REPUBLIC OF ZAMBIA

REPORT

OF THE

COMMITTEE ON PARASTATAL BODIES

ON THE

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

FOR THE.

FINANCIAL YEAR ENDED 31ST DECEMBER, 2018

FOR THE

FIFTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY APPOINTED ON 21STSEPTEMBER, 2017

Published by the National Assembly of Zambia

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a. Composition of the Committee

The Committee consisted of Mr P M W Daka, MP (Chairperson); Ms P Kasune, MP (Vice Chairperson); Mr A Kasandwe, MP; Mr G Chiyalika, MP; Mr D M Syakalima, MP; Mr B Kambita, MP; Ms M D Mwanakatwe, MP; Mr E K Belemu, MP; Mr G Putu, MP; and Mr M Mukumbuta,MP.

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir

The Committee has the honour to present its Report on the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial Year Ended 31st December, 2018 for the Fifth Session of the Twelfth National Assembly.

b. Functions of the Committee

The functions of the Committee are set out in Standing Order No. 157, of the National Assembly Standing Orders, 2016.

c. Meetings of the Committee

The Committee held fifteen meetings to consider submissions on the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial Year Ended 31st December, 2018.

d. Procedure adopted by the Committee

With technical support from the Office of the Auditor General, the Committee considered both oral and written submissions from Controlling Officers and Chief Executive Officers of the sixteen institutions that were cited in the audit report.

This Report contains the observations and recommendations of the Committee, including proposed remedial measures to correct identified irregularities. The Report is in three parts: Part I deals with the Auditor General's comments and the responses from the Secretary to the Treasury; Part II captures the responses from Controlling Officers on the individual audit queries and the Committee's recommendations and observations on the individual audit queries; and Part

III contains the Committee's general observations. The annex attached to this report is a Report on recommendations of the Committee on the Treasury Minute arising from the Report of the 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, 2017.

PART I

Auditor General's Comments and Responses by the Secretary to the Treasury, Ministry of Finance

i. Auditor General's Comments

The Auditor General reported that the Audit Report had been produced in accordance with Article 250 of the Constitution of Zambia as amended by Act No. 2 of 2016, *Public Finance Act, No. 15 of 2004 and Public Audit Act, No. 13 of 1994.* The Report contained paragraphs on sixteen parastatal bodies and other statutory institutions that were audited and remained with unresolved issues as at 31st December 2019. Five of the institutions were under the Industrial Development Corporation (IDC).

The Auditor General stated that during the audit process, there were various levels at which the Office interacted and communicated with those charged with the governance of the institutions whose accounts were audited. The purpose of this interaction was to provide an opportunity for the responsible officers to clarify and take corrective action on the findings of the audits.
The Report also included findings of the audits of the information communication technology (ICT) systems that the organisations had implemented in order to improve on the efficiency and effectiveness of service delivery. Notable observations included the failure to comply with international standards on information technology, and failure to adopt ICT policies which could guide the operations of the institutions.

Submission by the Secretary to the Treasury

The Secretary to the Treasury submitted that the responsibilities of the Auditor General as regards the audit of public resources were noted. The Treasury acknowledged that the audit of parastatal bodies and other statutory institutions for the financial year ending 31st December, 2018, which also covered the audit of ICT systems under the parastatal bodies and other statutory institutions. The audit was done within the provisions of the Constitution of the Republic of Zambia as amended by Act No. 2 of 2016, *the Public Finance Act, No. 15 of 2004, Public Finance Management Act, No. 1 of 2018* and the *Public Audit Act, No. 13 of 1994.*

ii. Scope of the Audit

The Auditor General informed the Committee that the Report was as a result of audits and reviews of operations of selected parastatal bodies and other statutory institutions for the Financial Years Ended 31st December, 2018. The Auditor General further informed the Committee that although the Report related to the Financial Year ended 31st December 2018, it included audits covering the financial years 2013, 2014, 2015, 2016 and 2017 for institutions that had not been audited for those years. Additionally, he informed the Committee that the audits covered two categories of institutions, namely those whose financial statements were audited and certified by the Auditor General and those whose financial statements were audited and certified by private auditors in line with appropriate pieces of legislation and were reviewed by the Auditor General. He further added that it was necessary that such accounts were reviewed, and the result of such reviews were reported by the Auditor General in compliance with relevant legislation. The Auditor General also submitted that the report was as a result of programmes of test checks, inspection and examination of accounting, stores, projects and other records maintained by public officers entrusted with handling public resources. The audit programmes were designed to give reasonable assurance of financial management in the audited institutions.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that the scope of the audit used by the Auditor General was appreciated. He further acknowledged that the interaction by 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.

iii. Internal Controls

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

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that he took note of observations by the Auditor General with respect to weaknesses in the internal control in the areas of non-preparation of financial statements, non-adherence to procurement procedures and ICT standards, irregular payments and poor financial performance. He further submitted that in order to enhance internal controls, the Treasury had since engaged the boards of directors and management of the institutions to review their internal controls and develop new controls that would compel management of these companies to adhere to Financial Regulations and ensure that due diligence was undertaken during the implementation of ICT systems. In this regard, the Treasury had directed the board of directors of the parastatal bodies and other statutory institutions to ensure that the provisions of the *Public Finance Management Act* were adhered to at all times.

PART II

CONSIDERATION OF SUBMISSIONS FROM CONTROLLING OFFICERS AND CHIEF EXECUTIVES

The Committee considered submissions from Controlling Officers and Chief Executive Officers under whose portfolios the institutions cited in the Report of the Auditor General fell, as set out below.

1.0 CITIZENS ECONOMIC EMPOWEREMENT COMMISSION, MINISTRY OF COMMERCE TRADE AND INDUSTRY

Review of Operations

An examination of financial and other records maintained at the Citizens Economic Empowerment Commission (CEEC) for the Financial Years ended 31st December 2015 to 2018 and site visits to selected projects revealed various irregularities, to which the Controlling Officer responded as set out below.

1.1 Income

With regard to the query on underfunding, the Controlling Officer submitted that management acknowledged the observations and recommendations by the Auditor General. The Commission had since engaged the Ministry of Commerce, Trade and Industry and the Ministry of Finance and the engagement was yielding positive results. As a result, the Commission had received as part of its operational grant ZMW 7,715,927.75 out of ZMW 11,022,370 for ten months, representing 70 per cent of the funds received prorated from the 2021 budget allocation. He further informed the Committee that the Commission had also received ZMW 10,000,000 out of its ZMW 11,000,000.00 Empowerment Funding as budgeted, representing 90 per cent. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee notes the response and expresses concern that despite the operational grant not being adequate, CEEC operations leave much to be desired as most of its activities have hardly accrued any tangible benefits. This is contrary to the aspirations for which the Commission was created. In this regard, the Committee strongly recommends that the Controlling Officer should not only lobby for sufficient and timely funding, but should also enhance supervision of the Commission. The Committee resolves to close the matter subject to verification.

1.2 Operational Matters- The Empowerment Fund

The Controlling Officer submitted that the Auditor General's observations and recommendations were noted. The Commission had improved its recovery rate through various strategies which had seen the recovery rate steadily increase from 50 per cent in 2016 to 53 per cent in 2017, 62 per cent in 2018 and 64 per cent in 2019. He further submitted that management had intensified the undertaking of due diligence as outlined below, which had led to increased recovery of outstanding loans:-

i. issuing Demand Letters to delinquent clients, files were available for inspection and audit verification.
ii. implementation of an accelerated Monitoring and Recovery Plan through the Provincial offices and;
iii. recovery through litigation.

The Committee further learnt that following the Auditor General's Forensic Audit Report of 2012 on the Citizens Economic Empowerment Fund (CEEF), the Government instituted reforms at the Commission, which included a valuation of the CEEF. The valuation was undertaken and completed in 2015 by an independent accounting firm, CYMA Public Accountants and Management Consultants, authorised by the Office of Auditor General. He further submitted that the Ministry of Finance, in a letter dated 8th April, 2019 guided the Commission on how to proceed with the impairment of the bad debts cited in the CYMA Valuation Report as outlined in the table below, which presents the number of loans per province recommended for impairment in the CYMA Valuation Report.

Table 1: Impaired Loans from CYMA Report

S/N	Province	Impaired Loans As per CYMA Report	Amount Collected	New Impaired Amount	% of Impaired Loans Recovered
1	Central	3,710,045.52	691,161.50	3,018,884.02	19%
2	Copperbelt	8,579,874.08	1,323,425.01	7,256,449.07	15%
3	Eastern	3,380,923.60	1,269,785.81	2,111,137.79	38%
4	Luapula	4,519,942.12	2,116,837.26	2,403,104.86	47%
5	Lusaka	34,603,111.47	11,072,668.70	23,530,442.77	32%
6	Muchinga	2,855,607.19	160,470.00	2,695,137.19	6%
7	Northern	4,999,751.32	4,564,490.22	435,261.10	91%
8	North Western	6,000,242.81	1,862,124.34	4,138,118.47	31%
9	Southern	1,818,128.52	1,149,122.17	669,006.35	63%
10	Western	6,638,330.28	1,481,852.00	5,156,478.28	22%
11	Access Bank	12,232,165.87		12,232,165.87	0%
	Total	89,338,122.78	25,691,937.01	63,646,185.77	29%

He further submitted that in addition to the guidance from the Ministry of Finance, the Commission vigorously pursued the listed non-performing loans and had since recovered K25, 691,937.01 out of the total amount of K89, 338,122.78 recommended for impairment by CYMA.

Committee's Observations and Recommendations

The Committee notes the response that the Commission improved its recovery rate of outstanding loans which as at 2019 stood at 64 per cent. The Committee is disappointed that the recovery rate is not at 100 per cent, which should be the ideal recovery rate when proper due diligence is undertaken. In this vein, the Committee strongly recommends that all the outstanding loans should be recovered expeditiously. The Committee will await a progress report on the matter.

1.3 Non –performing Loans

The Controlling Officer submitted that it was worth noting that the financial services industry defined a non performing loan as a loan in default for over ninety days. He submitted that he was in agreement with the Auditor General regarding the companies that had defaulted on their loan repayments leading to non-performing loans as outlined below.

1.3.1 Lupola Group

The client regularly serviced their loan but ran into operational challenges and through the support of the provincial team had been recommended for additional funding which would meet the client's working capital challenges. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee notes the response and expresses concern over the Controlling Officer's failure to provide information with regard to the quantum of the additional support. The Committee is of the view that the Commission should not have advanced any further funding to the client when he had run into operational challenges, in as much as the client had been servicing their initial loan. In any case the Committee directs the Commission to pursue recovery of all the outstanding amounts in accordance with the loan agreements. The Committee further directs that all documents in support of the submission should be submitted to the Auditor General for verification.

