that the lack of supervision of public works by NHCC would result in wastage of public resources and failure to realise value for money. It is

indicated by your Committee that if stern measures are not taken, Government would continue to lose resources. Your Committee strongly recommends that the Controlling Officers takes appropriate disciplinary action against officers who fail to ensure that projects are successfully implemented due to lack of supervision. It is further recommended by your Committee that contractors that fail to adhere to contract provisions must also be blacklisted and asked to payback damages caused due to negligence in the execution of the contracts. A progress report is being awaited by your Committee.

13.13. East Central Regional Office

During the period under review, East Central Regional Office received funding in amounts totalling K4, 108,596 from NHCC headquarters for operations and management of sites. A review of the accounting records and other documents availed for audit revealed the following:

i. Missing Payment Vouchers - K74,602

Your previous Committee found the reasons given by the Controlling Officer to be misleading and directed him to ensure that the erring officers were disciplined for this failure. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In their response, the Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committee's recommendation to await a progress report.

ii. Construction of Visitor's Toilets at Embassy Park National Monument – Ailito Cleaning Services

• Delayed Completion/Lack of Handover

Your previous Committee found it unacceptable that works were abandoned by the contractor despite having been paid over ninety five percent of the contract price. Your previous Committee directed the Controlling Officer to ensure that liquidated damages and other applicable penalties were claimed from the contractor for failure to complete the project within the specified period. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committee's recommendation to ensure that liquidated damages and applicable penalties are claimed from the contractor for failure to complete the project within the specified period. Your Committee awaits a progress report on the matter.

- **Irregular Payment - K19,750**

Your previous Committee directed the Controlling Officer to ensure that the funds are recovered from the officer without any further delay. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury responded that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observation and Recommendation

Your Committee recommends that the Commission should ensure that liquidated damages and other applicable penalties are claimed from the contractor for failure to complete the project within the specified period. Your Committee further resolves to await a progress report on the matter.

iii. Tourism Concession Agreement – Lundazi Castle Hotel

Your previous Committee observed with serious concern that the Commission was only reminded about the Concessionaire's failures after the audit and wondered whether the works were supervised and if there was any interest in the Commission knowing what was happening. Your previous Committee was also not clear on what was being awaited since it was evident that the Concessionaire had failed to comply with many clauses of the Tourism Concession Agreement (TCA) which was signed with him. In light of the above, your previous Committee directed the Controlling Officer to ensure that he acted urgently on the matter in accordance with the provisions of the TCA without any further delay. He was further urged to ensure that the officers responsible are disciplined for failure to report and monitor the progress of the implementation. Your previous Committee resolved to wait for a progress report on the matter.

Treasury Response

The Treasury responded that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee observes that public institutions must be proactive to monitor and identify failures by the Contractors to guard against misuse of public resources. In this regard, your Committee strongly urges the Controlling Officers to reprimand officers charged with

monitoring of the project and ensure that the provisions of the TCA in respect to failure by the Contractor to abide by the provisions are invoked. A progress report on this matter is being awaited by your Committee.

13.14. Northern Regional Office

i. The Lumangwe/ Kabwelume Falls Tourism Infrastructure Development Project – Failure to Remit Funds K533,202

Your previous Committee found the reasons submitted by the Controlling Officer misleading because officers at the Commission failed to avail the documents to the auditors during the time of audit. Your previous Committee further observed with concern that the amount which spent on the administration and monitoring of the two projects at Chishimba and Kalambo falls was unacceptable as they were over fifty percent of the cost of the two projects. In light of this, your previous Committee directed the Controlling Officer to ensure that the matter was investigated and that the culprits were disciplined accordingly. Your previous Committee resolved to wait for a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committee's recommendation for the Controlling Officer to ensure that the matter is investigated upon thoroughly and culprits are disciplined for abuse of public resources.

ii. Failure to Rehabilitate Director's Residence

Your previous Committee expressed concern at the failure by the Commission to safeguard the wastage of public funds that would be caused by the decay of the materials. Your previous Committee found it unacceptable that planks which are perishable could be bought without being sure of the additional resources. In this regard, your previous Committee urged the Controlling Officer to ensure that disciplinary action was taken against the erring officers for failure to plan properly. He was further urged to ensure that more funds were sourced to complete the project without any further delay. A progress report on the matter would be awaited by your Committee.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committee's recommendation to ensure that additional resources are secured from the Treasury to ensure that the leaking roof is rehabilitated. A progress report will be awaited by your Committee in this regard.

iii. Construction of the Proposed Tourism Development Infrastructure at Kalambo Falls – Curve Contractors

- **Delayed Completion and Unclaimed Liquidated Damages**

Your previous Committee urged the Controlling Officer to ensure that the officers were disciplined for failure to avail the relevant documents relating to the three extensions that were done on the contract. Your previous Committee also urged him to ensure that the works are expedited and completed. A progress report would be awaited by your previous Committee.

Treasury Response

In response, the Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee awaits a progress report on this matter.

- **Irregular Variation**

Your previous Committee urged the Controlling Officer to ensure that the concerned officers are disciplined for failure to avail the documents relating to three extensions that were done on the contract. Your previous Committee also urged the Controlling Officer to ensure that the works were expedited and completed and resolved to await a progress report.

Treasury Response

The Treasury responded that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to ensure that the works are expedited and that a progress report should be submitted to your Committee.

iv. Failure to Maintain Tourism Infrastructure at Ntumbachushi Falls in Kawambwa

Your previous Committee noted the submission, but resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the demolition of the old heritage structure and rehabilitation of the foot bridge at Ntumbachushi falls.

14.0. NORTH WESTERN WATER AND SEWERAGE COMPANY (NWWSC)

14.1. Poor Physical and Environmental Security

Your Committee observed with concern that the Water Utility Company (WUC) had taken long to improve its physical and environmental security for its information processing facilities. Your previous Committee reminded the Controlling Officer that there was great risks in operating without sever racks to secure server equipment and that the state of affairs would also leave room for damages to computer equipment which would eventually result in the loss of data. Your previous Committee, therefore, urged the Controlling Officer to ensure that the matter was resolved without any further delay. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee is extremely concerned on how a utility company housing database for customers would exhibit such negligence in management of ICT equipment as any loss of data would be costly to the institution, hence the need to pay attention to security issues when it comes to management of ICT. Your Committee resolves to wait for a progress report on installation of the sever rack to secure ICT equipment.

14.2. Lack of Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP)

Your Committee observed with concern that the Business Continuity Plan (BCP) and Disaster Recovery Plan are merely mentioned in security policies, but not developed as separate documents and circulated to the responsible officers for reference in the event of a disaster. Your previous Committee further observed that the failure to have the two documents would result in the failure to resume timely normal operations in cases of disaster or significant damage to its Information Processing Facilities (IFP). Your previous Committee, therefore, directed the Controlling Officer to ensure that the two documents are developed without any further delay and would await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee recommends awaiting progress report on the finalisation of the Business Continuity Plan (BCP) and Disaster Recovery Plan in line with the ICT policy and resolves to await a progress report on this issue.

14.3. Poor Administration of Backups - Lack of Backup Policy

Your previous Committee observed with concern that the Water Utility Company (WUC) had taken long to improve its physical and environmental security for its information processing facilities. Your previous Committee reminded the Controlling Officer that there was great risks in operating without sever racks to secure server equipment and that the state of affairs would also leave room for damages to computer equipment which would eventually result in the loss of data. Your previous Committee, therefore, urged the Controlling Officer to ensure that the matter was resolved without any further delay. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committees recommendation of ensuring that the sever racks were installed to safeguard the computer equipment and avert loss of data. A progress report is being awaited by your Committee.

14.4. Lack of Documented Procedures – System and Transaction Data

Your previous Committee observed with concern that the reversals and adjustments in amounts totalling K708,781 were passed without being supported by approved documents. Your previous Committee, therefore, urged the Controlling Officer to ensure that procedures for handling and administering changes to both systems and transaction data are developed without any further delay. Your previous Committee further directed the Controlling Officer to ensure that the amount in question was documented without any delay and your Committee would await a progress report.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the observations made by the previous Committee to have all reversal entries approved before transactions are made in the system. This was important to safeguard from frauds. Your Committee therefore resolves to await a progress report on the approved documentation for reversal of entries that were done in the system.

14.5. Failure to Fill Vacant ICT Positions

Your previous Committee urged the Controlling Officer to ensure that the process was expedited and resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committees recommendation to expedite the process of employing the ICT officer and resolves to await a progress report.

14.6. Poor User Account Administration - Dove Payroll

Your previous Committee urged the Controlling Officer to ensure that the separation of business processes from the administrator rights was done without any further delay. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee agrees with the previous Committee's recommendation to expedite the process of separating business processes from the administrator rights. The matter remains open and a progress report is being awaited by your Committee.

14.7. Lack of Insurance Cover for ICT Equipment

Your previous Committee urged the Controlling Officer to ensure that premiums were paid regularly as and when they fell due. Your previous Committee further urged the Controlling Officer to ensure that the office of the Secretary to the Treasury was engaged to secure funds for dismantling the arrears owed on premiums. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

A progress report on the dismantling of arrears owed on insurance premiums to cover the institution's valuable assets is being awaited. Your Committee, therefore, resolves to keep the matter open in view of this recommendation.

14.8. Failure to Utilise Modules Paid for in SAGE Evolution ERP

Your previous Committee urged the Controlling Officer to expedite the process of implementing the remaining modules in order to have value for money from them and avoid loss of funds due to time. Your previous Committee therefore, resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to wait for a progress report on the implementation of the remaining modules in SAGE Evolution ERP and to ensure that the institution derives benefits and value for money, as the modules were already paid for.

14.9. Operations of the Board

i. Irregular Rate of Board Allowances

Your previous Committee expressed displeasure at the failure to avail documents to auditors at the time of audit and the Controlling Officer was urged to ensure that disciplinary action is taken against erring officers. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report on the submission of the approval given by the Board to effect new rates for the Board meetings.

ii. Questionable Composition of the Board

Your previous Committee expressed concern at the failure by the Controlling Officer to adhere to the Ministerial guidelines and Circular Number MLGH/102/17/1 which provided for guidance on the composition of a Board. The Controlling Officer was thus directed to ensure that the matter was normalised without any further delay and your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee expresses disappointment at the failure by North Western Water and Sewerage Company (NWWSC) management to abide to laid down guidelines. Your Committee further intimated that such negligence if not curbed, would result in undermining governance structure that are needed to ensure effective functioning of the institution. In this regard, your Committee reiterates your previous Committee's recommendation to ensure that the issue of appointing persons to the Board is done as prescribed in the guidelines. A progress report and timeline for normalising this issue would be awaited by your Committee.

14.10. Internal Audit Weaknesses

Your previous Committee finds it highly irregular that the company operated without an Internal Audit Charter which resulted in the non-recruitment of an internal auditor. Your previous Committee observed with concern that the state of affairs left the company vulnerable as it had no strong internal control system in the absence of an internal auditor. Your previous Committee, therefore, urged the Controlling Officer to ensure that the position was filled-up without any further delay, the audit charter was finalised and approved by the Board, and thus, resolved to await a progress report.

Treasury Response

The Treasury submitted that matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee raised concern on the failure by NWWSC to put in place an Audit Charter and recruiting of an Auditor. This exposes the institution to undermining control systems and could result in heighten financial irregularities. There is need to urgently put in place an Audit Charter and fill-up the vacant position of the Auditor. Your Committee resolved to await for a progress report on this matter.