1.3.2 Nakachenje Youth Development Skills

The client faced challenges in operationalising their project due to working capital constraints and challenges with a brick machine which the client purchased. The Commission had written to engage the Technical Development and Advisory Unit (TDAU) to have the machine size adjusted for the clients at no cost. The project was also recommended for additional funding.

Committee's Observations and Recommendations

The Committee is disappointed to note that the Commission has been recommending additional funding for projects that have not been actualised with the initial funding. The Committee is concerned that this arrangement casts doubt on the claim by the Commission that due diligence is undertaken prior to extending loans for all projects. The Committee condemns this practice and directs the Controlling Officer to ensure that the Commission puts a stop to it forthwith. The Committee resolves to await a progress report on the operationalisation of the project and the recovery of the total amount of the loan.

1.3.3 Lusanjo Business Management Services

The Controlling Officer submitted that Lusanjo Business Management Limited (LBML) was funded by the Commission to set up a peanut butter processing plant in Petauke District. The project was non-operational due to a dispute that arose between the landlord ("Ibrahim Jasat") and the tenant ("LBML") to which documentary evidence was available for verification submitted. The Controlling Officer further submitted that the tenant had requested the landlord to consider reducing the rentals as well as to be compensated for the loss of business arising out of them not being able to get Zambia Bureau of Standards (ZABS) certification and having to cease production completely. Further, LBML was demanding removal of the landlord's workers that resided on the factory premises and the perimeter separating the premises to be removed. Further, given that LBML had challenges with physical space to operate from; the Commission intended to provide the company with physical space at the Industrial Yard in Chipata that was to be commissioned in the first quarter of 2021. The Industrial Yard was a state-of-the-art light manufacturing facility that would house, among other subsectors, agro-processors. If the above remedy could not be actualised, then the Commission would invoke foreclosure provisions contained in the contract, as the loan was secured by charge on Stand No. F/215a/E/2/S and F/215a/E/T Lusaka, Zambia in the name of Gerald L Mulowa. The client wrote to the Commission asking the Commission to take up equity in order for capital to be pumped into the project for it to begin operating again. The Commission's analysis of this request had reached an advanced stage and as part of the turnaround strategy for the business, the Commission was looking at offering the client space in the Chipata Industrial Yard. Documentary evidence to this effect was available for verification.

Committee's Observations and Recommendations

The Committee observes with consternation that it is apparent that the Commission does not undertake due diligence before offering the empowerment funds to various applicants. The Committee is concerned that most of the projects funded by the Commission are marred with encumbrances which the Commission should have identified before disbursing the funds. Additionally, the Committee is disappointed to note that the Commission is even entertaining the idea of acquiring equity in Lusanjo Business Management Services in order to capitalise the latter. The Committee wonders whether this action is in line with the policy and operational guidelines of the Commission. The Committee strongly recommends that the Commission should not proceed to take up any equity. Further, if the policy provides for such, the Committee recommends that the policy should urgently be amended to prohibit the acquisition of equity. In addition, no further funding should be made available by the Commission to this client. Instead, the Commission should invoke the foreclosure provisions if the company fails to liquidate the loan in the period specified in the loan agreement. The Committee resolves to await a progress report on the matter.

1.3.4 Sunline Limited

The Controlling Officer submitted that the company received K2, 000,000 to set up a peanut butter processing plant in Chipata District. The smooth implementation of the project was jeopardised by the terminal illness of the promoter, Dr. Josiah K. Ngondo who had since passed away. The Commission was liaising with the Administrator of the Estate to have the loan repaid in full, failure to which foreclosure would be undertaken as the loan was secured by a charge on Stand Number 4272 situated in Chipata, Eastern Province. This was through the individual promoter's personal guarantee and a debenture on the fixed assets of the business and a floating charge on the current assets of the business. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee notes the response and recommends that the Commission should invoke the foreclosure provisions, since the company has defaulted on the loan. The Committee resolves to await a progress report on the matter.

1.3.5 Tatwakakulabe General Contractors and Civil Engineers

The Controlling Officer submitted that CEEC called for proposals in the cassava value chain based cluster initiative in Mansa district in 2013, which saw Tatwakakulabe General Contractors and Civil Engineering Ltd (TGCCE) as one of the successful applicants. Tatwakakulabe General Contractors and Civil Engineering (TGCCE) applied for an Empowerment loan under the cassava value chain cluster in Mansa District for purposes of setting up a cassava processing plant. A loan amount of K1,357,029.68 was approved by the CEEC Board. Part of the loan funds amounting to $53,000.00 was used to procure the cassava starch processing equipment from China in 2016. The processing equipment was successfully procured but the machinery had not been installed eighteen months after completion of the construction of the processing plant due to the supplier's failure to supply full set of equipment and to send an engineer to install it.

The Committee heard that the total loan was fully disbursed between 8th September, 2015 and 5th July, 2017 in accordance with the draw down procedure No. 8 of the loan agreement, which was in tandem with Paragraph 5.7 of the CEEC Credit Policy. Relevant evidence to this effect was available for verification. The first disbursement was a Facility Fee at K63,059.00 and Keyman Insurance at K32,790.68, followed by disbursements to the client's preferred suppliers. The last funds were disbursed to the client on 5th July, 2017.

Loan repayments for empowerment funds were to be effected when the funded business became operational. The cassava starch processing business had not been operational and, as such, repayments could not be effected as its only source of income was through business sales. In line with paragraph 9.0 of the CEEC Credit Manual, the loan in question was scheduled for modification due to passage of time and changes in collateral as well as delays in business events.

The challenge of missing components for the cassava starch processing equipment was purely a procurement issue on the part of the client. According to Paragraph 7.9 of the CEEC Credit Manual and 5.7 of the CEEC Credit Policy, the client was at liberty to provide quotations for the equipment/services/livestock identified for purchase in the Business Plan and the Commission was mandated to make direct payment to the supplier of the equipment/service/livestock on behalf of the client based on the provided quotations. This was the case for Tatwakakulabe General Contractors and Civil Engineering Ltd - the proprietor provided quotations for the cassava starch processing equipment from Lushan Win Tone Engineering Technology Ltd of China to which CEEC transferred the money as per the quotations.

However, upon realising that some components of the cassava starch processing plant were missing and the supplier of equipment failed to send a consultant to install the supplied equipment, CEEC followed up the matter with the Ministry of Foreign Affairs and the Chinese Embassy. The client had since been refunded the $3,300 equipment installation funds, with $200 withheld as travel expenses allegedly incurred by the equipment supplier. The Committee further heard that the CEEC was still in engagement with the Ministry of Foreign Affairs and the Foreign Trade Arbitration Commission of the China Council over the funds paid for the three missing components (centrifugal sieve, vacuum filter and flash drier) and would do everything possible to recover the funds. Documentary evidence on the transactions and correspondence thereon was available for verification.

Meanwhile, in January 2018, CEEC proposed to the client that they engage an independent local consultant to assess the processing plant equipment and provide technical advice on its possible installation. The proposal was accepted and David Eddmac Industries Limited of Kasama was engaged to assess the processing plant. The assessment result was that it was possible to install and test-run the cassava starch processing equipment with provision of a flash dryer. The client had since applied for additional funding to procure a flash dryer, light truck, raw materials and installation services. Upon receipt of the additional funding request, the Commission had committed to pay for land ownership processing fees for Tatwakakulabe's business premises so that the property could be used as additional security. The Commission was committed to doing everything possible to recover the loan funds paid to its client's supplier of equipment as well as to ensure that the cassava processing plant become operational in 2020. Evidence with regard to the request for additional funding, due diligence report and quotations and receipts from Ministry of Lands and Natural Resources was available for verification.

Committee's Observations and Recommendations

The Committee is deeply concerned and reiterates its observation that the Commission does not undertake due diligence, hence all the loan disbursements are marred with encumbrances. The Committee further condemns the management of loan disbursements and the propensity to deal with clients lightly. The Committee recommends that no further funding should be disbursed to the client, and that the Commission should focus on recovering the funds advanced so far so that other eligible beneficiaries can benefit. The Committee resolves to await a progress report on the matter.

1.3.6 Global Field Farm Ltd

The Controlling Officer submitted that Global Field Farm Limited was given additional funding in 2017 to a tune of ZMW 171,011.20 which was meant for the purchase of the components that were missing on the machine and working capital. The breakdown of the funds was as shown in the table below. However, due to inflationary losses, the promoter could not purchase adequate fabricating materials that were intended to be fabricated on his feed processing machine procured from China.

S/N	ACTIVITY	AMOUNT(ZMK)
1	Transport of equipment to Kasama	60,600.00
2	Port and Agent Fees	58,024.50
3	Electrical materials	21,220.00
4	Fabricating Material	9,827.00
5	Feed Ingredients	1,081.70
6	Machine Installation	14,000.00
7	Purchase of soya beans	3,129.00
TOTAL		**171,011.20**

The Commission was conducting an assessment to re-appraise the project for possible consideration of additional funding. This would enable the project to be fully operationalised as the Commission had already put in a lot of funds. The re-appraisal was also aimed at assessing the risk inherent in this undertaking and how the emanating risks could be hedged in line with the Commission's credit policy guidelines. Documentary evidence for the re-assessment of the project for consideration of additional funding was available for verification.

Committee's Observations and Recommendations

The Committee reiterates its recommendation with respect to non-disbursement of further funding to defaulting clients such as the one cited in this query. In this regard, the Committee directs that the Commission proceeds to institute loan recoveries without further delay. The Committee further expresses its displeasure with regard to the Commission's management of loans and resolves to await a progress report on the recovery of the outstanding amount from this client.

1.4 Accounting Irregularities

1.4.1 Failure to Remit Tax (Pay As You Earn)

The Controlling Officer submitted that, through various interactions with key stakeholders from the Ministry of Commerce Trade and Industry and the Ministry of Finance, the Commission's liability with ZRA amounting to ZMW 14,205,349 was liquidated by the Ministry of Finance on 31st August, 2020.

Committee's Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to ensure that a sustainable plan on how to manage statutory obligations is instituted immediately. The Committee directs the Controlling Officer to submit all documents in support of the submission to the Auditor General for verification, subject to which the matter should close.

1.4.2 Unsupported Payments

The Controlling Officer informed the Committee that the unsupported payments amounting to ZMW 1,119,725, ZMW 749,890 related to legal costs. He further submitted that the respective receipts were usually placed on the client files with external counsel. However, following the recommendations from the Office of the Auditor General, external counsel had been contacted in order to avail copies of the receipts to be attached to payment vouchers for ease of reference.

Further, out of the total amount of, ZMW246,211.37 related to loan disbursements, The Commission's clients were provided with proof of payment once a payment was made on their behalf to suppliers. It was then expected that the client would collect items and a receipt, with a copy shared with the Commission. As a result of the query, clients had been communicated to, to provide receipts for all purchases made on their behalf and those who were scheduled to receive funding were urged to ensure they submitted the receipts, failure to which the expected disbursement would be delayed. A summary of the payments in question is presented in the table below.

S/N	DATE	PV	PAYEE	Amount(K)	DETAILS	QUERY
06	13/02/2018	6943	CEEC vs Howard N Investments	33,000.00	Legal fees	Avail case file/receipt
26	05/06/2018	7614	Palan and George advocates	145,000.00	Legal fees	Avail case file/receipt
39	13/09/2018	7814	Palan and George advocates	76,590.00	Legal fees	Avail case file/receipt
40	14/09/2018	7816	L.M Chambers	50,000.00	Legal fees	Avail case file/receipt
41	26/05/1921	7817	Palan and George advocates	285,300.00	Legal fees	Avail case file/receipt
61	10/05/2018	7608	SLM Legal Practiotioners	10,000.00	Legal fees	Avail case file/receipt
68	09/04/2018	7441	Sheriffs office	150,000.00	Legal fees	Avail case file/receipt
07	15/02/2018	6946	Anderson Security systems	39,478.66	Security services	No receipt
28	16/06/2018	7659	Department of Water Resources	27,494.90	Borehole drilling & tank installation	No receipt
30	28/06/2018	7664	First Hatch Investments Ltd	24,060.00	Fingerlings /fish feed	No receipt
31	16/07/2018	7667	Zambia Revenue Authority	129,256.00	Tax remmittance	No receipt
38	31/08/2018	7812	Prudential Life Assurance	28,351.64	Insurance cover	No receipt
46	25/07/2018	7679	Chabala Trading	11,322.00	Wiring of store room	No receipt
47	14/08/2018	7802	Riverndell Enterprises Ltd	10,750.00	Sex Reversal fingerlings	No receipt
48	14.08.2018	7803	Marianesh Enterprises	16,348.00	Fish feed for Judith Maliti	No receipt
62	18/05/2018	7612	Ministry of Lands	7,500.00	Survey fees -Solwezi Industrial yards	No receipt
107	17/07/2018	1E+06	ZNBS	18,623.73	Loan repayment-Eunice Siakachoma	No receipt
	Total			**1,063,074.93**		

		PROCUREMENTS					
S/N	DATE	PAYEE	CHEQUE	USD	AMOUNT	DETAILS	REMARK
34	26.04.2016	TRUWORTHS	11034		2,650.00	JEANS FOR LABOUR CELEBRATION	NO RECEIPT
40	30.05.2016	LUNTE LODGE	11147		4,440.00	ACCOMONDATION FOR DG	NO RECEIPT
47	17.06.2016	BBC ONE COLLECTIONS	11230		8,600.00	ATTIRES FOR STAFF TAKING PART IN PUBLIC	NO RECEIPT
48	22.06.2016	BBC ONE COLLECTIONS	11247		7,770.00	ATTIRES FOR STAFF TAKING PART IN TRADE F	NO RECEIPT
49	22.06.2016	BRUX LTD	11249		8,590.00	ATTIRES FOR STAFF TAKING PART IN TRADE F	NO RECEIPT
50	23.06.2016	GENUINE STYLE	11251		22,400.00	ATTIRES FOR STAFF TAKING PART IN TRADE F	NO RECEIPT
66	21.10.2016	ZESCO	11648		2,000.00	PURCHASE OF ELECTRICITY UNITS	NO RECEIPT
			TOTAL		**56,450.00**		
	01.16.2020	Jasmo logistics		11,294.00		Loan Disbursement	Due Diligence Report/ Full Loan Ledger/Recovery

Committee's Observations and Recommendations

The Committee notes the response and emphasises the need for retirement of all disbursed funds through the provision of relevant documents, such as receipts. The Committee is disappointed that it took the Auditor General for the Commission to begin to attempt to obtain these key accounting documents as they should have been obtained during the transactions in accordance with the Financial Regulations. To this effect, the Committee calls upon the Controlling Officer to mete out disciplinary action against all officers who failed to comply with the Financial Regulations in these transactions. The Committee further resolves to wait a progress report on the matter.

1.4.3 Lack of Disposal Details for Stores

The Controlling Officer submitted that management acknowledged the observations and recommendations made by the Auditor General. The Stores Issued Books were now available for verification.

Committee's Observations and Recommendations

The Committee calls for disciplinary action against all officers who failed to comply with the Financial Regulations in these transactions and directs that all relevant documents be submitted to the Auditor General for verification. The Committee will await a progress report on this matter.

2.0 EXAMINATION COUNCIL OF ZAMBIA - MINISTRY OF GENERAL EDUCATION

Review of Operations

An examination of accounting and other records of the Examinations Council of Zambia (ECZ) for the financial years ended 31st December 2013, 2014, 2015, 2016, 2017 and 2018 revealed various irregularities to which the Controlling Officer responded as set out below.

2.1 Governance

2.1.1 Failure to Avail Nomination Letters for incoming Council Members

The Controlling Officer acknowledged the observation by the Auditor General regarding failure to avail nomination letters for incoming Council Members. The Controlling Officer could not provide an appropriate answer for the failure to provide letters of appointment. He only made reference to the provisions of the *Examinations Council of Zambia Act* on the matter, and that the Council was body corporate capable of suing or being sued. He however stated that copies of the letters of appointment were now available for audit verification.

Committee's Observations and Recommendations

The Committee observes with concern that the response from the Controlling Officer does not adequately address the root cause of the audit query. The Committee expresses concern as to why an issue as straightforward as lack of appointment letters had to wait for the Auditor General to point out. Further, the Committee sternly cautions the Controlling Officer to ensure that officers cooperate and provide appropriate and adequate responses to the Auditor General. The Committee directs the Controlling Officer to submit all documents in support of the submission to the Auditor General for verification, subject to which the matter should close.

2.1.2 Irregular Payments – Medical Bills for Council Chairperson

The Controlling Officer responded that the observation by the Auditor General that the Council paid medical bills on behalf of the Chairperson who was not entitled, was correct. He further informed the Committee that the payment of medical bills for the Council Chairperson was appropriately approved by the Ministry and Board of Directors (that is, the Council). The minutes approving the payment were available for audit verification.

Committee's Observations and Recommendations

In noting the response from the Controlling Officer, the Committee urges the Controlling Officer to strongly caution the ECZ Council and management against using emotions in carrying out official functions. The Committee reiterates that it is the Council's responsibility to safeguard the resources of the Institution so that they are only applied only on the properly authorised activities. In this vein, the Committee emphasises the need for strict adherence to the provisions of the Financial Regulations as well as conditions of service for all members of the Council and staff. Given the foregoing, the Committee is of the view that the Ministry and the Council acted *ultra vires* their powers in purporting to approve the payment of medical bills for the Chairperson. Therefore, the Committee directs that the total amount involved be recovered from the individuals who purported to approve the payments. Further, disciplinary action should be instituted against the individuals involved. The Committee will await a progress report on the matter.

2.2 Management Information Systems

2.2.1 Lack of Risk Management Framework

The Controlling Officer responded that management at the time of audit did not have a risk management register and framework. The Institution had since rescheduled the development of the risk management framework and register following the upsurge of the COVID pandemic. Further, the Examinations Council of Zambia was in the process of formulating a risk management committee as a strategic proactive measure.

Committee's Observations and Recommendations

The Committee finds it unacceptable that ECZ does not have a risk management register and framework. The Committee observes that failure to have this framework in place means that risks are not identified timely and this may result in failure to effectively manage such risks and ultimately compromise ECZ's information management. In this regard, the Committee strongly urges the Controlling Officer to ensure that the risk management framework is promptly formulated. The Committee will await a progress report on the matter.

2.2.2 Failure to Restrict and Segregate the Duties of the Developer

The Controlling Officer submitted that the ECZ system had incomplete modules which were still being worked on and once fully developed, they would be handed over to user departments to ensure that developers did not access the production environment during the 2021 registration of candidates.

Committee's Observations and Recommendations

The Committee expresses concern at the way in which Management Information Systems are being handled at ECZ, and particularly the lack of restriction and segregation of the duties of the developer. The state of affairs is especially worrisome since the institution handles highly sensitive information. The Controlling Officer is urged to ensure that as a matter of urgency, the duties of the developer are restricted and segregated to avoid a possible manipulation of information. The Committee will await a progress report on the matter.

2.2.3 Lack of an Integrated Management Information System

The Controlling Officer responded that Management would endeavour to develop systems to allow interoperability with other in-house developed systems and the main processing systems which were susceptible to attack.

Committee's Observations and Recommendations

The Committee reiterates its concern with regard to poor management of information systems at ECZ and the Committee resolves to await a progress report on the matter.

2.3 Operational Matters

i. Lack of Standards – Item Bank

The Controlling Officer responded that ECZ had since developed the electronic banking system and tested it. The Institution had also received all the equipment required for the system and was in the process of assembling the equipment and implementing the system. The system would be operational by end of the first quarter of 2021.

Committee's Observations and Recommendations

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

ii. Failure to Collect Fees

The Controlling Officer submitted that the Ministry, through the ECZ, was engaging the various institutions to ensure that the outstanding balance was settled. The total outstanding balance was now K43,390 and this was the amount being pursued.

Committee's Observations and Recommendations

The Committee directs the Controlling Officer to mete out disciplinary action against officers who failed to collect the fees as there is no justification as to why the money was not collected. Further, the Committee directs the Controlling Officer to ensure that the query does not recur. The Committee urges the Controlling Officer to ensure that the ECZ ramps up its efforts to collect the outstanding amount of K43,390 and resolves to await a progress report on the matter.

iii. Failure to Retire Funds – Marking Allowances K 175,177.43

The Controlling Officer responded that out of a total amount of K441,275 an amount of K175,177.43 had been reimbursed, leaving a balance of K266,096.57. The Ministry was making efforts to ensure that the balance owed was refunded. The supporting documentation in form of letters and acknowledgements of receipt were available for audit verification.