14.11. Financial Performance – Statement of Comprehensive Income

Your previous Committee urged the Controlling Officer to ensure that the company increased its customer base as planned and also that costs are minimised as it is unacceptable for staff costs to have an upward trend despite the poor performance of the company, financially. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation of NWWSC implementing strategies aimed at increasing its customer-base and reducing the operational costs in line with the current financial performance of the company. Your Committee resolved to await a progress report on the proposed measures aimed at curtailing the upward trend of staff costs and the need to increase the customer base for the institution.

14.12. Operating Expenses as a Percentage of Revenue

Your previous Committee urged the Controlling Officer to ensure that the company increased its customer base as planned and also ensure that costs are minimised as it is unacceptable for staff costs to have an upward trend despite the poor performance of the company, financially. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The matter was reported as still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

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

14.13. Financial Positions as at 31st December 2012, 2013 and 2014

Receivable Turnover Ratio

Your previous Committee found the Controlling Officer's submission unacceptable as it had been the same for the past three years regarding Government institutions owing the company. The Controlling Officer was strongly urged to ensure that the prepaid meters were installed in all Government institutions in order to compel them to pay as they used water without any further delay. The Secretary to the Treasury was, particularly, urged to provide funds to dismantle the amounts owed by the Government by deducting from source in order to expedite the process. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury responded that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee is dismayed at the response by the Treasury given that your previous Committee had recommended that the Secretary to Treasury must help to dismantle the arrears owed by Government to NWWSC by deducting from the source, in order to expedite the process and have the matter concluded. Your Committee, therefore, recommends that the Controlling Officer in consultation with the Office of the Secretary to the Treasury must come up with measure such as a debt swap to facilitate the dismantling of debt to NWWSC. A progress report is being awaited on this matter.

14.14. Comparative Performance in the Water and Sanitation Sector

i. Operational Cost Coverage by Collection

Your previous Committee urged the Controlling Officer to ensure that the company improved its performance without any further delay using all available options. Your Committee found the drastic fall from over one hundred percent to fifty-four percent unacceptable and the Secretary to the Treasury was particularly urged to ensure that he provided some funds to enable the Company improve its liquidity levels. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committees Observations and Recommendations

Your Committee resolves to await a progress report on the proposed measures to improve the performance of the company and possible options for dismantling the debt owed by GRZ to the institution.

ii. Sanitation Coverage

Your previous Committee urged the Controlling Officer to ensure that the company increased its sewerage (sanitation) coverage to acceptable ratios as the current status was alarming and unacceptable. Your previous Committee further urged the Controlling Officer to ensure that the Ministry enhanced its efforts to source for funds in order to improve the status quo as it was hazardous to public health. Your previous Committee would await a progress report on the matter.

Treasury Response

The matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee agrees with the recommendations of your previous Committee to come up with measures to improve the sewerage (sanitation) coverage ratio to acceptable benchmark of 80%. Your Committee further recommends the need to capitalise the institution to rehabilitate the sewerage system and increase the sanitation coverage ratio to 80% as acceptable by the Regulator.

14.15. Irregularities in Billing Systems Administration

i. Customer Accounts with Incomplete Details on the System

Your previous Committee urged the Controlling Officer to ensure that the process of capturing customer details was expedited and your previous Committee would await a progress report on the matter.

Treasury Response

The matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolved to wait for a progress report on when exercise of capturing customer's details on the database would be finalised.

ii. Unbilled Customer Accounts

Your previous Committee found this situation unacceptable, as it was clear that the company did not keep track of its customers' details. Your previous Committee directed the Controlling Officer to ensure that the customers' details were updated and that funds are recovered from these debtors without any further delay. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The matter remained outstanding and progress would be reported to the Committee

Committee's Observations and Recommendations

Your Committee resolved to await a progress report on the exercise to update the customer details on the billing database and recovering of funds owed by the customers. Your Committee also reiterated the need to come-up with timelines within which this activity would be finalised.

iii. Customers with Duplicate Account Numbers

Your Committee found the situation at the Company unacceptable and urged the Controlling Officer to sternly caution the officers responsible against this failure, as it was evident that

they inputted wrong details in the system. Your previous Committee also urged the Controlling Officer to ensure that the matter was resolved without any further delay by way of clean-up of the system. Your previous Committee resolved to keep the matter open and await a progress report.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee agrees with the recommendation by your previous Committee to clean-up the data base to ensure that there is no duplication of client's names, which can compromise recoveries. Your Committee resolves to wait for a progress report on this matter.

iv. Failure to Remit Collections from Water Sales by Kiosks

Your Committee urged the Controlling Officer to ensure that the officers responsible were disciplined as it was evident that collections were not remitted despite being collected from the user communities. Your previous Committee further urged the Controlling Officer to ensure that the revenue collection points are monitored to ensure that receipts are issued to clients so as to reduce theft by public officers. Your previous Committee resolved to keep the matter in view in future audits.

Treasury Response

The Treasury submitted that the matter was resolved and recommended for closure but be kept in view during future audits.

Committee's Observations and Recommendations

Your Committee observes that contrary to the response by the Treasury, the matter is still outstanding as a progress report has not been submitted to indicate (i) whether NWWSC has recovered funds from the agents who were not remitting proceeds of water sales to the company, (ii) NWWSC has formalised the engagement of the agents through an MOU, and (iii) a reconciliation on the credits appearing in accounts for some agents engaged to sell water. Your Committee resolves to await a progress report.

v. Customers with Zero and Negative Water Consumption

- **Zero Consumption**

Your previous Committee did not accept the reasons given by the Controlling Officer as such customers would not be left without paying anything. Your previous Committee urged the Controlling Officer to ensure that the NWASCO sector report for 2014, No.5.4.1 on *stuck and Defective Meters* was imposed so that standard monthly rates are billed on the customers and that funds are recovered promptly as they receive the service in the months the meters read zero. Your previous Committee further urged the Controlling Officer to ensure that the

situation was curbed by way of supplying prepaid meters to customers. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee raises concern that the NWWSC is losing revenue due to defective meters which inhibited the billing of customers and this in the long-run affects the balance sheet of the institution. In light of this revelation, your Committee strongly urges the Controlling Officer to ensure that the issue of stuck and tampered meters, inactive accounts, and new connection, among other factors affecting the billing system be resolved as soon as possible. Your Committee, therefore, resolves to keep the matter open and await a progress report on this issue.

- **Negative Consumption**

Your previous Committee did not accept the reasons given by the Controlling Officer, as such customers would not be left without paying their differences. Your previous Committee urged the Controlling Officer to ensure that funds were recovered promptly as they receive the service in the months the meters are unreadable. The Controlling Officer was also urged to ensure that the situation was curbed by way of supplying prepaid meters to the customers. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury responded that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee observes with dismay that NWWSC was failing to recover revenues from customers for usage of water due to obscured meter readings and intimated that this resulted in huge loses of revenues for the institution. Your Committee resolves to keep the matter open until the matter is resolved, including implementing the recommendations made by your previous Committee.

- vi. **Customers Billed On Average Consumption Over Three Months**

Your previous Committee urged the Controlling Officer to ensure that the process of replacing defective meters with ultrasonic prepaid meters was expedited and resolved to await a progress report on the matter.

Treasury Response

The Treasury responded that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the recommendations made by your previous Committee to expedite the installation of ultrasonic prepaid meters to ensure that the company collects revenue for the service provided by NWWSC.

vii. Failure to Disconnect Past Due Customer Accounts

Your previous Committee urged the Controlling Officer to ensure that the Non-Revenue Water is reduced to acceptable rates by ensuring that its infrastructure was maintained and also that old customer lines are disconnected to avoid this irregularity. He was further urged to ensure that all outstanding bills relating to old and disconnected customers are recovered without any further delay. Your previous Committee would await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee agrees with the recommendation made by your previous Committee to ensure that customer's lines are disconnected for those who were not paying for the service rendered by NWWSC to avoid Non-Revenue Water (NRW). Your Committee resolved to await a progress report.

viii. Metered Customers on Meter Reading Report not on the Customer Master Database

Your previous Committee urged the Controlling Officer to ensure that the clean up exercise was expeditiously done and resolved to await a progress report on the matter.

Treasury Response

The Treasury responded that the matter was still outstanding and that progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee finds this to be unacceptable and further urged the Controlling Officer to ensure that capturing of pipe network and customer properties using GIS to enable the update of its map and also clean-up the customer database is expeditiously done. Your Committee resolves to await a progress report on the matter.

ix. Metered Customers on the Customer Master not on the Meter Reading Report

Your Committee urged the Controlling Officer to ensure that the clean up exercise is expeditiously done and resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to keep the matter open and awaits a progress report on clean up of the customer database to ensure it reflects the correct position of the customers' status, which was either that (i) they had been disconnected and were not receiving any services, and (ii) disconnected and had outstanding bills to NWWSC.

14.16. Weaknesses in Managing Expenditure

i. Questionable Expenditure – Statutory Management of Another CU

• Failure to Avail Documentation Relating to Appointment as Statutory Manager

Your previous Committee found it unacceptable that documents relating to the appointment of the Statutory Manager were not availed for audit and urged the Controlling Officer to ensure that the officers responsible are disciplined for this failure as circumstances were not clear as to why they chose to willfully conceal information. Your previous Committee also urged the Controlling Officer to ensure that the matter does not recur and your previous Committee resolved to await a progress report.

Treasury Response

The Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report on availing of information to the auditors by NWWSC. The matter was therefore recommended to be kept open.

• Lack of Board Oversight

Your previous Committee expressed concern at the failure by the Controlling Officer to ensure that Parastatal Bodies under his jurisdiction have full operating Boards at all times to avoid such irregularities. Your previous Committee further urged the Controlling Officer to ensure that all work plans, budgets and progress reports were submitted to the Board for approval without any further delay. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee agrees with the previous Committees' recommendation to ensure that all work plans, budgets and progress reports are expeditiously approved by the Board. The matter was therefore resolved to be kept open and a progress report is awaited by your Committee.

- **Failure to Secure Reimbursement of Statutory Management Expenses**

Your previous Committee urged the Controlling Officer to ensure that management was sternly cautioned for this failure and also that the reimbursement was done without any further delay. Your previous Committee resolved to wait for a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committees recommendation for the Controlling Officer to ensure that funds are provided for statutory management. Your Committee therefore, resolves to keep the matter open and await a progress report.

i. Irregular Legal Expenses

Your previous Committee found it unacceptable that the company involved itself in the personal affairs of an employee. Your previous Committee urged the Controlling Officer to sternly caution management to ensure that they desist from misusing their positions to pay for costs which do not affect the Company in any way, especially that the officer involved went to pursue the matter in his individual capacity and only involved the Company thereafter. Your previous Committee further urged the Controlling Officer to ensure that funds were reimbursed without any further delay. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee observes with disappointment that management used public resources by engaging in a private matter for the staff. Your Committee notes that the management would

have advanced the funds to the staff and recoveries through payroll undertaken. Your Committee resolves to keep the matter open and awaits a progress report on the recovery of public funds.

ii. Questionable Approval of Payments

Your previous Committee urged the Controlling Officer to ensure that management was sternly cautioned for this irregularity and that the payments made without approval by the relevant officers were repaid without any further delay. Your previous Committee also urged the Controlling Officer to ensure that internal controls are strengthened and that the erring officers are disciplined. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury responded that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee observes with dismay at the lack of adherence to financial procedures of ensuring that payments are approved by the authorised officers. In light of this, Your Committee resolves not to have the matter closed and awaits a progress report on the approval of payments and audit verification.