Committee's Observations and Recommendations

The Committee directs the Controlling Officer to submit supporting documents for reimbursed of K175,177.43 to the Auditor General's Office for verification and to institute disciplinary action against all officers involved in the non-retirement of the outstanding amount. Further, more concerted efforts should be put into collecting the balance of K266,096.57. The Committee awaits a progress report on the matter.

iv. Wasteful Expenditure – Payment of Interest

The Controlling Officer informed the Committee that payment of interest and penalties arose due to untimely and inadequate funding from the Ministry of Finance. The Ministry of General Education was engaging the Treasury to ensure that the commitments to suppliers were released timely.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to prioritise support to ECZ on this matter so as to ensure that all liabilities are settled in the shortest time possible, so as to reduce the strain on ECZ. The Committee resolves to await a progress report on the matter.

2.4 Accounting Irregularities

i. Revenue

a. Delayed Banking

The Controlling Officer responded that the Ministry had written to the colleges of education to ensure that the outstanding examination fees were paid. Further, the Ministry, through the ECZ, had devised a mechanism where revenue was deposited into the bank accounts directly as per banking guidelines. Records were available for audit verification.

Committee's Observations and Recommendations

The Committee directs the Controlling Officer to institute disciplinary action and recoveries against all officers involved in delayed banking forthwith. The Committee will await a progress report on the matter.

b. Under Banking of Revenue

The Controlling Officer responded that the under banking of revenue was attributed to inadequate controls at the time and that the ECZ had since implemented the new measures through an internal circular which required that revenues be deposited directly into bank accounts. The ECZ had to this effect circulated the Guidelines and Regulations on Candidates registration fees and centre renewal fees. The Ministry, through the ECZ, was making efforts to ensure that the under banked funds were banked and deposits availed for audit scrutiny.

Committee's Observations and Recommendations

The Committee directs the Controlling Officer to institute recoveries and disciplinary action against all officers involved in this irregularity immediately. The Committee will await a progress report on the matter.

ii. Unremitted Funds – Teacher Education Colleges

In his response, the Controlling Officer submitted that the colleges had started remitting funds and the records were available for audit verification.

Committee's Observations and Recommendations

The Committee is directs that disciplinary action and recoveries must be instituted immediately against the officers who failed to remit the funds. The Committee further urges the Controlling Officer to take measures to ensure that this irregularity does not recur. The Committee resolves to await a progress report on the matter.

iii. Under – pricing of the Sale of Personal to Holder Motor Vehicle

The Controlling Officer responded that the Ministry of Works and Supply guided the Examinations Council of Zambia to dispose of the motor vehicle registration number ALK 9159, which was involved in a road accident at the impaired value to the Director. The supporting documentation such as the accident report, correspondence from the Ministry of Works and Supply was available for audit verification.

Committee's Observations and Recommendations

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

iv. Pension Funding Deficit – Failure to Settle Outstanding Pension Contributions

The Controlling Officer responded that out of a total amount of K11,116,918, a sum of K5,000,000 had since been settled leaving a balance of K6,116,918. The Ministry, through the Examinations Council of Zambia, was committed to paying the outstanding amounts. Records were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern at the failure to settle outstanding pension contributions and directs the Controlling Officer to ensure that the balance of K6,116,918 is settled as a matter of urgency and details availed for audit scrutiny. The Committee will await an update on the matter.

v. Non-Remittance of-Tax

In his response, the Controlling Officer explained that due to inadequate funding by the Ministry of Finance, the payments had not been made. The Ministry was making efforts to ensure that the outstanding amount to the Zambia Revenue Authority was settled. Records were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to support the Controlling Officer and the ECZ with funding so that the outstanding tax obligations can be settled as a matter of urgency. The Committee will await a progress report on the matter.

vi. Unsupported Payment Vouchers

The Controlling Officer responded that the supporting documents which were misplaced at the time of audit had since been attached.

Committee's Observations and Recommendations

The Committee is dismayed at the casual response by the Controlling Officer given the fact that failure to produce supporting documents during an audit is a serious matter with respect to the *Public Finance Management Act, No 1 of 2018*. The Committee finds it unacceptable that the accounting documents were only availed to the auditors after the audit exercise. The Committee strongly recommends that the Controlling Officer should mete out disciplinary action against all officers responsible for this irregularity and ensure that a proper filing system is put in place. The Committee resolves to await a progress report on the matter.

2.5 Asset Management - Lack of Asset Management Policy

The Controlling Officer responded that management was in the process of developing an asset management policy in the last quarter of 2020**.** Records were available for audit verification.

Committee's Observations and Recommendations

While noting the Controlling Officer's submission, the Committee cautions against the failure to put in place a proper asset management policy**.** In this regard, the Committee urges the Controlling Officer to ensure that an Asset Management Policy is put in place without further delay. The Committee will await an update on the matter.

3.0 FOOD RESERVE AGENCY MINISTRY OF AGRICULTURE

Review of Operations

An examination of financial and other records maintained at FRA for the period from 1st January, 2017 to 31st December, 2018 and physical inspections revealed various irregularities, to which the Controlling Officer responded as outlined below.\

3.1 Governance – Failure to Appoint a Full Board

The Controlling Officer submitted that the FRA management had on several occasions written to the Ministry of Agriculture on the appointment of the members not represented on the Board as per the Board letters and reports to the Minister that were available for audit verification.

Committee's Observations and Recommendations

The Committee observes with grave concern the failure by the Minister to appoint board members from Zambia National Farmers' Union; the Millers' Association of Zambia; and the Bankers' Association of Zambia even after numerous reminders. The Committee implores the Minister to appoint the Members without any further delay in accordance with the provisions of the *Food Reserve Agency Act.* The Committee resolves to await a progress report on the matter.

3.2 Income

The Controlling Officer submitted that the Auditor General's observations that there was an underfunding to the Agency amounting to K497,700,000 over the two years under review was correct. In this regard, management, with the help of the parent Ministry, had continued to engage the Ministry of Finance on the need to release funding to the Agency to enable it execute its mandate efficiently. Documentation to this effect was available for verification.

Committee's Observations and Recommendations

The Committee is cognisant of the fact that the fiscal space of the country is constrained. However, considering the strategic nature of the FRA, the Committee strongly urges the Executive to give it priority when funding the various government entities. The Committee resolves to close the matter.

3.3 Operational Matters

i. Delayed Payment to Farmers

The Controlling Officer submitted that although the Agency endeavoured to pay farmers after delivery, the delay was as a result of delayed release of funds from the Treasury as the programme was fully financed through funds allocated in the national budget as appropriated by Parliament. In this regard, documentation showing that the grant amounting to (K172, 000,000.00) for farmers who supplied in 2017 was only released in January 2018, while the final grant of K101, 000,000.00 for farmers who supplied in 2018 was released in April 2019 was available for verification. The Controlling Officer further submitted that the *Food Reserve Act of 2020* provided that the Agency should retain all profits after the sale of the maize, and that this would help circumvent the delay to pay farmers.

Committee's Observations and Recommendations

The Committee is perturbed with the failure by the Agency to pay the farmers on time due to delayed funding from the Treasury. The Committee is extremely concerned that the delay to pay farmers has a negative effect on their livelihoods. The Committee strongly urges the Treasury to ensure that in future, the Agency is funded in time. The Committee directs that the documents in support of the submission should be submitted to the Auditor General for verification subject to which the matter should close.

ii. Failure to Meet Gazetted National Food Strategic Reserves

The Controlling Officer acknowledged that the Auditor General's observations were correct. He further submitted that in 2017, the agency had exceeded the gazetted maize target, by 17,959. However, in 2018, the Agency only procured 174,685 metric tonnes of maize against a target of 390,000 metric tonnes resulting in an under procurement of 215,315 metric tonnes. He further submitted that management acknowledged the risk associated with failure to meet the national strategic food requirements.
The Committee was further informed that the expected national maize production was 3,606,549 metric tonnes and 2,394,907 metric tonnes for 2017 and 2018 agricultural seasons, respectively. The Committee also learnt that at this level of expected production, expected sales were 1,969,993 metric tonnes and 1,106,029 metric tonnes for 2017 and 2018 agricultural seasons, respectively. In this regard, Production dropped by 33.6 per cent while expected sales dropped by 43.86 per cent. Consequently, the reduction in expected sales put pressure on the limited national stocks, resulting in the private sector offering higher prices than the budgeted and limited government resources.

The Controlling Officer further informed the Committee that considering that the Agency operated on a government grant budget for the procurement of the designated agricultural commodities, the Agency was unable to purchase the targeted maize and soya beans as the Agency's budget line was limited and management could not increase the price of the two commodities to compete with the private sector which offered higher prices. He further submitted that as per the provisions of the FRA Act, the Agency was mandated to meet national shortfalls of the reserves by purchasing the crop from either local or foreign markets.

The Controlling Officer also informed the Committee that management acknowledged the Auditor General's recommendation that they should put in place procurement strategies aimed at achieving the procuring of the minimum quantity of designated commodities as required by the nation. He further informed the Committee that in addressing this matter, management updated the Treasury on the need for timely release of funds to facilitate payments to farmers who supplied maize within seven days. This called for setting aside funds for crop procurement by June, prior to commencement of crop procurement in July

Committee's Observations and Recommendations

The Committee notes the responses and directs that the Controlling Officer to impress upon management to put in place procurement strategies aimed at achieving the procuring of the minimum quantity of designated commodities as required by the nation. The Committee further urges the Treasury to ensure that it prioritises funding the Agency to enable it procure the right quantities of the designated commodities and to pay farmers timely. The Committee resolves to await a progress report on the matter.

3.4 Accounting Irregularities

i. Non remittance of Tax

The Controlling Officer submitted that taxes were not remitted due to cash flow challenges. As observed by the auditors, over the two years under review, the Agency recorded underfunding amounting to K497, 700,000 representing 24 per cent of the total budgetary provision. In view of the foregoing, the Agency and Zambia Revenue Authority had since entered into a time to pay agreement to ensure that the outstanding amounts were paid over the agreed time frame. The Agency had since made some payments toward the payment plan. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee resolves to seek an update on the implementation of the payment plan to liquidate the outstanding amounts. The Committee further urges the Treasury to prioritise funding to the Agency to avoid accrual of penalties on unpaid statutory obligations. The Committee will await a progress report on the matter.

ii. Delays in Remitting Statutory Obligations to NAPSA

The Controlling Officer informed the Committee that failure to pay contributions on time was as a result of delayed release of grants by the Treasury. Management had since brought this challenge to the attention of the Ministry of Finance. The penalties were attributed to non-payment of outstanding contributions.

Committee's Observations and Recommendations

The Committee reiterates its recommendation with regard to payment of statutory obligations to circumvent the accrual of penalties. The Committee resolves to await a progress report on the matter.

3.5 Asset Management

i. Poor management of Repossessed Properties

The Controlling Officer submitted that efforts were being made to ensure that all assets repossessed were sold, as indicated below.

a. Out of the forty–four properties repossessed by the Agency between 2011 -2013, the Agency had managed to conduct thirty – nine valuations of the properties through Government Valuation Department. Supporting documents were available for verification.

b. Management proceeded to advertise the said properties to the general public in the print media. The newspaper adverts were available for verification. The Agency had experienced a poor response from the general public and had to re-advertise some properties.

c. The following properties were sold and a total sum of K3, 338,860.00 was raised from the sale:

No.	Name of Purchaser	Property No.	Valuation Amount	Purchase Price
1.	Mujimba Nkamu	Farm No. 8966,Mkushi	K170,000.00	K250,000.00
2.	Rayford Phiri	Farm No. 8076, Mkushi	K304,000.00	K389,010.00
3.	Maxwell Banda	Stand No. 2508,Chipata	K20,000.00	K27,000.00
4.	Bwalya Mushota	Stand No. 443, Petauke	K18,000.00	K30,000.00
5.	Jordan Theu	Stand No. 446, Petauke	K16,000.00	K26,250.00
6.	Ronald C. Chirembo	Farm No. D45, Petauke	K486,000.00	K700,000.00
7.	Moses Phiri	Lot No. 12182/M, Sinda	K36,000.00	K52,000.00
8.	Arthur Mwale	Lot No. 10003/M, Petauke	K45,000.00	K56,250.00
9.	Moses Phiri	Stand No. 1744, Chipata	K46,000.00	K68,750.00
10.	Moses Phiri	Stand No. 1745, Chipata	K14,000.00	K31,600.00
11.	Mwati Sakala	Lot 12/M, Kalimeta, Katete	K300,000.00	K350,000.00
12.	Aksa Enterprises Ltd	Stand No. 584, Mkushi	K746,000.00	K780,000.00
13.	Arm safety Limited	Sub 10/D/F1467, Ndola	K566,000.00	K578,000.00
		Totals		**K3,338,860.00**

d. Meanwhile, Management through Government Valuation Department conducted valuations for ten properties earmarked for sale to the general public. The following were the properties that were valued, presented together with their respective assessed values:

No.	Property No.	District	Province	ASSESSED VALUE
1.	Stand No. 237	Nakonde	Muchinga	K200,000.00
2.	Lot No. 7501/M	Kafue	Lusaka	K375,000.00
3.	Stand No. 598	Petauke	Eastern	K 89,000.00
4.	Farm No. 10381	Mkushi	Central	K460,000.00
5.	Lot No. 8131/M	Ndola Rural	Copperbelt	K260,000.00
6.	Stand No. 146	Isoka	Muchinga	K30,000.00
7.	Stand No. 674	Mkushi	Central	K80,000.00
8.	Farm No. 8462	Mkushi	Central	K415,000.00
9.	Plot No. 2372	Lubuto, Ndola	Copperbelt	K240,000.00
10.	Stand No. 8265	Ndola	Copperbelt	K98,000.00

e. The Agency had challenges of funding to undertake this exercise, hence the delay. However, valuation of the remaining five properties was to be done in the third week of October, 2020.

1.	Number of Properties Repossessed	44
2.	Number of Properties Valued	39
3.	Number of Properties sold	13
4.	Number of Properties remaining to be valued	5

Committee's Observations and Recommendations

The Committee notes the response and strongly urges the Agency to enhance its efforts to sell all the properties that were pledged as collateral and consequently repossessed. The Committee directs that all documents in support of the submission should be submitted to the Auditor General for verification and the Committee will await a progress report on the completion of the valuations and the sale of the properties in question.

ii. Failure to recover Advance Payment - Perfect Investments Limited

The Controlling Officer submitted that the Auditor General's observation that the Agency had failed to recover the advance payment amounting to K 942,901 was correct. He further informed the Committee that the Agency had instituted civil proceedings against Perfect Investments and consequently the court ruled in its favour. He further submitted that the Agency had engaged the Office the Sheriff of Zambia in July 2016 to enforce the said judgement and the Sheriff had failed to locate the company. Documents were available for verification.

Committee's Observations and Recommendations

The Committee is extremely disappointed that the Agency engaged Perfect Investments Limited without having undertaken due diligence as evidenced by the submission that they were unable to locate the company and failed to recover the advance payment even when the court ruling was in their favour In this regard, the Committee strongly recommends that all the officers who were responsible for this irregularity should be subjected to disciplinary action in accordance with the applicable laws and regulations. Further, the Committee calls on the Agency to step up its efforts, at recovering the amount paid in advance in full, and resolves to await a progress report on the recovery of the amount in question.

iii. Infrastructure Projects

The Controlling Officer explained that the nine projects highlighted could not be completed due to delayed payments to the contractors. This was due to inadequate and delayed funding to the Agency from the Treasury. The Agency had since undertaken measures to complete these projects.

Committee's Observations and Recommendations

The Committee observes with extreme disappointment that all the contractors engaged by the Agency failed to execute the contracts despite intermittent funding. It is the Committee's considered view that the Agency did not undertake a due diligence in identifying and selecting the contractors. In this vein, the Committee strongly urges the Controlling Officer to mete out disciplinary action against all officers responsible for the irregularity. The Committee also urges the Controlling Officer to ensure that in future, the Agency should ensure that proper due diligence is done before engaging any contractors. The Committee resolves to await a progress report on the matter.

iv. Properties without Title Deeds

The Committee was informed that management was making efforts to ensure that Agency the procured title deeds for all its assets. The Agency had since conducted boundary verifications and preparation of site plans for all the ten provinces in the first phase of the exercise. The Controlling Officer submitted that the Agency had received a total of eight certificates of title from the Ministry of Lands for Agency properties which were located in various parts of the country. The following were the additional properties on title:

No.	Registered Owner	Property No.	District
1.	Food Reserve Agency	LUS/7419	Lusaka
2.	Food Reserve Agency	CHO/427	Choma
3.	Food Reserve Agency	MONG/117	Mongu
4.	Food Reserve Agency	KAS/773	Kasama
5.	Food Reserve Agency	Mum/192	Mumbwa
6.	Food Reserve Agency	Mans/441	Mansa
7.	Food Reserve Agency	NDO/3087	Ndola
8.	Food Reserve Agency	KIT/2555	Kitwe

Further, the Agency obtained chief's consent from some chiefdoms in Central Province. The following were the properties where the chiefs had granted the Agency consent to convert the land from customary to leasehold tenure:

No.	Name of Shed	District	Name of Chief
1.	Mwachisompola	Chibombo	Chief Liteta
2.	Kabwe East Shed	Chisamba	Chief Chamuka
3.	Chalilo	Chitambo	Chief Chitambo
4.	Musofu	Mkushi	Chief Chitina
5.	Likumbi	Kapiri Mposhi	Chief Mukonchi
6.	Chipuluka	Kapiri Mposhi	Chief Mukonchi
7.	Kanona	Serenje	Chieftainess Serenje

The Controlling Officer further submitted that the Agency was proceeding to lodge the conversion documents with the respective councils upon payment of the requisite fees once funds were available. The process of obtaining certificates of title was an ongoing process and the Agency currently had thirty certificates of title in its possession for properties located in various parts of the country.

Committee's Observations and Recommendations

The Committee notes the response and directs that all documents in support of the submission should be submitted to the Auditor General for verification. The Committee will await a progress report on the matter.

4.0 INDEPENDENT BROADCASTING AUTHORITY- MINISTRY OF INFORMATION AND BROADCASTING

An examination of accounting and other records maintained at the Independent Broadcasting Authority for the Financial Year Ended 31st December, 2018 revealed various irregularities to which the Controlling Officer responded as set out below.

4.1 Income

The Controlling Officer submitted that management acknowledged and agreed with the observation. It was true that during the Financial Year ended 31st December, 2018, the Authority received amounts totalling K11,199,996 from the Treasury against the budgetary allocation of K11,200,000. In addition, a total amount of K3,824,995 was generated from License Fees and Television (TV) Levy, bringing the total income for the Authority to K15,024,991.The Committee was further informed that the TV Levy was operationalised in the course of the year after the budget had been prepared and, therefore, it could not be captured in the budget.

Committee's Observations and Recommendations

The Committee notes the response and directs the Controlling Officer to submit all relevant documents to the Auditor General for verification, subject to which the matter should close.

4.2 Management Information Systems

i. Failure to Adopt ICT Standards and Frameworks

The Controlling Officer submitted that it was true that at the time of audit, the Authority had not yet established or adopted any ICT Standards and frameworks for managing ICT operations. He further submitted that that the Authority had since adopted the following Standards:

a. The CoBIT PO4.3, and
b. ISO/IEC 27002:2013. Information Technology – Security techniques- Code of practice for information security controls.

Committee's Observations and Recommendations

The Committee notes the response by the Controlling Officer and urges him to ensure that the IBA has appropriate ICT standards and frameworks at all times, given the importance of ICTs in the day to day operations of the Authority. The Committee directs that the Controlling Officer takes steps to have his submission verified by the Auditor General, subject to which the matter should close.

ii. Lack of ICT Steering Committee

The Controlling Officer submitted that the failure to constitute an ICT Steering Committee to oversee and monitor the ICT projects and activities was an oversight on the part of management and was regrettable. The Authority was cognisant of the importance of having an ICT Steering Committee to oversee its projects and activities, and had since set up the committee.

Committee's Observations and Recommendations

The Committee expresses concern over the *laissez faire* attitude exhibited by the IBA Management towards the setting up of the ICT Steering Committee. The Committee urges the Controlling Officer to strongly caution management against such lapses. The Committee resolves to close the matter subject to audit verification.

4.3 Operational Matters

i. Weaknesses in the collection of TV Levy

The Controlling Officer submitted that the audit observation was correct. The IBA was mandated to collect Television Levy from the Subscriber Management Service providers (SMSs). At the time of audit, these were:

a. Go MultiChoice;
b. TV;
c. Zuku (Strong Technologies);
d. Muvi TV;
e. Kwese (Econet);
f. Top Star; and

g. City Cable TV;

The Controlling Officer further submitted that it was worth noting that the IBA (Television Levy) Regulations, Section 22A (1) stated that "the Authority shall charge a television levy on the subscription payment made by a person to a licensee that provided a subscriber management service during any period of subscription at the rate prescribed by the Minister by Statutory Instrument". In this regard, IBA considered the numbers of subscribers each month as submitted by each SMS provider, which must tally with the amounts remitted. It was also worth noting that management had recognised that there was need to ensure that the numbers of subscribers that SMSs indicated on the schedules tallied and was reconciled with the actual subscribers. Management was in the process of setting up a system to strengthen the verification correctness of the levies collected. A team had been appointed to oversee this process.