14.17. Weaknesses in Managing Non-Current Assets

i. Lack of Title Deeds

Your previous Committee urged the Controlling Officer to expedite the process by engaging his counterpart in the Ministry of Lands, Environment Natural Resources and Environmental Protection to ensure that all properties belonging to the utility Company are secured with title deeds as the current status is unacceptable. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury responded that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committee's recommendation for the Controlling Officer to engage the Ministry of Lands Environment Natural Resources and Environmental Protection to ensure that all properties belonging to the utility Company are secured by title deeds. Your Committee further resolves to keep the matter open, pending a progress report.

ii. Failure to Update the Asset Register

Your previous Committee urged the Controlling Officer to ensure that disciplinary action was taken against the erring officers and resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report on the disciplinary action taken by the Controlling Officer.

iii. Inadequate Information in the Fixed Asset Register

Your previous Committee urged the Controlling Officer to ensure that disciplinary action was taken against erring officers and resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation on this matter and urges the Controlling Officer to ensure that disciplinary action is taken against erring officers and will await a progress report on the matter.

iv. Lack of Asset Identification Numbers on Assets

Your previous Committee urged the Controlling Officer to ensure that disciplinary action is taken against the erring officers and your previous Committee would await a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee is concerned at the negative attitude of workers at NWWSC towards work and reiterates your previous Committee's recommendation to ensure that disciplinary action is taken against the erring officers by the Controlling Officer. Your Committee further resolves to wait for a progress report on the matter.

v. **Failure to Avail Vehicle Allocation Lists**

Your previous Committee urged the Controlling Officer to ensure that disciplinary action was taken against the erring officers and resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the matter was still outstanding and that progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to keep the matter open, and await a progress report.

14.18. Weaknesses in Managing Payables - Failure to Remit Statutory Contributions

Your previous Committee found the state of affairs at the water utility company unacceptable as its liquidity level was very poor and alarming. The Controlling Officer was urged to ensure that he explores all available options in ensuring that liquidity levels are improved and also that all statutory obligations are paid without any further delay. Your previous Committee resolved to wait for a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee agrees with your previous Committee's recommendation for the Controlling Officer to consider exploring other available options to ensure liquidity levels are improved expeditiously, to enable NWWSC meet its statutory obligations. Your Committee further added that the Controlling Officers must work together with the Secretary to the Treasury to come up with mechanism of liquidating arrears owed by Government institutions to NWWSC. Your Committee awaits a progress report on this matter.

15.0. NATIONAL YOUTH DEVELOPMENT COUNCIL (NAC)

AUDIT QUERY

15.1. Irregularities in the Payment of Allowances

A provision of K1,500,000 was made in the Estimates of Revenue and Expenditure for the financial year ended 31st December, 2014, as operational grants of the Council and the whole amount was released.

However, the following was observed:

i. Overpayment of Council Allowances

Your previous Committee observed that the irregularities in the payment of allowances at the Council were yet another indication of poor supervision by the Controlling Officer and other senior officials over the Council. The Controlling Officer was urged to put internal control measures in place to prevent the reoccurrence of this irregularity and follow up the matter with the investigative wings for necessary action against the officers involved to deter others from perpetrating such vices in future. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee expresses concern at the poor supervision of the institution by the Controlling Officer and further reiterates the previous Committee's recommendation to ensure that internal controls are put in place at the National Youth Development Council (NYDC) to safeguard public resources. It is resolved that the matter should remain outstanding, pending a progress report on the implementation of the recommendation by your previous Committee.

ii. Double Payment of Allowances K155,534 (subsistence allowance - K103,784 and sitting allowances - K51,750)

Your previous Committee found it unacceptable for the Controlling Officer to justify such an irregularity. Your previous Committee observed that this indiscretion was as a result of the Ministry and Council not orientating the Board on the provisions of the Financial Regulations. In this regard, the Controlling Officer was sternly urged to desist from embracing such irregular practices and ensure that practical steps are taken for the Board and officers at the Council to become conversant with Government financial regulations and procedures. Further immediate action should be taken to recover the double paid allowances in amounts totalling K155, 534 from the erring officer. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates that flouting public financial regulations is a serious offence and as such recommends for appropriate disciplinary action against the Board and management at NYDC. Your Committee resolves to await a progress report on the matter.

iii. Irregular Payment of Council Allowances K363,407

Your previous Committee observed with concern that the Controlling Officer was not providing the necessary supervision to the board as it appeared that there was a rampant abuse of public resources at the NYDC. Your previous Committee queried why Councillors drew allowances in amounts totalling K363,407 for Council and sub Committee meetings for which, no duly authenticated minutes were kept and how five members appointed by the Council Chairman could be authenticated in the absence of their letters of appointment. In this regard, the Controlling Offer was urged to follow up the matter with the investigative wings for the possible expedition of the process in order to clear the concerns surrounding the matter. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee agrees with the observation made by the previous Committee on the abuse of public resources at NYDC and attributes this outturn to failure by the Controlling Officer to supervise, which include among others putting in place internal controls and guidelines to safeguard against abuse of public resources. Your Committee resolves to keep the matter open, pending submission of a progress report.

15.2. Irregular Recruitment of Staff

Your previous Committee stressed that such blatant disregard of Government directives which are meant to safeguard public resources is unacceptable and urged the Controlling Officer to institute disciplinary action against the officers who caused the loss of colossal public funds amounting to K787,910. A progress report on the matter would be awaited by your previous Committee.

Treasury Response

In response, the Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee finds it an acceptable that officers at NYDC failed to adhere to the advice given by the Controlling Officer resulting in loss of public resources. Your Committee further observes that the erring officers were sternly disciplined for the loss of public funds, and therefore, recommends the matter for closure after audit verification.

15.3. Misapplication of Funds for Terminal Benefits K881,565

Your previous Committee expressed concern that despite the Government's efforts of releasing funds to dismantle arrears for terminal benefits, the majority of the funds were spent

on activities unrelated to the intended purpose thereby, subjecting the Council to further litigation and consequently putting a strain on the Treasury and delaying the execution of other Government projects. In this regard, your previous Committee strongly urged the Controlling Officer to apply herself fully and resolve the problems associated with the non adherence to Financial Regulations by the Council. A progress report on the matter would be awaited by your previous Committee.

Treasury Response

In response, the Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the recommendations made by your previous Committee. Your Committee further urges the Controlling Officer to submit a progress report on what measures have been put in place to ensure that internal controls and financial regulations are adhered at NYDC.

15.4. Unauthorised Travel Abroad

Your previous Committee sternly warned the Controlling Officer against recurrence of this matter and urged him to ensure that the irregularity was normalised. A progress report would be awaited by your previous Committee.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the normalisation of the financial irregularity at NYDC by the Controlling Officer.

15.5. Lack of Title Deeds for Council Properties, Plot 10423/196 and 179, Chainama, Great East Road

Your previous Committee expressed concern that the replacement of title deeds had taken too long to resolve and urged the Controlling Officer to ensure that the titles for Plot 10423/196 and 179, in Chainama, Great East Road are acquired and the properties insured without any further delay. A progress report would be awaited by your previous Committee.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer to work expeditiously on the process of acquiring title deed for Plot 10423/196 and 179, in Chainama, Great East Road as recommended by your previous Committee. Your Committee further resolves to wait for a progress report on this matter.

16.0. ROAD DEVELOPMENT AGENCY

AUDIT QUERY

16.1. Lack of Board

Your previous Committee expressed concern at the number of board members expected to sit on the Agency's board and also the inclusion of the Attorney General on the board. Your previous Committee further observed with concern that in the absence of the board, it was not possible to have an expenditure on the category of Board allowances and hence found the payment of K68, 800 made to the Permanent Secretary and the Chairperson of the Board highly irregular. The Controlling Officer was, therefore, urged to consider renaming the expenditure or recovering the amounts from the officers since the amount was currently sitting in a wrong category of expenditure. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to keep the matter open and await a progress report on the recommendation to rename the expenditure or recovering the amounts from the officers since the amount was currently sitting in a wrong category of expenditure. A progress report is awaited by your Committee.

16.2. Irregular Investment of K3,000,000

Your previous Committee urged the Controlling Officer to ensure that management was sternly cautioned for failure to adhere to the *Public Finance Act No.15 of 2004*. He was further urged to ensure that the conflict which exists between the *Public Roads Act Part II Article 9 (4)* and the *Public Finance Act No.15 of 2004*, was resolved to avoid recurrence. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee takes note of the recommendations by your previous Committee for the Controlling Officer to ensure that the management adheres to the provisions of the *Public Finance Act No.15 of 2004*. In addition, your Committee admonishes the Controlling Officer to resolve the conflict between the *Public Roads Act Part II Article 9 (4)* and the *Public Finance Act No.15 of 2004*, in order to ensure that there is harmony in adherence to public finance management regulations. Your Committee resolves to await a progress report on the matter.

16.3. Lease of Office Space - Partitioning and Installation of Air Conditioners

i. Questionable Portioning of the Office block

Your previous Committee expressed concern at the casual approach exhibited by the Agency where it had been quite all along and only to remember that it needed to claim the amounts which went for improvements after the audit. Your Committee urged the Controlling Officer to ensure that management was sternly cautioned to be proactive so as not to allow wasteful expenditure due to laxity by officers. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and resolves to keep the matter open, pending a progress report.

16.4. Irregular Sales of Motor Vehicles to Officers

Your previous Committee did not accept the reason given by the Controlling Officer in that Clause 13.2 of the General Management Conditions of Service on the sale of personal to holder vehicles was not followed which was more superior to the RDA Management Guidelines for the Motor Vehicle Transport and Maintenance Policy. The Controlling officer was urged to ensure that he seeks guidance from the Office of the Attorney General on the interpretation of these two conflicting clauses after which the matter should be reported to law enforcement agencies depending on the interpretation which would be given. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury indicated that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation for the Controlling Officer to seek guidance from the Office of the Attorney General on the interpretation of Clause 13.2 of the General Management Conditions of Service on the sale of personal to holder vehicles and the RDA Management Guidelines for the Motor Vehicle Transport and Maintenance Policy, including clarification as to which of the two clauses is superior. Your Committee further indicates that depending on the guidance given, the Controlling Officer is urged to take appropriate disciplinary action to the erring officers. Your Committee resolves to wait for a progress report on this matter, including the timeline within which this issue will be resolved.

17.0. RURAL ELECTRIFICATION AUTHORITY (REA)

AUDIT QUERY

17.1. Unremitted Income to REA K88,475,321 (K32,284,018 in 2012 and K56,191,303 in 2013)

Your previous Committee found the response by the Controlling Officer misleading in that the electricity levy was remitted to REA as part of its appropriation funding by Parliament. In this regard, your previous Committee sternly cautioned the Controlling Officer to desist from misleading your previous Committee as this was at variance with the *Powers and Privileges Act, Cap 12 of the Laws of Zambia* which inter alia expected witnesses to be factual as and when they appear before any Parliamentary Committee. Your previous Committee further urged the Office of the Auditor General to verify the matter with the Ministry of Finance. Your previous Committee resolved to wait for a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee urges the Controlling Officer and the Secretary to the Treasury to ensure that these funds as appropriated by Parliament as provided for in the *Rural Electrification Act*, and are remitted to the Authority without further delay. Your Committee resolves to await a progress report on the matter.