Committee's Observations and Recommendations

The Committee takes note of the Controlling Officer's response and resolves to await an update on the process of setting up a system to strengthen the verification process for correctness of the levies collected.

ii. Non Collection of License Fees

The Controlling Officer submitted that it was true that at the time of audit, six broadcasting stations had not paid license fees. The stations had various challenges. Most affected were the community stations that depended on the communities for financial assistance. However, the Board decided to suspend the licenses of the defaulters. It was worth noting that all the suspended stations had since paid their dues and their suspensions had been lifted except for one, Ngoma Radio, based in Luanshya whose license had been revoked.

Committee's Observations and Recommendations

The Committee urges the Controlling Office to submit all supporting documentation to the Office of the Auditor General for audit verification subject to which the matter should close.

4.4 Accounting Irregularities

i. Failure to produce the Annual Report

The Controlling Officer submitted that the audit observation was correct. At the time of audit, the Annual Report for the Financial Year ended 31st December, 2018 was not ready. The report was in draft form but had since been printed and was ready for verification. The delay was regretted.

Committee's Observations and Recommendations

While noting the Controlling Officer's submission, the Committee observes with concern that the failure to produce annual reports is not in tandem with good governance and urges the

Controlling Officer to ensure that this query does not recur. Accordingly, the Committee urges the Controlling Officer to mete out disciplinary action against all officers responsible for this lapse and to submit all the relevant documents to the Auditor General for audit verification. The Committee will await a progress report on this matter.

ii. Non Remittance of Tax

The Controlling Officer submitted that it was true that at the time of audit, Pay As You Earn amounting to K1,698,231 had not been remitted to the Zambia Revenue Authority. The genesis of the debt arose from difficulties encountered in accessing the on-line payment system which was introduced by the Zambia Revenue Authority (ZRA). The IBA was unable to access the system each month and engaged ZRA on each of those months. It was then agreed that the bill be dismantled in monthly installments in addition to other monthly dues. This was in recognition of the low levels of finances allocated to the Authority by the Treasury. The Controlling Officer further informed the Committee that the arrears had since been settled.

Committee's Observations and Recommendations

The Committee questions whether IBA only has one mode through which it can pay its taxes and why no other methods of tax remittance are used. The Committee directs the Controlling Officer to ensure that this query does not recur and urges him to strongly caution management against such lapses. The Committee directs the Controlling Officer to present all relevant documentation to the Auditor General for verification, subject to which the matter should close.

iii. Failure to recover Loans and Advances

The Controlling Officer submitted that management had been pursuing recovery of the loan from the former Manager - Licensing. Furthermore, management was in contact with the former employee in a bid to recover the loan and he had been making some payments, albeit in small amounts. The balance as at the time of reporting stood at K73,000. The case may be referred for litigation considering the period it had taken.

Committee's Observations and Recommendations

The Committee observes that management is taking a weak approach to recovering the loan from the Authority's former employee. In this regard, the Committee strongly urges the Controlling Officer to pursue the matter with the seriousness it deserves. The Controlling Officer is further urged to ensure that all possible channels are employed, including taking the matter to court. The Committee resolves to await an update on the matter.

4.5 Administrative issues – Irregular disposal of Personal-to-Holder motor vehicles

The Controlling Officer the Director General and the Director Standards were entitled to purchase their personal to holder vehicles at 25 per cent of the original purchase price as per their contracts of employment was correct. He further submitted that the Authority had a Depreciation Policy for its assets and that Motor vehicles were depreciated at 25 per cent per annum with

Residual Value at 10 per cent of the original purchase price. In light of this, the two employees were entitled to buy the vehicles at 25 per cent, in line with the terms and conditions of their contracts. However, the employees appealed to the Board to consider that they buy the vehicles at residual value of 10 per cent of the original purchase price, considering that they were fully depreciated after having used them for one year beyond the period they were entitled to buy them. The Board considered and approved the appeal at its first quarter sitting.

Committee's Observations and Recommendations

The Committee observes that the change of the conditions of service in an arbitrarily manner was irregular as it was done to benefit only two respective individuals as opposed to changing the conditions of service to the benefit of the entire establishment**.** The Committee condemns this abuse of authority and urges the Controlling Officer to ensure that disciplinary action is instituted against the Board subject to the provisions of the Public Finance Management the Committee resolves to await an update on the matter.

5.0 JUDICIARY

Review of Operations

An examination of financial and other records maintained at the Judiciary Headquarters and physical inspections of selected stations for the Financial Year ended 31st December 2018 revealed various irregularities, to which the Controlling Officer responded as set out below.

5.1 Operational Matters

i. Inadequate Court Rooms and Judges' Chambers

The Controlling Officer submitted that the Judiciary had been engaging the Secretary to the Cabinet and the Secretary to the Treasury over its infrastructure challenges. In the interim, management had completed the refurbishment of thirteen Judges' chambers and one courtroom at the former Industrial Relations Court (IRC) and was renting the former CETZAM Financial Services PLC building next to the refurbished building. In the long term, the Judiciary intended to construct court buildings in each of the ten provincial headquarters and had since acquired plots for the construction of court buildings and Judges' residences.

Committee's Observations and Recommendations

The Committee takes note of the measures that the Judiciary is undertaking to improve the infrastructure. The Committee is, however, unhappy to note that the Judiciary is operating with just slightly above half the required number of courtrooms as the inadequate number of courtrooms has a negative impact on access to justice, especially for vulnerable citizens. In this vein, the Committee strongly urges the Secretary to the Cabinet and the Secretary to the Treasury to take measures to address this matter as a matter or extreme urgency. The Committee will await a progress report on the matter.

ii. Non-Operational Local Courts

The Controlling Officer submitted that out of the queried 123 non-operational Local Courts across the country; fifty one had since been operationalised leaving out a total of seventy two. The Judiciary had continued to lobby the Ministry of Finance for funding to have the infrastructure built for the remaining local courts.

Committee's Observations and Recommendations

The Committee reiterates its observation on the negative impact that the inadequacy of courtrooms has on the delivery of justice and its calls on the Secretary to the Cabinet and the Secretary to the Cabinet to urgently address this issue. The Committee resolves to await a progress report on the matter.

5.2 Accounting Irregularities

i. Unsupported Payments

The Controlling Officer informed the Committee that the documents for Livingstone, Ndola and Kitwe were availed for audit scrutiny. Documents for Mongu were availed later. For this reason, the officer involved was charged and appeared before the Disciplinary Committee and the outcome was still being awaited from the Judicial Service Commission**.**

Committee's Observations and Recommendations

While the Committee finds it unacceptable that management failed to avail the accounting documents to the auditors and could only avail these documents after the audit exercise, the Committee is pleased to note that the Controlling Officer has instituted disciplinary measures against the officer responsible as this will help to deter other would be offenders. The Committee further strongly recommends that the Controlling Officer should ensure that proper filing systems are put in place and regular monitoring of the filing system is undertaken. The Committee resolves to await a progress report on the matter.

ii. Unaccounted for Stores

The Controlling Officer informed the Committee that the accounting process was not complete. She further submitted that, the point of departure or disagreement was that the two professional opinions between the auditors and the professional cadre (Stores Officers) were that there was a difference between a stores ledger and a bin card. In addition, each respective station needed to acquit for the stores items collected. Subsequently, the Controlling Officer had to engage both the Controller of Internal Audits and Zambia Institute of Management (ZAMIM) to induct the sub warrant holders, Accountants and Stores Officers, on how to account for Government stores. All the necessary documentation had since been procured and distributed to all the sub warrant holders.

Committee's Observations and Recommendations

The Committee is dismayed by the response from the Controlling Officer which seems to suggest that there is nothing wrong with the failure to account for stores. The Committee strongly urges the Controlling Officer to institute disciplinary action against all officers responsible for this irregularity and to put in place mechanisms to ensure that officers henceforth perform their duties according to the Public Stores Regulations. The Committee resolves to await an update on the matter.

5.3 Staff Related Matters

i. Irregular Payment of Remote and Rural Hardship Allowances

The Controlling Officer submitted that management had since effected recoveries from all the seventy three officers concerned and the pay slips and payment vouchers were available for audit scrutiny.

Committee's Observations and Recommendations

The Committee takes note of the Controlling Officer's submission and expresses displeasure that it had to take the auditors to identify that there were irregularities in the payment of remote and rural hardship allowances. The Committee, therefore, urges the Controlling Officer to institute disciplinary measures against all officers responsible for the irregular payments, including supervisors who authorised these payments or failed to stop them. The Committee reiterates that it will not accept wanton disregard of laid down procedures and directs that details of the recoveries should be submitted to the Auditor General for verification. The Committee will await a progress report on the matter.

ii. Irregular Payment of Salaries to Separated Officers

The Controlling Officer submitted that management had instituted recoveries from the terminal benefits of separated officers. Out of the K 375,221.13 relating to twenty six officers, queried, recoveries amounting to K339, 058.84 in respect of twenty three officers were effected, leaving a balance of K36, 162.29.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to present the relevant documentation to the Auditor General for verification. The Committee further calls for disciplinary action to be taken against all officers responsible for these irregular payments, including supervisors who authorised them. The Committee resolves to await an update on the matter.

iii. Irregular Payment of Allowances to Retirees Retained on the Payroll

The Controlling Offer noted the Auditor General's observations and submitted that Article 189 of the Constitution of Zambia provided that "where a pension benefit was not paid on a person's last working day, that person shall stop work but the person's name shall be retained on the payroll, until payment of the pension benefit based on the last salary received by that person while on the payroll."

She further submitted that the Constitutional Court in the case of *Owen Mayapi and Others vs. Attorney General, Cause No. 2019/CCZ/003* had occasion to interpret this provision. It ruled that the phrase 'retention on the payroll' meant that retirees would continue to be paid what they were getting through the payroll at the time of their retirement. The Court further declared Public Service Management Division Circular B21 of 2018 unconstitutional to the extent that it limited the payment to be made to retirees to only a basic salary.

Nonetheless, management had put in place controls, where upon retirement or non-renewal of contract, payment of all allowances delimited and only the basic salary was maintained. Management had continued to institute recoveries of the irregularly paid allowances. Of the queried amount of K1, 172, 300, a total of K 964,874.21 had been recovered, leaving a balance of K207,425.79. Should the affected retired employees seek for refunds arising from the Constitutional Court Judgment, then management would seek recourse to the Attorney General's Chambers.

Committee's Observations and Recommendations

The Committee, cognisant of the provisions of Article 189 of the Constitution of Zambia as amended by Act, No. 2 of 2016 and the subsequent court ruling in the case of *Owen Mayapi and Others vs. Attorney General* urges the Controlling Officer to immediately engage the Attorney General's Chambers for guidance on this matter and to take appropriate action so as to avoid further conflict with and possible inconvenience to and litigation by the retirees. The Committee resolves to await a progress report on the matter.

5.4 Infrastructure Management

The Controlling Officer submitted that the Office of the Attorney General had guided the Judiciary to enter into new contracts for all expired contracts. However, management had not been able to advertise and enter into new contracts for all the expired contracts due to lack of funding from the Treasury.

Committee's Observations and Recommendations

The Committee is disheartened by the state of the works and finds it unacceptable that large amounts of resources have been expended on projects that have ended up been abandoned. Further, the Committee reiterates its earlier observation on citizens' failure to access justice because of lack of court infrastructure. In this regard, the Committee urges the Secretary to the Cabinet and the Secretary to the Treasury to prioritise funding to the Judiciary so as to ensure that the outstanding projects are completed as a matter of urgency. The Committee resolves to await a progress report on the matter.

6.0 LUSAKA SOUTH MULTI-FACILITY ECONOMIC ZONE LIMITED - INDUSTRIAL DEVELOPMENT CORPORTAION (IDC)

6.1 Corporate Governance - High Turnover Rate of Board of Directors

The Group Chief Executive Officer submitted that the reconstitution of the Board of Directors was meant to achieve alignment of both the Board composition in terms of skill set and alignment with the long-term mandate of Lusaka South Multi-Facility Economic Zone limited (LS-MFEZ). Further, he submitted that the Ministry of Commerce, Trade and Industry was mandated to appoint the Board of Directors, even though the supervising agent was the Industrial Development Corporation (IDC) .He informed the Committee that as a corrective measure, a seven-member Board of Directors was appointed for a tenure of three years with effect from 14th April, 2020. Additionally, a framework had now been put in place to avert the high turnover of board members.

Committee's Observations and Recommendations

The Committee expresses concern on the high turnover of the board members which prevailed during the period under review and notes the measures taken to resolve the challenge. The Committee is of the considered view that co-supervision, whereby the Ministry of Commerce, Trade and Industry appoints the Board of Directors which is in turn supervised by the IDC, is awkward and defeats the purpose of separating the supervision of parastatals from the parent Ministry which should be responsible only for policy formulation. In this regard, the Committee strongly recommends that this work arrangement should be reviewed and that the IDC should be responsible for both appointment of the Board for LS-MFEZ and for its supervision. The Committee resolves to await a progress report on the matter.

6.2 Income

The Group Chief Executive Officer submitted that the under-achievement was due to the delay in realising the sale of residential plots that were budgeted for the 2016 financial year but only materialised in the fourth quarter of 2018. Furthermore, Treasury funding of capital projects earmarked for the three years under review fell below budget. He further informed the Committee that the sale of residential plots commenced in the fourth quarter of 2018 and continued into the first quarter of 2019.

Committee's Observations and Recommendations

The Committee is extremely disappointed that the LS-MFEZ has continued to rely on the sale of plots, for its revenue, which is not the core purpose for which the facility was formed. The Committee is saddened to note that the IDC has failed to ensure that the LS-MFEZ becomes a hub of industrialisation, and an agent for fostering an attractive business environment which can promote exports and enhance domestic trade. The Committee strongly urges the Treasury to ensure that capital projects are funded timely so as to avert the blame on the Treasury as to why the zone is ostensibly failing to perform its core mandate. The Committee resolves to await a progress report on the timely funding of capital projects by the Treasury.

6.3 Financial Analysis

i. Financial Performance - Statements of Comprehensive Income

The Statement of Comprehensive Income of the company for the period under review was as shown in table 1.3 below.

Table 1.3: Statement of Comprehensive Income

Details	**2018** **K**	**2017** **K**	**2016** **K**
Revenue	17,458,113	6,589,105	5,386,706
Cost of sales	(5,165,018)	(268,916)	(42,399)
Gross Profit	**12,293,095**	**6, 320, 189**	**5,344,307**
Change in fair value of investment property	3,132,524,644	-	-
Other income	7,619,838	7, 243, 440	6,449,015
Operating expenses	(15, 257, 230)	(12,295,320)	(9,897,976)
Profit before income taxes	**3,137,180,347**	**1, 268, 309**	**1,895,346**
Income Tax Expense	(961,506)	(555,936)	(561,471)
Profit for the year	**3,136,218,841**	**712, 373**	**1,333,875**

Source: LS-MFEZ financial statements for the years ended 31st December 2016, 2017 and 2018

The Committee learnt that the company made a profit of K1,333,875 in 2016 which decreased to K712,373 in 2017. The decrease in profit was attributed to an increase in operating expenses. In 2018, the company made a further profit of K3,136,218,841 from K712,373 in 2017. The significant increase in profit was attributed to the revaluation of the investment property by K3,132,524,644 in 2018.

Committee's Observations and Recommendations

The Committee observes with concern that the profits generated in 2016 were eroded by an increase in operating expenses. The Committee is also concerned that LS-MFEZ failed to sustain its profits generated in 2016 considering that its profits plummeted significantly in 2017. The Committee is of the view that failure to sustain profit generation is due to lack of a sustainable plan on income generation, coupled with the increase in operating expenses. The Committee requests for information with respect to what constituted these significant operating expenses and urges the IDC to ensure that the Zone is achieving the purpose for which it was created. The Committee resolves to await a progress report on the matter.

ii. Financial Position - Statement of Financial Position

The Statement of Financial Position for the company for the period under review was as shown in Table 1.4 below.

Table 1.4: Statement of Financial Position as at 31st December

Details	2018 K	2017 K	2016 K
Non- current Assets			
Investment Property	3,968,614,970	1,402,842,197	1,372,155,897
Property and Equipment	312,365,455	313,053,990	312,798,914
Intangible asset	321,272	322,135	415,852
	4,281,301,697	**1,716,218,323**	**1,685,370,663**
Current Assets			
Inventories	822,474,900	213,280,000	213,280,000
Trade and other receivables	6,845,750	1,074,591	1,836,870
Cash and cash equivalents	7,367,075	6,913,875	30,700,179
	836,687,725	**221,268,466**	**245,817,049**
Total Assets	**5,117,989,422**	**1,937,486,788**	**1,931,187,712**
Equity and Liabilities			
Share Capitals	315,241,989	315,241,989	315,241,989
Revaluation Reserve	248,875,404	248,875,404	248,875,404
Capital Grant	161,039,753	117,133,454	86,327,146
Retained earnings	4,381,731,205	1,244,610,179	1,245,376,163
Total Equity	**5,106,888,351**	**1,925,861,027**	**1,895,820,702**
Current Liabilities			
Deferred income	4,153,922	6,053,294	28,897,792
Trade and other payables	5,097,365	4,684,188	5,734,318
Current income tax	1,849,784	888,279	734,898
	11,101,071	**11,625,761**	**35,367,008**
Total Equity and Liabilities	**5,117,989,422**	**1,937,486,788**	**1,931,187,710**

Source: LS-MFEZ financial statements for the years ended 31st December 2016, 2017 and 2018

The working capital improved from K210,450,041 in the Financial Year ended 31st December 2016 to K825,586,654 in the Financial Year ended 31st December 2018 as shown in the Table 1.5 below.

Table 1.5: Working Capital

SN	Details	2018	2017	2016
1	Current Assets	836,687,725	221,268,466	245,817,049
2	Current Liabilities	11,101,071	11,625,761	35,367,008
3	Working Capital/Liquidity	825,586,654	209,642,705	210,450,041

The Committee was informed that the realisation of the sale of residential plots in the fourth quarter of 2018, enhanced cash inflows for the organisation, leading to an increase in working capital.

Committee's Observations and Recommendations

The Committee reiterates its call for the IDC to ensure that the LS-MFEZ is achieving the purpose for which it was created and resolves to close the matter subject to verification.

6.4 Operational Matters - Issuance of Irregular Discount - Sale of Residential Plot

The Group Chief Executive Officer submitted that the discount of 10 per cent on payment of the second installment was erroneously awarded due to the wrong code used for posting the transaction in the system.LS-MFEZ had issued a demand letter to the customer for the sum of K18,260 erroneously awarded as a discount and the customer had agreed to settle the balance.

Committee's Observations and Recommendations

The Committee finds it unacceptable that it had to take the auditors for the IDC to realise that a wrong code was used to post the discount transaction in the system. The Committee finds the response lacking in merit and strongly directs that all officers who were involved in this transaction should face disciplinary action. This should include any supervising officers who failed to detect the anomaly timeously. The Committee further directs that concerted efforts be made to recover the erroneously awarded discount, taking into account the time value of money and the long period that had already elapsed. The Committee resolves to await a progress report on the matter.

6.5 Accounting Irregularities

i. Unsupported Payments

The Group Chief Executive Officer submitted that the findings of the Auditor General were correct and corrective action was taken per item as outlined below.

1) K4,900 office imprest mistakenly requested as office entertainment, this amount was used to buy water and other office consumables such coffee, sugar, tea which are usually demanded by investors when holding meetings.	1) The amounts had since been requested as office imprest and not office entertainment.
2) K10,000.00 was spent on complementary gifts to various stake holders of the MFEZ during the festive season. These funds were spent from the budget line of gifts and donations.	2) The amount had fully been retired and a clear budget line for such activities had since included in the budget under complimentary gifts.
3) K17,458.00 was a monthly payment to arm secure who provided security services to the MFEZ.	3) As a corrective measure, all receipts are being collected as the security company has automated the receipting module
4) Payment of leave ZMW 56,913 was made to officers of the MFEZ who whose contract extension was for a period of 4 months, Sept -Dec 2016.	4) As a corrective measure, payments to staff were being acknowledged by way of the recipient signing on the payment voucher. The amounts cited were made in line with the conditions of service and were fully authorised.
5) Unsigned Board and committee minutes (ZMW 157,200) - Management acknowledged that some minutes were not signed for the meetings held. The omission wad due to not having a substantive Company Secretary to ensure proper maintenance of records and minutes.	5) As a corrective measure, all Board minutes were being signed timeously. In order to ensure accountability, timely signing of minute is a Key Performance Indicators for the company's Legal Officer.