17.2. Wasteful Expenditure - Developing of Business Model

Your previous Committee expressed concern that amounts totalling K38,598.80 were paid to Energy Management Services for the development of a business model before the Act was reviewed. Your previous Committee found this unacceptable in that due diligence was not carried out prior to the engagement of the Energy Management Services. In this regard, your previous Committee strongly urged the Controlling Officer to ensure that the Act was reviewed and that such a lapse does not recur. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury responded that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee notes the response provided by the Controlling Officer and reiterates the need to ensure that the *Rural Electrification Act No. 20 of 2003* is reviewed to avoid recurrence of wasteful expenditure. Your Committee resolves to await a progress report on the matter.

17.3. Construction of Substation - Chinsali Project

Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to wait for a progress report on the recommendation to terminate the contract for the construction of a substation in Chinsali due to failure to adhere to and validate the performance security by the Contractor.

18.0. .TAZAMA PIPELINES LIMITED

18.1. Financial Performance

An analysis of the financial statements for the period ending 31st March 2012 to 31st March 2014 revealed the following:

i. Profitability

Your previous Committee took note of the submission, but urged the Controlling Officer to ensure that the company should enhance its efforts to further reduce the company's costs so as to enable it meet its obligations. Your previous Committee resolved that the matter be kept open in view of future audits.

Treasury Response

The Treasury submitted that the matter was verified by the Office of the Auditor General and recommended that it be closed since Management had demonstrated cost reduction measures implemented in the 2014\2015 financial year.

Committee's Observations and Recommendations

Your Committee takes note of recommendation by the Treasury; however, there is no documentary evidence to substantiate that management of TAZAMA Pipeline Ltd has reduced costs for the year 2014/15. In order for your Committee to close this matter, there is need for evidence to show reduction in cost. It is, therefore, resolved by your Committee that the matter remains open until audit verification has been undertaken.

ii. Liquidity

Your previous Committee urged the Controlling Officer to ensure that the company improved its liquidity level which was declining, alarmingly. The Secretary to the Treasury was urged to ensure that the company was capitalised to improve the current status as the company was a key player in one of the major economic sectors of the economy (energy) in the country. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter was verified by the Office of the Auditor General and recommended that it remains unresolved until all foreign currency denominated loans have been converted into Kwacha as equity.

Committee's Observations and Recommendations

Your Committee resolves to keep the matter open until all foreign currency denominated loans are converted into Kwacha as equity. Your Committee, therefore, resolves to await a progress report on the matter.

• Diminishing Reserves

Your previous Committee urged the Controlling Officer to ensure that the company improves its reserves which are declining at an alarming rate. The Secretary to the Treasury was urged to ensure that the company was capitalised to improve the current status as the company was a key player in one of the major economic sectors of the economy (energy). The Government was strongly urged to consider converting all the long term loans to equity as this would improve the Company's Balance Sheet. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter was verified by the Office of the Auditor General and recommended that it remains outstanding until the firm improves its profitability by adjusting the Company's tariff on income.

Committee's Observations and Recommendations

Your Committee resolves to keep the matter open until the firm improves its profitability by adjusting the Company's tariff on income. Your Committee awaits a progress report on the matter.

18.2. Lack of Title Deeds

Your previous Committee urged the Controlling officer to ensure that the process to acquire titles for Kalonje and Chinsali Pump Stations was expedited and resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter was verified by the Office of the Auditor General and recommended that it remained outstanding since Management was still in the process of acquiring Title.

Committee's Observations and Recommendations

Your Committee resolves to keep the matter outstanding until the title deeds are acquired. Your Committee resolves to await a progress report on this issue.

18.3. Non Remittance of Statutory Obligations

Your previous Committee urged the Controlling Officer to ensure that the company improves its liquidity levels which are declining at an alarming rate resulting in failure to meet statutory obligations. He was also urged to ensure that all outstanding arrears are paid without any further delay and that onward payments are made as and when they fell due. The Secretary to the Treasury was urged to ensure that the company was capitalised to improve the current status as the company was a key player in one of the major economic sectors of the economy (energy). Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The matter was verified by the Office of the Auditor General and recommended that it remained outstanding until K29.4m owed to ZRA and K5.1m to TAZARA is paid.

Committee's Observations and Recommendations

Your Committee observes that TAZAMA still owes ZRA and TAZARA a total amount of K29.4m and K5.1m respectively. Your Committee resolves to await a progress report.

18.4. Irregularities in the Selection of Contractors, Implementation and Management of Projects

i. Over Commitment on Procured Contract – Supply, Delivery and Replacement of Main Engines

Your previous Committee observed with concern that TAZAMA Management over committed Government by a huge amount, making Government vulnerable to loss of public funds in case of default. The Controlling Officer was urged to ensure that officers charged with this responsibility are sternly cautioned to desist from over committing Government and that they ensure that the over committed amount was paid to the contractors as and when the

installments fell due in accordance with the agreement in the contract with the contractor. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter was verified by the Office of the Auditor General and recommended that it remains outstanding.

Committee's Observations and Recommendations

Your Committee expresses concern at how management at TAZAMA would enter into a contract which was worth more than what was provided for in the Budget. This cause of action was at variant with the provisions in the *ZPPA Act*. Your Committee sternly warns management to desist from similar actions in future to avoid over committing the Treasury, a situation which would result into litigation in case of default by the Company. Your Committee reiterates to keep the matter open as recommended by the Treasury, in view of future audits.

19.0. WATER RESOURCES MANAGEMENT AUTHORITY

19.1. Board Related Matters

i. Questionable Payment of Allowances to Board Members K406,739

Your previous Committee found this unacceptable and urged the Controlling Officer to ensure that the amounts wrongly paid were reimbursed without any further delay. Your previous Committee further urged the Controlling Officer to ensure that the Board Chairperson vacated the office he was currently occupying at the Authority and to also cease taking part in the day to day running of the Authority as this was against the spirit of good corporate governance. Your previous Committee further urged the Controlling Officer to caution the duo against using personal funds on Government business, an act, which is not supported by financial regulations. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remains outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee is dismayed at the revelation from the Auditor General that sitting allowances for the Board were paid without support of the Board minutes. In addition, your Committee finds it an acceptable that the Board Chairman is involved in the day to day running of the institution, an act which undermines principles of good corporate governance. Your Committee resolves to keep the matter open pending a progress report.

ii. Questionable Payment of Allowances K28,150

Your previous Committee found it unacceptable that the Board was paid allowances without sitting when in actual fact they were only attending a mere celebration. Your previous Committee directed the Controlling Officer to ensure that the allowances in question were reimbursed without any further delay. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the matter was still outstanding and that progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee expresses concern in the manner that funds were misapplied by management at WARMA and reiterates your previous Committee's recommendation, your Committee resolves to wait for a progress report on the recoveries of Board sitting allowance paid during a function organised by GIZ.

iii. Questionable Recruitment of Director General

Your previous Committee found it unacceptable that information relating to the Managing Director's recruitment was kept with the Chairperson of the Board and doubted the transparency of the procedure which was followed during the interviews. Your previous Committee directed the Controlling Officer to ensure that the documents were located and availed to auditors without any further delay. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to keep the matter open and await a progress report.

20.0. WESTERN WATER AND SEWERAGE COMPANY

20.1. Lack of Authority to Transfer Assets and Liabilities from Shareholders

Your previous Committee found it unacceptable that staff changes would result in the loss of documents and misfiling. The Controlling Officer was urged to ensure that the erring officers were disciplined for this failure and your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee was concerned that management has not put in place systems to ensure that documents are properly filed to guard against loss and to instil institutional memory in the event of staff separation. Your Committee resolves to await a progress report on the verification of the documents by the Office of the Auditor General.

20.2. Weaknesses in the Management Information Systems

i. Lack of IT Strategic Plan

Your previous Committee observed with concern that the lack of an IT Strategic Plan at the utility company would result in the misalignment of ICT goals with the organisation's strategic goals. Your previous Committee urged the Controlling Officer to ensure that the ICT Strategic Plan was expeditiously finalised to avoid a situation which was prevailing. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to keep the matter open and await a progress report.

ii. Lack of an Information Security Policy

Your previous Committee observed that the prevailing situation meant the company had no basis for making ICT security decisions which was highly irregular. Your previous Committee urged the Controlling Officer to ensure that the ICT Policy was finalised to address the anomaly. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury responded that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the company was operating without an IT section and ICT policy in place. Your Committee attributes this situation to lack of seriousness by management. Your Committee reiterates your previous Committee's recommendation to

ensure that the ICT Policy is finalised to provide guidance on the safety of the company's information and documents. Your Committee resolves to await a progress report on this matter.

iii. Lack of Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP)

Your previous Committee observed with concern that the Business Continuity Plan and Disaster Recovery Plan should not merely be mentioned in security policies, but must be developed as separate documents and circulated to responsible officers for reference in the event of a disaster. It also warned that the failure to have the two documents would result in the failure to resume timely, normal operations in cases of disaster or significant damage to its Information Processing Facilities (IFP). Your previous Committee directed the Controlling Officer to ensure that the two documents were developed without any further delay. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation directing the Controlling Officer to ensure that the Business Continuity Plan and Disaster Recovery Plan are expeditiously put in place by management at Western Water and Sewerage Company (WWSCO). Your Committee resolves to wait for a progress report on this matter.

iv. Lack of Control Over the Piano System

Your previous Committee urged the Controlling Officer to ensure that all ICT related matters were resolved without any further delay while also ensuring that the capacity was enhanced in the ICT Department. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to keep the matter open and await a progress report on the implementation of the recommendation made by your previous Committee to ensure that all matters relating to ICT are put in place and that capacity should be built in the ICT department.

v. Lack of Segregation of Duties

Your previous Committee observed with concern that there was no segregation of duties which was alarming because loss of funds through fraud was likely. Your previous Committee urged the Controlling Officer to ensure that the matter was resolved without any further delay and your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury responded that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the observations and recommendation made by your previous Committee to ensure that there is segregation of duties in all departments, as part of internal controls to curb against frauds. Your Committee resolves to await a progress report on this matter.

iv. Physical Access and Information Processing Facility (IPF)

Your previous Committee urged the Controlling Officer to ensure that the matter was resolved without any further delay. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the need for WWSCO to ensure the Physical Access and Information Processing Facility (IPF) is well secured to safeguard the company's information database and protect the entity against physical damage such as a fire, water and unauthorised access of the server room. Your Committee resolves to await progress on this matter.

20.3. Internal control weaknesses

i. Lack of the Risk Management Policy

Your previous Committee urged the Controlling Officer to ensure that the Process of formulating and approving of the risk management policy was expedited and resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation to expedite the processes of formulating and approving of the risk management policy. Your Committee resolves to await a progress report on the matter.

ii. Irregularities in Staff Costs - Recruitment of staff not Provided for in the Establishment

Your previous Committee urged the Controlling Officer to ensure that the erring officers were disciplined for failure to avail documents to the auditors at the time of audit. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury indicated that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and resolves to await a progress report on the matter.

20.4. Financial Position – Statement of Financial Position

Audit Query

i. Liquidity

Your previous Committee noted with concern the poor liquidity and financial performance of the company and urged the Controlling Officer to ensure that the plans suggested were implemented to help the company improve its liquidity. He was also urged to ensure that the water infrastructure was capitalised to ensure that the breakdowns were minimised. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee observes that the poor liquidity at WWSCO was worrying and impacted negatively on working capital to improve the company's infrastructure which is critical to generate enough revenue for the institution. Your Committee, therefore, reiterates your previous Committee's recommendation to ensure that the proposed measures aimed at raising capital for investing in infrastructure are implemented expeditiously. Your Committee resolves to await a progress report on this matter.

ii. Failure to Amortise Grants

Your previous Committee urged the Controlling Officer to ensure that capacity was enhanced in the Finance Department by employing qualified staff who were able to cope up with the emerging demands in the accounting fraternity. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation to ensure that capacity in the Finance Department was adequately built to enable the institution apply the correct accounting report standards and procedures.

20.5. Assets

i. Failure to Recognise Assets in the Financial Statements

Your previous Committee urged the Controlling Officer to ensure that capacity was enhanced in the Finance Department by employing qualified staff who would be able to cope with the emerging standards in the accounting fraternity. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee observes that the lack of capacity in the Finance Department undermined the production of financial statement, which are key in assessing the financial performance of the company. In this regard, your Committee strongly urges the Controlling Officer to ensure that measures are put in place to address the issue of capacity in the Finance Department as quickly as possible, so as to enhance efficiency and improve the quality of financial statements that are produced. Your Committee resolves to await a progress report on the matter.

ii. Non-Remittance of Statutory Contributions K4, 329,963

Your previous Committee noted with concern the poor liquidity and financial performance of the company which had resulted in failure to meet its statutory obligations. The Controlling Officer was urged to ensure that the proposed plans suggested were implemented to help the company improve its liquidity. He was also urged to ensure that all statutory contributions

were paid as and when they fall due to avoid recurrence. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates that it is worrying that the company is not able to remit statutory obligations due to liquidity challenges. Your Committee observes that if not resolved as soon as possible, the company would start accumulating arrears and penalty charges, and this would have a negative impact on the institution's performance. Your Committee further reiterates the need by the Controlling Officer to engage the office of the Secretary to the Treasury in order to come up with options to dismantle the outstanding statutory obligations.

20.6. *Weaknesses in Accounting for Revenue*

i. Loss of Revenue through Non-Revenue Water

Your previous Committee noted with concern the poor infrastructure coupled with high Non Revenue Water (NRW). Your previous Committee, therefore, urged the Controlling Officer to ensure that the water infrastructure was capitalised to ensure that breakdowns are minimised to improve the current status. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee observes the negative effect of Non Revenue Water (NRW) on the institution's performance which was attributed to dilapidated infrastructure due to lack of significant investments in asset renewal over the years. In light of this, your Committee strongly urged the Controlling Officer to engage the Secretary to the Treasury to ensure that they come up with options to capitalise the institution to rehabilitate the infrastructure and improve the water reticulation system and revenue base. Your Committee resolves to await a progress report on the implementation of the aforementioned recommendation.

ii. Lack of Interface between the Billing and Accounting System

• Failure to Collect Debt

Your previous Committee found it unacceptable that management at WWSCO failed to reconcile the balance on accounts receivables until after audit. The Controlling Officer was urged to ensure that disciplinary action should be taken against the erring officers for this

failure and that more efforts must be employed to collect the remaining balances without any further delay. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report on the appropriate disciplinary measures taken against the erring officers that failed to reconcile the balance on accounts receivable. Your Committee also awaits a progress report on the installation of prepaid meters on all its customers as a way of controlling debt and also enhance revenue collection.

20.7. *Failure to Meet Water and Sanitation Sector Bench Marks*

- **Reduction in Sanitation Coverage**

Your previous Committee observed with concern the limited coverage of the customer base serviced by the company despite available room for expansion. The Controlling Officer was urged to ensure that more options are explored to capitalise the Company and enable it increase its customer base which would hopefully result in increased revenue collection. The Secretary to the Treasury was, particularly, urged to consider recapitalising the Company to improve the current status and to supplement on the available plans. Your previous Committee resolves to await a progress report on the matter.

Treasury Response

The Treasury indicated that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's observation and recommendation of the Controlling Officer to ensure that more options are explored to capitalise the Company and enable the institution increase its customer base which would result in increased revenue collection. Your Committee resolves to await a progress report on the matter.

- **Water Service Coverage**

Your previous Committee observed with concern the limited coverage of the customer base serviced by the company despite available room for expansion. The Controlling Officer was urged to ensure that more options were explored to capitalise the company to enable it increase its customer base which would hopefully result in the increased revenue collection. The Secretary to the Treasury was, particularly, urged to consider recapitalising the company to improve the current status to supplement on the available plans. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury indicated that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee agrees with your previous Committee's recommendation directing the Controlling Officer to engage the Secretary to the Treasury in order to consider recapitalising the institution to enable them undertake capital projects to improve the water service coverage. Your Committee resolves to await a progress report on this matter.

- **Hours of Supply**

Your previous Committee urged the Controlling Officer to expedite the process of finalisation of the designs and bid documents for all the towns so as to improve the current status. The Controlling Officer was also urged to ensure that the company infrastructure was capitalised to enable it meet its benchmark for hours of supply to its customers. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury indicated that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation to finalise the designs and bid documents for all the towns in order to improve the hours of supply in these towns. Your Committee resolves to await a progress report on this matter.

20.8. Poor Management of Water Reticulation Projects

i. Water Reticulation in Mulobezi and Sesheke – Abandoned Works

Your previous Committee expressed concern at the low capacity of the staff from the engaged contractor and thus, questioned the selection process. Your previous Committee was also concerned with the Controlling Officer's failure to curb this irregularity as he was a member of the board which sat to approve the contractor. He was, therefore, sternly cautioned to ensure that the selection process was well handled to avoid the loss of public funds and time for the Government, by re-engaging other contractors for the same works. He was further urged to ensure that the matter should be reported to law enforcement agencies for further probe. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury indicated that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the Tender Committee Management failed to undertake a proper due diligence during the tender selection process, which resulted in engaging a contractor that did not have the capacity to undertake the works. Your Committee reiterates your previous Committee's recommendation to have the matter reported to law enforcement agencies for further probe and resolves to await a progress report on this matter.

ii. Wasteful Expenditure - Mwandi Water Project

Your previous Committee urged the Controlling Officer to ensure that stern disciplinary action was taken against erring officers for issuing certificates of completion of works on poorly completed works. Your previous Committee also urged the Controlling Officer to ensure that the selection process of contractors was well handled to avoid contracting contractors with questionable capacity. He was further urged to ensure that repairs to the destroyed building and the re-erection of the water tank are done without any further delay. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and resolves to await a progress report on the matter.

iii. Kaoma Rehabilitation and Extension Water Supply Network – Collapsed Borehole

Your previous Committee urged the Controlling Officer to ensure that stern disciplinary action was taken against the erring officers for issuing certificates of completion of works on poorly completed works. Your previous Committee also urged the Controlling Officer to ensure that the selection process of contractors was well handled to avoid contracting contractors with questionable capacity. He was further urged to ensure that repairs to the collapsed wall, leakages on the GI water pipes and water tank are done without any further delay. Your previous Committee resolved to wait for a progress report on the matter.

Treasury Response

The Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee expresses concern at the poor workmanship with regards to the rehabilitation works and extension of water supply network in Kaoma District, which could

be attributed to lack of supervision resulting in wastage of public resources. Your Committee, therefore, reiterates your previous Committee's recommendation directing the Controlling Officer to undertake appropriate disciplinary actions to the officers responsible. Your Committee resolves to await a progress report on the matter.

21.0. ZESCO LIMITED

21.1. Lack of a Risk Management Policy

Your previous Committee expressed concern at the absence of a Risk Management Policy in an organisation whose operations are of high risk and cautioned the Controlling Officer against such lapses. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's observation and recommendation to the Controlling Officer to ensure that a Risk Management Policy is put in place without further delay to safeguard against potential risks that may arise. Your Committee resolves to wait for a progress report on this matter.

21.2. Lack of Approved Policy Documents

Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury responded that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee expresses concern at the lack of a policy framework for disposal of assets, assets management and transport. Your Committee resolves to await a progress report on the matter.

21.3. Weaknesses in Management Information Systems

i. None Adoption of Internationally Recognised ICT Framework

Your previous Committee would await a progress report on the implementation of the internationally recognised ICT framework.

Treasury Response

The treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee awaits a progress report on the implementation of the internationally recognised ICT framework by ZESCO.

ii. Failure to Fill Vacant ICT Positions

Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

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

iii. Inadequate Security over the Disaster Recovery Site (DRS)

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

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee is concerned at the lack of adequate security at the disaster recovery site. Your Committee observes that this puts the IT database at risk. Your Committee, therefore, resolves to keep the matter open and await a progress report on this issue.

iv. Poor Contract Management - Provision of Internet Services to ZESCO Limited by Telecom Namibia

• Failure to have a Contract in Place

Your previous Committee expressed disquiet at how a huge sum of money could have been paid out without any written contract and wondered what ZESCO would do to seek recourse if any problems arose. Your previous Committee, therefore, urged the Controlling Officer to caution the ZESCO Management against such risky undertakings and to immediately correct the situation. A progress report on the matter was been awaited by your previous Committee.

Treasury Response

The Treasury responded that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee is dismayed at the failure by ZESCO management to ensure that it signed a contract before releasing huge sums of money amounting to K6,231,907 (or equivalent to US\$623,190.65) to TELECOMS. Your Committee further, finds it unacceptable that it has taken ZESCO long to regularise this anomaly since 2014, even after being cautioned by your previous Committee. Your Committee resolves to await a progress report on this matter.

- **Poor Service Provision**

Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report on the need by ZESCO management to rectify the low internet speed which contributes to poor service provision to the public.

21.4. Financial Affairs of ZESCO Limited

i. Profitability

Your previous Committee was informed that Management was optimistic that the tariff impasse especially with the mining customers would be resolved following the recent interventions from the Government through the Ministry of Energy and Water Development.

Your previous Committee was reluctant to accept the explanation that ZESCO's poor profitability was due to uneconomic tariffs. Your Committee urged the Controlling Officer to caution ZESCO management against inflated operational costs. Your previous Committee resolved that the matter be kept in view in future audits.

Treasury Response

The matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee agrees with the observations and recommendation made by your previous Committee and resolves to keep the matter open in view of future audits.

21.5. Financial Position of the Corporation

i. Return on Capital Employed

Your previous Committee was reluctant to accept the explanation that ZESCO's poor return on capital employed was due to uneconomic tariffs. Your previous Committee urged the Controlling Officer to caution ZESCO management against inflating operational costs. Your previous Committee resolved to keep the matter in view in future audits.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committees observations and resolves to keep the matter open, pending a progress report.

iii. Uncontrollable Increase in Receivables

Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee recommends that the Controlling Officer must engage the Secretary to the Treasury on the possibility of coming up with options to ensure that the debt owed to ZESCO by Government institutions, in bills is settled in full. Your Committee resolves to await a progress report on the matter.

iv. Solvency of the Corporation

Your previous Committee urged the Controlling Officer to find solutions to help improve the solvency of the Corporation bearing in mind its strategic place in the economy of the country. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee agrees to the recommendation made by your previous Committee and further indicates that another compounding challenge attributing to the increase in the gearing ratio is the lack of undertaking an asset valuation exercise of the institution, which affects the debt-to-asset ratio of ZESCO. Your Committee observes that ZESCO has in the recent past undertaken various capital projects which added to its asset base, and therefore, without a valuation report of its asset base in addition to the non-economic tariff, could undermine the gearing ratio. Your Committee sternly cautions the Controlling Officer to ensure that the study on the ost reflective tariff and valuation of the company's assets are undertaken, as they are key inputs in determining the correct gearing ratio for the company. Your Committee resolves to await a progress report on this matter.

21.6. .Poor Management of Investments

i. Outstanding New Installations

Your previous Committee found it unacceptable that ZESCO was accepting money from customers and was not delivering the services paid for. The Controlling Officer was urged to caution management and ensure that the measures that were under taken would result in the clearing of the backlog. A progress report on the matter was being awaited by your previous Committee.

Treasury Response

The Treasury responded that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee agrees with the recommendations made by your previous Committee to ensure that the proposed measures to clear the backlog with respect to outstanding installations are implemented expeditiously so that the customers begin to realise value for money from the service by ZESCO. Your Committee resolves to await a progress report on the matter.

ii. Contract for the Design, Procure, Build and Commission Hydropower Stations

Your previous Committee was dismayed at the deliberate flouting of the provisions of the Constitution and of the *Public Procurement Act* by the ZESCO Management. Your previous Committee urged the Controlling Officer to take stern action against the officers responsible for negotiating the contract and for breaking the law. The state of affairs surrounding this contract was highly irregular and your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committees' observation and recommendation to the Controlling Officer to take appropriate disciplinary action against the officers responsible for negotiating the contract and flouting tender regulations. A progress report is being awaited by your Committee.

iii. Connection of Luangwa District to the National Grid Project

Your previous Committee observed that ZESCO did not have qualified negotiators and, therefore, entered into contracts that were very costly to the institution. The Controlling Officer was urged to ensure that the anomalies arising out of these contracts are corrected as the Country would potentially lose large amounts of money. The Controlling Officer was also urged to strongly caution the ZESCO management against such irresponsibility as, was, exhibited in the contracts entered into. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

It was submitted by the Treasury that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee expresses concern at the lack of seriousness by management to terminate the contract with PME Power Solutions (India) Limited and recover the damages, even after the Contractor has abandoned the works. Your Committee further attributed the poor contract executed by management to lack of proper due diligence to ascertain the capacity of the bidder to undertake the works. In addition, your Committee indicates that such negligence results in wastage of public resources. The Controlling Officer was sternly cautioned to ensure that this matter was resolved at the soonest possible time and a progress report would be awaited by your Committee.

21.7. Unmanageable Receivables

i. Mining and Export Debtors

Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee observes that the matter is in court and awaits a report on its conclusion. Further, your Committee cautions the Controlling Officer to ensure that the Cost of Service

Study on electricity tariff is finalised to ensure that every one including the mines, migrates to cost reflective tariffs.

21.8. Government Indebtedness

Your previous Committee took note of the efforts being made to correct the situation and resolved to await a progress report on the matter.

Treasury Response

In their response, the Treasury indicated that matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee recommends that the Controlling Officer and the Secretary to the Treasury must ensure that the option to clear government's debt to ZESCO are quickly finalised as this affects ZESCO's balance sheet and the need to invest in capital projects to avert the power deficit in the country. Your Committee resolves to await a progress report on this matter.

21.9. Poor Management of Non-Current Assets

i. Failure to Revalue Fixed Assets

Your previous Committee expressed concern on how ZESCO has been operating for so many years without any asset valuation and wondered why a foreign consultant was engaged to draw up terms of reference for the asset valuation exercise when it is clear that ZESCO knows where all its assets are and can identify them. Your previous Committee directed the Controlling Officer to ensure that the asset register was formulated without any further delay. A progress report was being awaited by your previous Committee.

Treasury Response

The Treasury submitted that the matter is still outstanding and progress will be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates that such a big institution as ZESCO has failed to put in place an asset register to facilitate the asset valuation exercise. In addition, your Committee questions how ZESCO accounted for all its assets on its balance sheet if it does not have an asset register and the valuation of such assets is not undertaken periodically. Your Committee sternly cautions the Controlling Officer to ensure that this matter is resolved without any further delay and a progress report is being awaited.

ii. Non Disposal of Obsolete Stocks

Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury indicated that the matter remained outstanding and progress would be reported to the Committee

Committee's Observations and Recommendations

Your Committee finds it acceptable that this issue has taken long to be finalised even when necessary approvals have been granted by the Board and ZDA. The laxity of staff at ZESCO on this issue is not acceptable and your Committee sternly cautions the Controlling Officer to ensure that the matter is dealt with, expeditiously. Your Committee resolves to await a progress report on the matter.

iii. Failure to Pass Title of Assets to ZESCO Limited

Your previous Committee resolved to await a progress report on the matter.

Treasury Response

In response, the Treasury submitted that the matter was still outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee resolves to await a progress report on the need to acquire title deeds in respect of various properties owned by ZESCO across the country. Your Committee further recommends that a timeline must be indicated as to when this issue would be concluded.

iv. Out of Service Diesel Power Generating Machines - Mufumbwe

Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury responded that the matter remained outstanding and progress would be reported to the Committee.

Committee's Observations and Recommendations

Your Committee is concerned as to why the matter has taken long to be resolved given that the agreement was reached, for the two parties to meet half the cost of the diesel power generating machine through an arbitrator. This is considered unacceptable and your Committee strongly urges the Controlling Officer to ensure that the matter is resolved expeditiously. A progress report is being awaited by your Committee.

22.0. ZAMBIA NATIONAL BROADCASTING CORPORATION

22.1. *Financial Performance – Statement of Comprehensive Income*

Your previous Committee expressed concern at the high staff costs the Corporation was paying which was not correlating with the financial performance of the Corporation as could be observed from the Statement of Comprehensive Income for the Financial Year Ended 31st December, 2014. Your previous Committee, therefore, urged the Controlling Officer to ensure that he liaises with the Secretary to the Treasury on the need to capitalise the Corporation. The Controlling Officer was further urged to ensure that the Staff Recruitment Policy was fully enforced in an attempt to curb the unplanned for recruitments amid the poor financial performance. Your previous Committee resolved to keep the matter in view in future audits.

Treasury Response

The Secretary to the Treasury submitted that the Institution was in the process of issuing a Cabinet Memo for Public Service Broadcasting levy which would lead to an improvement in revenue generation. The matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee notes the submission by the Secretary to the Treasury but urges him to ensure that the issuance of a Cabinet Memo for Public Service Broadcasting levy which is aimed at improving the revenue base is expedited. Your Committee resolves to await a progress report.

22.2. *Misapplication of Funds - Digital Television Migration*

Your previous Committee urged the Controlling Officer to sternly caution the Corporation to desist from abrogating the *Appropriation Act*. The Controlling Officer was further urged to ensure that funds were reimbursed without any further delay. Your previous Committee awaited a progress report.

Treasury Response

The matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that funds have not been reimbursed to date and urges the Secretary to the Treasury to instruct the Controlling Officer to consider deducting funds at source without any further delay. Your Committee will await a progress report on the matter.

22.3. ZNBC Pension Scheme - Failure to Establish the Pension Scheme under a Trust

Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation on the matter and further urges the Secretary to the Treasury to ensure that the engagement process of an already identified Pension Fund Manager, ZISC-Life is expeditiously completed. Your Committee awaits a progress report on the matter.

22.4. Non-Remittance of Statutory Contributions

Your previous Committee expressed concern at the poor financial performance of the Corporation as could be observed by its failure to meet statutory obligations as well as from the Statement of Comprehensive Income for the Financial Year ended 31st December, 2014. Your previous Committee, therefore, urged the Controlling Officer to ensure that he, urgently, liaises with the Secretary to the Treasury on the need to capitalise the Corporation. The Controlling Officer was further urged to ensure that statutory obligations were liquidated using all available options including debt swaps in order to improve the prevailing situation. Your previous Committee resolved to keep the matter in view in future audits.

Treasury Response

The Committee resolved to close the matter and keep it in view during future audits.

Committee's Observations and Recommendations

While noting the recommendation from the Treasury, your Committee reiterates your previous Committee's recommendation on the matter and further urges the Secretary to the Treasury to ensure that the process of dismantling the outstanding statutory contributions owed to ZRA is expeditiously completed. Your Committee awaits a progress report on the matter.

22.5. Procurement of Goods, Services and Works - WAN Contract with ZAMTEL

i. Failure to Provide the WAN Contract

Your previous Committee found it unacceptable that the Corporation only acted upon this important duty after audit and observed that the Corporation was vulnerable as it had no basis for litigation in case of the non-performance of contracted works in the absence of a WAN contract. The Controlling Officer was, therefore, urged to ensure that the Corporation was cautioned for this failure. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation on the matter and further urges the Secretary to the Treasury to ensure that a duly signed contract was availed for audit verification without any further delay. Your Committee awaits a progress report on the matter.

ii. Undelivered Cisco Routers

- **Television Transmitter Contract (Rohde and Schwarz) and Generator contract (Agro-Fuel Investments Limited)**

Your previous Committee found this unacceptable and urged the Controlling Officer to ensure that the Corporation was cautioned for this failure. Your previous Committee, however, resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation on the matter and further urges the Secretary to the Treasury to ensure that a duly signed contract indicating the contract price, period and specifications was availed for audit verification without any further delay. Your Committee awaits a progress report on the matter.

22.6. Management Information Systems

i. Failure to Repair the Damaged Shortwave Transmitter

Your previous Committee urged the Controlling Officer to ensure that the matter was resolved without any further delay as there was a great risk to have break downs on radio transmission where information was widely disseminated to the rural parts of the country. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and directs the Secretary to the Treasury to ensure that the matter is resolved within sixty days as it poses a great risk of experiencing break down on radio transmission, where information is widely disseminated to the rural parts of the country. Your Committee awaits a progress report on the matter.

ii. Lack of Service Level Agreements (SLAs)

Your previous Committee observed with concern that the Corporation did not have Service Level Agreements (SLA) with various service providers and that this failure would make it difficult for management to measure performance. Your previous Committee further observed that this irregularity would further result in the uncertainty of roles and responsibilities on the use of ICT resources which would, consequently, lead to poor service delivery. Your previous Committee, therefore, urged the Controlling Officer to ensure that the matter was resolved without any further delay. A progress report on the matter would be awaited by your previous Committee.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee observes that this irregularity if left un-attended to will result in the uncertainty of roles and responsibilities on the use of ICT resources which will, consequently, lead to poor service delivery at ZNBC. Your Committee, therefore, strongly urges the Secretary to the Treasury to ensure that the matter is resolved without any further delay. A progress report on the matter is awaited by your Committee

iii. Lack of Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP)

Your previous Committee urged the Controlling Officer to ensure that the Business Continuity Plan and Disaster Recovery Plan was approved by the Board without any further delay as the absence of a good disaster recovery system would pose a serious challenge of failure to resume normal operations timely in case of significant damage to the broadcasting infrastructure. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee strongly urges the Secretary to the Treasury to ensure that the Business Continuity Plan and Disaster Recovery Plan is approved by the Board without any further

delay as the absence of a good disaster recovery system may pose a serious challenge of failure to resume normal operations timely in case of significant damage to the broadcasting infrastructure. Your Committee awaits a progress report on the matter.

iv. Lack of Backup Management Policy

Your previous Committee urged the Controlling Officer to ensure that the matter was resolved without any further delay as there was a great risk of losing critical data. Further, information may not be protected with its criticality. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee observes with concern the laxity of this institution and urges the Secretary to the Treasury to ensure that the matter is resolved without any further delay as there is a great risk of losing critical data. Further, it is observed that information may not be protected with its criticality. Your Committee awaits a progress report on the matter.

v. Lack of Data Classification Policy

Your previous Committee urged the Controlling Officer to ensure that the matter was resolved without any further delay as there was a great risk of losing critical data. Further, information may not be protected with its criticality. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation directing the Secretary to the Treasury to ensure that the matter is resolved without any further delay to avoid the risk of losing critical data. Your Committee awaits a progress report on the matter.

vi. Poor Management of Libraries

• **Lack of Data Migration Policy**

Your previous Committee urged the Controlling Officer to ensure that the ICT Policy was implemented without any further delay as there was a great risk of losing critical information. Further, information may not be protected with its criticality. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and further resolves to await progress on the matter.

- **Lack of Integrated Library System (ILS)**

Your previous Committee urged the Controlling Officer to ensure that the Enterprise Resource Planning (ERP) System was implemented and the digital migration expeditiously concluded as there was a great risk of losing critical information and also that information may not be protected with its criticality. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee sternly warns management to ensure that this matter is dealt with expeditiously to safeguard critical data from possible loss. Your Committee awaits a progress report on the matter.

- **Poor Physical and Environmental Controls**

Your previous Committee urged the Controlling Officer to ensure that he liaises with the Secretary to the Treasury on the need to capitalise the Corporation to enable it resolve various issues related to the environmental and poor physical controls. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee urges the Secretary to the Treasury on the need to capitalise the Corporation to enable it resolve various issues related to the environmental and poor physical controls. Your Committee awaits a progress report on the matter.

- **Inadequate Library Space**

Your previous Committee noted the submission but urged the Controlling Officer to ensure that efforts to lobby for funds are enhanced in order to expedite the process of digital migration. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee awaits a progress report on phase II of the Digital migration process which is expected to resolve the problem of space in the library.

- **Failure to Re-master Tapes**

Your previous Committee noted the submission but urged the Controlling Officer to ensure that efforts to lobby for funds are enhanced to expedite the process of digital migration. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee awaits a progress report on implementation of phase II of the Digital migration process which is expected to resolve the outstanding works including creation of additional space on the master tapes.

- **Outdated Storage Media**

Your previous Committee noted the submission but urged the Controlling Officer to ensure that efforts to lobby for funds are enhanced in order to expedite the process of digital migration. Your previous Committee awaited a progress report on the matters.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee awaits a progress report on implementation of phase II of the Digital migration process which is expected to resolve the outstanding works including the outdated storage media.

23.0. ZAMBIA RAILWAYS LIMITED (ZRL)

23.1. *Failure to account for traction motors and compressor exhausters sent to South Africa*

Your previous Committee urged the Controlling Officer to ensure that the matter was resolved expeditiously as it had taken too long to be concluded. A progress report would be awaited by your previous Committee.

Treasury Response

The matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the matter can take this long to be resolved. The Secretary to the Treasury is directed to ensure that the matter is resolved expeditiously and that a progress report will be awaited by your Committee.

23.2. *Unaccounted for wagons*

Your previous Committee urged the Controlling Officer to ensure that the matter was expeditiously resolved as it had taken too long to conclude. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the matter can take such unprecedented delays to be resolved. The Secretary to the Treasury is directed to ensure that the matter is resolved expeditiously and that a progress report will be awaited by your Committee.

Review of Operations

A review of operations for the Zambia Railways Limited (ZRL) for the financial years ended 31st December 2012 to December 2014 revealed the following:

23.3. *Weaknesses in Management Information Systems*

i. Lack of an IT Steering Committee

Your previous Committee expressed concern at the failure by the Zambia Railways Management to constitute an IT Steering Committee owing to the fact that the Company was

likely to have a poorly coordinated IT investments which could, consequently, lead to wasteful expenditure.

The Controlling Officer was, therefore, urged to sternly caution Management for this omission and also that the processes of putting in place a Business Processes and Information System Committee was expedited. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee urges the Secretary to the Treasury to ensure that officers are sternly cautioned for this omission and also that the processes of putting in place a Business Processes and Information System Committee is implemented, expeditiously. Your Committee awaits a progress report on the matter.

ii. Lack of an Approved Information Security Policy

Your previous Committee observed with concern that the board had taken too long to approve the ICT Policy and warned that this would lead to lack of a basis for making ICT security decisions. Therefore, your previous Committee directed the Controlling Officer to ensure that the ICT Policy was adopted without any further delay. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

The Secretary to the Treasury is urged by your Committee to sternly caution Management for this omission and also that the ICT Policy is adopted without any further delay. Your Committee awaits a progress report on the matter.

iii. Lack of Documented Change Management Procedures

Your previous Committee urged the Controlling Officer to ensure that the process was expedited. A progress report was awaited by your previous Committee.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the matter can take such a long time be resolved. The Secretary to the Treasury is directed to ensure that the matter is resolved expeditiously and that a progress report will be awaited by your Committee.

iv. Lack of Service Level Agreements (SLAs)

Your previous Committee expressed concern at the failure by the Zambia Railways Management to formulate and implement Service Level Agreements as it was not clear as to how Management was able to segregate roles and responsibilities in its absence. The Controlling Officer was urged to sternly caution Management for this omission and also that the processes of putting it in place be expedited. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the matter relating to formulation and implementation of Service Level Agreements can take unprecedented delay. The Secretary to the Treasury is directed to ensure that the matter is resolved expeditiously and that a progress report will be awaited by your Committee.

v. Lack of Support and Maintenance Agreements

Your previous Committee expressed concern at the failure by the Zambia Railways Management to put in place support and maintenance agreements for the existing ICT systems as your previous Committee felt that it was not clear as to when the process of upgrading all systems to establish an Enterprise Resource Planning (ERP) would be finalised. Your previous Committee also observed that the status quo would also result in disruptions due to non incidence escalation procedures. The Controlling Officer was, therefore, urged to sternly caution the Management for this omission and also ensure that the processes of putting in place support and maintenance agreements for the existing ICT systems was expedited. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the matter relating to putting in place support and maintenance agreements for the existing ICT systems has taken such a long time to be resolved. The Secretary to the Treasury is directed by your Committee to ensure that the

matter is resolved expeditiously and that a progress report will be awaited by your Committee.

vi. Lack of Backup Management Policy

- **Failure to Carry out Backup Copies of Payroll Data**

Your previous Committee directed the Controlling Officer to ensure that the process of integrating the payroll system onto the central systems was expedited and resolved to await progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the matter relating to putting in place support and maintenance agreements for the existing ICT systems can take this long to resolved. Your Committee reiterates your previous Committee's recommendation and directs the Secretary to the Treasury to ensure that the matter is resolved expeditiously and a progress report will be awaited by your Committee.

- **Data Retention Period**

Your previous Committee urged the Controlling Officer to ensure that this is done without any further delay and resolved to await a progress report.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee finds it unacceptable that the matter relating to putting in place stipulated data retention period for accounting, human resource data, payroll and customer data and the disposal can take such unprecedented delay. Your Committee reiterates your previous Committee's recommendation and directs the Secretary to the Treasury to ensure that the matter is resolved expeditiously and a progress report will be awaited by your Committee.

vii. Lack of Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP)

Your previous Committee urged the Controlling Officer to ensure that the Business Continuity Plan and Disaster Recovery Plan Policies are established without any further delay. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and urges the Secretary to the Treasury to ensure that the Business Continuity Plan and Disaster Recovery Plan Policies are established without any further delay. Your Committee awaits a progress report on the matter.

viii. Inadequate Security to the Wireless Accessibility

Your previous Committee urged the Controlling Officer to ensure that the process of setting up a centrally managed Wi-Fi Protected Access (WPA) was expedited and your previous Committee awaited a progress report on the matter.

Treasury Response

The matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and urges the Secretary to the Treasury to ensure that the process of setting up a centrally managed Wi-Fi Protected Access (WPA) is expedited. Your Committee awaits a progress report on the matter.

ix. Lack of Network Monitoring Mechanism(s)

Your previous Committee urged the Controlling Officer to ensure that the process of establishing Network Monitoring Tools was expedited. A progress report was being awaited by your previous Committee.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and urges the Secretary to the Treasury to ensure that the process of establishing Network Monitoring Tools is expedited. Your Committee awaits a progress report on the matter.

x. Failure to Deploy Anti-Virus Software and Expired Firewalls License

• **Expired Firewall**

Your previous Committee urged the Controlling Officer to ensure that the firewall licenses were secured expeditiously to avoid the loss of the company's critical data. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and urges the Secretary to the Treasury to ensure that the firewall licenses are secured expeditiously to avoid the loss of the company's critical data. Your Committee awaits a progress report on the matter.

• **Failure to Deploy Anti-virus License**

Your previous Committee urged the Controlling Officer to ensure that the Antivirus licenses are secured expeditiously to avoid the loss of the company's critical data. A progress report was being awaited by your previous Committee.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and urges the Secretary to the Treasury to ensure that the Antivirus licenses are secured expeditiously to avoid the loss of the company's critical data. Your Committee awaits a progress report on the matter.

xi. Wasteful Expenditure – Expired Google Apps for Business

Your previous Committee urged the Controlling Officer to ensure that the process of migrating from a third party service provider to an on-premises exchange based mail was expedited to avoid wasteful expenditure. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and urges the Secretary to the Treasury to ensure that the process of migrating from a third party service provider to an on-premises exchange based mail is expedited to avoid wasteful expenditure. Your Committee awaits a progress report on the matter.

xii. Poor Physical and Environmental Security

- **Lack of a Designated Server Room**

Your previous Committee urged the Controlling Officer to ensure that a server room at the Zambia Railways Limited is in a conducive and safe environment at all times to make certain of security and safety hazards. The Controlling Officer was also urged to ensure that the process of rehabilitating the data centre was expedited. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and urges the Secretary to the Treasury to ensure that the process of rehabilitating the data centre is expedited and that it be resolved. Your Committee awaits a progress report on the matter.

xiii. Poor Patch Management

- **Lack of Patch Management Policy**

Your previous Committee urged the Controlling Officer to ensure that the process of acquiring the Microsoft System Centre Service Manager (SMS) was expedited. A progress report was being awaited by your previous Committee.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and urges the Secretary to the Treasury to ensure that the process of acquiring the Microsoft System Centre Service Manager (SMS) is expedited to have the matter resolved. Your Committee awaits a progress report on the matter.

- **Failure to Install Security Updates/Patches on Critical Servers**

Your previous Committee urged the Controlling Officer to ensure that the process of acquiring the Microsoft System Centre Service Manager (SMS) was expedited. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and urges the Secretary to the Treasury to ensure that the process of acquiring the Microsoft System Centre Service Manager (SMS) is expedited and that it be resolved within sixty days. Your Committee awaits a progress report on the matter.

xiv. Poor Administration of Systems

i. Shared User Account and Password- Dove Payroll

Your previous Committee urged the Controlling Officer to ensure that the process of acquiring an upgraded train management and invoicing systems to replace the Dove systems and the current unsupported MCM system was expedited. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and urges the Secretary to the Treasury to ensure that the process of acquiring an upgraded train management and invoicing systems to replace the Dove systems and the current unsupported MCM system is expedited to resolve the matter. Your Committee awaits a progress report on the matter.

ii. Lack of Control over the Movement Consignment Management (MCM) System

Your previous Committee urged the Controlling Officer to ensure that the process of acquiring upgraded train management and invoicing systems to replace the Dove systems and the current unsupported MCM system was expedited. A progress report would be awaited by your previous Committee.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and urges the Secretary to the Treasury to ensure that Management finalises the process of acquiring an upgraded train management and invoicing systems to replace the Dove systems and the current unsupported MCM system expeditiously. Your Committee awaits a progress report on the matter.

23.4. Vandalised Centralised Train Control System (CTC)

Your previous Committee observed with concern that safety on the railway network was hazardous and that there was an urgent need to work on the control system of movements of rolling stock without any further delay. Your previous Committee further urged the Controlling Officer to ensure that he liaises with the Secretary to the Treasury on the need to capitalise the infrastructure at ZRL with particular emphasis on the control system to reduce on loss of lives and enhance safety on the railway lines. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and strongly urges the Secretary to the Treasury on the need to recapitalise the infrastructure at ZRL with particular emphasis on the control system to reduce on loss of lives and enhance safety on the railway lines. Your Committee awaits a progress report on the matter

23.5. Payment of Christmas Bonus for Board Members

Your previous Committee urged the Controlling Officer to ensure that recoveries are made without any further delay and that management was sternly cautioned against making unilaterally decisions outside the provisions of the existing entitlements for the board members. A progress report was being awaited by your previous Committee.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committee's recommendation and urges the Secretary to the Treasury to ensure that recoveries are made without any further delay and that management is sternly cautioned against making unilaterally decisions outside the provisions of the existing entitlements for the board members. Your Committee awaits a progress report on the matter.

23.6. *Irregularities in Management of Funds*

i. Euro Bond

- **Misapplication of Funds**

Your previous Committee observed with concern that the Company was not keeping track of the funds it needed to reimburse. In this regard, your previous Committee urged the Controlling Officer to caution management for this failure. The Controlling Officer was further urged to ensure that retrospective authority was sought for the funds that were spent over and above from the project account. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and observes with concern that the Company was not keeping track of the funds it needed to reimburse. In this regard, it urges the Secretary to the Treasury to sternly caution management for this failure and further that retrospective authority is sought for the funds that were spent on the project account. Your Committee awaits a progress report on the matter.

- **Unsupported Payments**

Your previous Committee directed the Controlling Officer to ensure that the documents are located without any further delay; otherwise, the matter should be reported to law enforcement agencies for further probe as the figure was too big. Your previous Committee resolved to await a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee notes that the matter has taken long to be resolved, and therefore, directs the Secretary to the Treasury to ensure that the matter is reported to law enforcement agencies for further probe as the amount is colossal. Your Committee, therefore, awaits a progress report on the matter

23.7. Irregularities in the Management of contracts

i. Over Commitment on Procured Contract - Signaling and Telecommunication Equipment

• Inadequate Funds for Procured Contract

Your previous Committee found it unacceptable that the company overcommitted the Government contrary to *Section 31 of the Public Procurement Regulations of 2011*. The Controlling Officer was urged to ensure that management was sternly cautioned against this failure and that it should always consult with the Ministry of Transport Works Supply and Communication to seek guidance on matters that are not clear. Your previous Committee also urged the Controlling Officer to ensure that the issue was normalised to avoid wasteful expenditure. A progress report was being awaited by your previous Committee.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee urges the Secretary to the Treasury to ensure that the matter is normalised to avoid wasteful expenditure. A progress report is awaited by your Committee.

• Failure to Pay Huawei International for the Installation of Telecommunication Equipment

Your previous Committee found it unacceptable that Huawei was engaged without a payment plan and the Controlling Officer was urged to ensure that he liaises with the Secretary to the Treasury on the need to liquidate this payment as there was a great risk of loss in an event that the contractor took the matter to court. Your previous Committee further urged him to ensure that efforts to normalise the matter are expedited. A progress report on the matter was being awaited by your previous Committee.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's position and also finds it unacceptable that Huawei was engaged without a payment plan. The Secretary to the Treasury is strongly urged to ensure that this outstanding amount is liquidated as there is a great risk of loss in an event that the contractor takes the matter to court. Your Committee also urges the Secretary to the Treasury to ensure that efforts to normalise the matter are expedited. A progress report on the matter is being awaited by your Committee.

- **Failure to commence works by Bombardier Transportation Denmark AS**

Your previous Committee urged the Controlling Officer to ensure that efforts to normalise the matter are expedited. A progress report was being awaited by your previous Committee.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates the previous Committee's position and also finds it unacceptable that the matter has taken this long to be resolved. The Secretary to the Treasury is strongly urged to ensure that efforts to normalise the matter are expedited. A progress report on the matter is being awaited by your Committee.

23.8. Failure to Execute Contract - BUK Truck Parts Ltd

Your previous Committee found the way the contract was handled highly irregular and urged the Controlling Officer to ensure that the matter was reported to law enforcement agencies for further probe. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates that the contract was mismanaged and urges the Secretary to the Treasury to ensure that the matter is, expeditiously, reported to law enforcement agencies for further probe. Your Committee awaits a progress report on the matter.

23.9. Failure to Deliver Flash Butt by Diamond Motors Limited

Your previous Committee awaited a progress report on the final delivery of the CAB for the truck.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee observes that the matter was in court and strongly urges the Secretary to the Treasury to ensure that the matter relating to non delivery of a mobile flash butt welding machine is pursued to its logical conclusion and that where necessary; funds are recovered without any further delay. Your Committee awaits a progress report on the matter.

23.10. Failure to Code Radio Communication Equipment

Your previous Committee urged the Controlling Officer to ensure that funds were secured for the full purchase of the remaining components of the Radio Communication Equipment. He was further urged to ensure that the equipment was secured and labelled without any further delay. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's position and strongly urges the Secretary to the Treasury to ensure that funds are secured for the full purchase of the remaining components of the Radio Communication Equipment. The Secretary to the Treasury was further urged to ensure that the equipment is labelled without any further delay. Your Committee awaits a progress report on the matter.

23.11. Inadequate Security over Communication Equipment

Your previous Committee urged the Controlling Officer to ensure that management at the Zambia Railways Limited enhances its security systems to safeguard the equipment housed at various sites. Your previous Committee observed with concern that vandalism and theft was likely to occur if the situation was left unattended to and the resultant would lead to the Government's loss of resources due to repairs on the equipment. Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee upholds your previous Committee's recommendations and urges the Secretary to the Treasury to ensure that management at the Zambia Railways Limited enhances its security systems to safeguard the equipment housed at various sites. Your Committee awaits a progress report on the matter.

23.12. Physical Inspection of the Railway line

i. Encroachments in Kafue, Choma and Livingstone

Your previous Committee observed that there were too many squatters building and trading along the line of rail which is hazardous to human life. The Controlling Officer was reminded that it was against the safety rules to build, trade or carryout any economic activity within a distance of less than 50 meters from the rail line. In this regard, your previous Committee urged him to ensure that safety precautions are enhanced and enforced in order to avoid the loss of lives. The Controlling Officer was further urged to ensure that the process of fencing the affected areas was expeditiously done. A progress report was being awaited by your previous Committee.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and urges the Secretary to the Treasury to ensure that safety precautions are enhanced and enforced in order to avoid the loss of lives along the line of rail. The Secretary to the Treasury is further urged to ensure that the process of fencing the affected areas is expeditiously done. A progress report is awaited by your Committee.

23.13. Vandalised Crane Lines at Kafue Offloading Bay

Your previous Committee awaited a progress report on the matter.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee recommends the matter for closure subject to audit verification on the completion of fencing off the area.

23.14. Poor Track Rehabilitation Work

Your previous Committee expressed concern at the slow pace of the rehabilitation works despite the Government releasing US\$120.0 million from the Euro Bond to the Zambia Railways Limited three years ago. Your previous Committee noted the efforts made to rehabilitate some infrastructure but was greatly concerned by the poor workmanship by some contractors who were contracted to carry out the works. Your previous Committee was of the view that it was likely that the selection process of the contractors was not properly conducted and hence the poor results. Your previous Committee further observed that there was need for a complete overhaul of the railway infrastructure to improve the railway network which would also encourage the haulage of heavy cargo and serve the roads from constant repairs. In view of the foregoing, your previous Committee recommended as set out below:

- a) the Government must consider recapitalising the Zambia Railways Limited to enable it complete various infrastructure rehabilitation projects which are being undertaken in piecemeal;
- b) the Zambia Railways Limited should enhance its effort in sourcing for funds to finish its other projects, and
- c) the Zambia Railways Limited should ensure that it secures the infrastructure to avoid further vandalism.

In this regard, your previous Committee resolved to await a progress report.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee Observations and Recommendations

Your Committee upholds your previous Committee's recommendations as set out below.

- a) Government should recapitalise the Zambia Railways Limited to enable it complete the various infrastructure rehabilitation projects which are being done in piecemeal;
- b) Zambia Railways Limited should enhance its source more funds to finish its other projects; and
- c) Zambia Railways Limited should ensure that it secures the infrastructure to avoid further vandalism.

Your Committee awaits a progress report on the stated matter.

23.15. Uncollected Fees

Unremitted Freight Charges by TAZARA

Your previous Committee urged the Controlling Officer to ensure that the matter was seriously followed-up with the TAZARA Headquarters in Dares Salaam and that payment

was sought from them without any further delay. A progress report was being awaited by your previous Committee.

Treasury Response

The Treasury submitted that the matter remained outstanding and progress shall be reported to the Committee.

Committee's Observations and Recommendations

Your Committee reiterates your previous Committee's recommendation and urges the Secretary to the Treasury to ensure that the matter is seriously followed up with the TAZARA Headquarters in Dares Salaam and that payment is sought from them without any further delay. A progress report is being awaited by your Committee.

24.0. CONCLUSION

This Report has highlighted various areas of weaknesses in the management of parastatal bodies and other statutory institutions. It is important that these weaknesses are resolved in order that these institutions could meet their objectives to efficiently and effectively deliver services according to the expectations of the Zambian citizens.

The outstanding issues form part of the Report on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial Year Ended 31st December, 2014. Your Committee observed that the unresolved issues arise as a result of recommendations that the Public Accounts Committee had made on previous reports of the Auditor General but whose actions had not been undertaken as at the date of issuance of this Report. In this regard, the 2014 Treasury Minute had a total of 924 issues, out of which 651 are still outstanding. Your Committee finds it unacceptable that since 2014 only 29.54 percent of the issues have been resolved. Your Committee directs the Secretary to the Treasury to ensure that outstanding issues are quickly resolved as quickly as possible and that the recommendations given by your Committee are fully implemented.

Action Taken

The Secretary to the Treasury submitted that the matter was noted and the Government had since established the Industrial Development Corporation (IDC) to oversee the operations of Parastatal institutions incorporated under the *Companies Act* and those under the Banking Sector. This was expected to improve Government supervisory role in the management of state owned enterprises.

Action Taken

In order to reduce the outstanding issues, the Secretary to the Treasury commits to ensure that the matter was brought to the attention of the Controlling Officer. Further, the Secretary to the Treasury reiterated the need by all Controlling Officers and management in parastatal bodies and statutory institutions to take the audit process seriously and those with outstanding issues in this report would be required to appear before your Committee to explain why the matters have not been addressed.