Committee's Observations and Recommendations

The Committee notes the responses and observes that the query arose as a result of failure on the part of the officers to execute their duty efficiently and maintain necessary records. The Committee, therefore, directs that disciplinary action be taken against all officers responsible for these irregularities. Further, the Committee directs the IDC to submit to the Auditor General all documents in support of the submission for verification. The Committee will await a progress report on the matter.

ii. Irregular Drawing of Fuel - Non-Runner Vehicle

In response, the Group Chief Executive Officer submitted that vehicle registration GRZ 946 BR was used for police patrols within the LS-MFEZ, however due to wearing out and eventually becoming a non-runner Police officers were allocated vehicle registration ALM 1807.They, however, continued to use the tom card for the GRZ 946 BR. He further informed the Committee that LS-MFEZ had now changed the tom card into vehicle registration ALM 18078 which was being used for security.

Committee's Observations and Recommendations

The Committee notes the response and expresses concern that abuse of authority and mismanagement of funds can occur as a result of the lackadaisical attitude of the management of the institution towards financial controls and related accounting issues. The Committee, therefore, recommends that the IDC should impress upon the management of the LS-MFEZ to take accounting and management issues seriously henceforth. In this vein, disciplinary action should also be meted out against all officers responsible for this irregularity so as to deter other would be offenders. The Committee further directs that all documents in support of the submission should be submitted to the Auditor General for verification. The Committee will await a progress report on this matter.

6.6 Staff Related Matters - Recruitment of Unqualified Company Secretary

The Group Chief Executive Officer submitted that the cause of the cited observation was that the incumbent was not yet admitted to the Bar. However, the officer did possess the relevant experience and qualifications, and had effectively performed in the position since her employment. He further submitted that at the time of employing the Company Secretary, the LS-MFEZ did not have recruitment procedures. As a corrective measure LS-MFEZ had changed the officer's job title to Legal Officer. The option taken was less likely to expose the company to litigation and agreement had been reached with the officer. He further submitted that the Auditor General's observation that the person who had been recruited was not part of the candidates who were short listed, was correct.

Committee's Observations and Recommendations

The Committee is extremely perturbed with the response, which in its view supports the wrongful recruitment of an unqualified person as Company Secretary. The Committee notes that the CEO's submission is contradictory in that, in one breath, it posits that the officer possesses the relevant qualifications, but at the same time states that the institution has since changed the officer's title from Company Secretary to Legal Officer as a corrective measure. Further, the Committee finds it unacceptable that LS-MFEZ did not have recruitment procedures, which in turn allowed the institution to employ someone who had not even been shortlisted. Given these concerns and their far reaching repercussions, the Committee is of the strong view that disciplinary action should be taken against all officers who were involved in this recruitment so as to deter such irresponsible practices forthwith. The Committee further recommends that the difference in terms of emoluments between the position of legal officer and company secretary earned by the officer during the time she worked as company secretary should be refunded with immediate effect The Committee will await a progress report on this matter.

6.7 Projects - Incomplete Construction of Gravel Roads by Zambia National Service

The Committee learnt that the contractor demobilised due to non-payment of the full contract sum by LS-MFEZ. The Controlling Officer submitted that the project had stalled due to lack of funds. To date, LS- MFEZ had paid ZMW 732,255.06 for the project whereas ZNS demanded full payment to enable them meet operational costs. LS-MFEZ was working to raise funds using alternative sources to complete the works whilst awaiting the allocation from the Treasury for the project.

Committee's Observations and Recommendations

The Committee notes with disappointment that ZNS demanded for a full payment considering that out of the 39 km they had barely completed 6.5 km. The Committee considers the demand from ZNS to be unreasonable as the kilometers that have been worked on are too insignificant in comparison to the outstanding work, and it therefore urges the IDC to ensure that contract agreements with other stakeholders are not drafted to only benefit those offering the services. The Committee resolves to await a progress report on the matter.

7.0 MANSA TRADES –MINISTRY OF HIGHER EDUCATION

Review of Operations

An examination of accounting and other records at the Mansa Trades Training Institute for the Financial Years ended 31st December 2016, 2017 and 2018 revealed various irregularities, to which the Controlling Officer responded as set out below.

7.1 Income

The Controlling Officer submitted that the negative variance was as a result of not receiving grants for four months during the period under review. Management had notified the Ministry of Higher Education on the underfunding and the Ministry took up the matter with the Ministry of Finance.

Committee's Observations and Recommendations

The Committee resolves to await a progress report on the ongoing engagement between the Ministry of Higher Education and the Ministry of Finance with regard to the issue of underfunding.

7.2 Failure to Prepare Financial Statements

The Controlling Officer submitted that this was due to non valuation of assets. However, there was also an oversight from management to ensure that assets were valued. Management had since written to Ministry of Works and Supply on the valuation of assets.

Committee's Observations and Recommendations

The Committee notes the response with serious concern. The Committee is also concerned that the Ministry appears not to have played its supervisory role, given that it had to take the external auditors to highlight this irregularity. The Committee strongly urges the Controlling Officer to ensure that the financial statements are prepared and all relevant officers face disciplinary action for this anomaly. The Committee will await an update on the matter.

7.3 Accounting Irregularities

i. Missing Payment Vouchers

The Controlling Officer acknowledged that the missing payment vouchers were as a result of poor record keeping. Nonetheless, the 265 vouchers amounting to K1,420,005.85 were traced, verified and resolved during the verification exercise by Auditor General, while 88 vouchers amounting to K493, 946.15 which remained outstanding had also since been traced and were ready for verification. Management had also identified a room for storage of accountable documents.

Committee's Observations and Recommendations

The Committee expresses concern over the failure to provide supporting documents for the payments at the time of audit and questions the competence of the staff in the Finance Department. The Committee further notes that subsequent to the review by the auditors, 265 vouchers amounting to K1,420,005.85 were located while 88 vouchers amounting to K493, 946.15 are still missing. This raises concern as to whether the documents said to have been located are authentic. The Committee strongly urges the Controlling Officer to mete out disciplinary action against all officers responsible for the irregularity. The Committee resolves to await an update on the matter.

ii. Unretired Accountable Imprest

The Controlling Officer submitted that the matter was resolved after an audit verification exercise on 5th October 2020.

Committee's Observations and Recommendations

The Committee urges the Controlling Officers to ensure that disciplinary action is taken against officers who flouted Financial Regulations by failing to retire imprest within the stipulated time. The Committee resolves to await a progress report on the matter.

iii. Unsupported Payments

The Controlling Officer informed the Committee that the query arose due to poor filling as vouchers and supporting documents were being filed separately in the Stores Department. Management had strengthened the filing system by ensuring that supporting documentations were pinned to the payment vouchers and filed together in the same box file to avoid loss and misplacement. After the verification exercise which took place on 5th October 2020, the supporting documents for 187 transactions involving K 1,582,067.84 were resolved and the ninety nine vouchers amounting to K578, 910.16 which remained outstanding had all been traced and were ready for verification.

Committee's Observations and Recommendations

The Committee finds it unacceptable that documents were only located after the audit. The Committee observes with concern the tendency to submit documents after an audit. This casts doubt on the authenticity of the documents and the Committee takes the view that the documents could have been unscrupulously prepared for the purpose of satisfying the audit process. To this effect, the Committee recommends that disciplinary action be taken against all officers responsible for this irregularity, including all supervisors who failed to ensure proper filing of these important accounting documents. The Committee urges the Controlling Officer to ensure that the outstanding documents are submitted for audit verification and will await an update on the matter.

iv. Unaccounted for Stores

The Controlling Officer submitted that due to lack of a proper filing system at the time, disposal records were not filed in box files according to period of disposal, which made it difficult to identify the records at the time of audit. Management had built capacity in the Stores Departments and stores officers had been oriented on the new filing system. Management had also started undertaking periodic stock counts and appraisals in order to strengthen the control environment. The Controlling Officer further submitted that supporting documents and disposal detailed for stores items in amounts totalling K 524,354.43 were resolved during verification on 5th October 2020**, w**hile the nineteen transactions amounting to K 140,912.57, which remained outstanding had all been traced and the documents were available for verification.

Committee's Observations and Recommendations

While noting the Controlling Officer's submission, the Committee reiterates its observation that the tendency to locate supporting documents after the audit is unacceptable. Disciplinary action should accordingly be taken against all officers responsible for this irregularity. The Committee resolves to keep the matter open until all documents are availed for audit verification.

v. Failure to Deduct Tax

The Controlling Officer submitted that this was due to non-compliance with statutory obligations to deduct tax on personal earnings by management. The Committee was informed that

Management had strengthened the control systems around payment of personal emoluments by ensuring all payments were subjected to pre-audit, while deductions would also be effected against the officers involved.

Committee's Observations and Recommendations

The Committee is concerned about the feeble response provided by the Controlling Officer and finds the failure to deduct tax inexcusable. To this effect, the Committee recommends that disciplinary action be taken against all officers responsible for this irregularity, including all supervisors who authorised these payments and failed to ensure that statutory obligations were deducted. The Committee further urges the Controlling Officer to ensure that deductions are effected as a matter of urgency and resolves to await a progress report on the matter.

vi. Missing cancelled Receipts

The Controlling Officer submitted that the matter was resolved after the audit verification which took place on 5th October, 2020.

Committee's Observations and Recommendations

The Committee resolves to close the matter.

7.4 Mansa Trades Secondary School - Academic Account

The Controlling Officer submitted that the matter was resolved after the audit verification exercise on 5th October, 2020.

Committee's Observations and Recommendations

The Committee resolves to close the matter.

7.5 Agricultural Project Account

i. Failure to Provide Stores Records for Animals – Chisunka Farm

The Controlling officer informed the Committee that the matter was resolved after audit verification exercise on 5th October, 2020.

Committee's Observations and Recommendations

The Committee resolves to close the matter.

i. Payment of Extra Duty Allowances

The Controlling Officer informed the Committee that appointment letters were not availed for review at the time of audit. After verification on 5th October 2020, twenty-three valid letters of appointments assigning extra duties to twenty-three officers were availed for audit verification and the issue was resolved. However, letters for nine officers, relating to amounts totalling K16, 605.00 were rejected while one officer had no letter assigning him extra responsibilities. Therefore, management had written to the ten officers on the recoveries which would be effected in November, 2020.

Committee's Observations and Recommendations

The Committee expresses concern over the *laissez-faire* manner in which Management at Mansa Trades Training Institute handles financial issues relating to employees and cautions the Controlling Officer against allowing this unprofessional attitude to continue. The Committee urges the Controlling Officer to ensure that disciplinary action is taken against officers who flouted Financial Regulations with impunity. In addition, the practice of locating supporting documents after audits is unacceptable and the Committee expects it be discontinued forthwith. The Committee resolves to await a progress report on the matter.

ii. Unsupported Payment - Acting Allowances

The Controlling Officer submitted that the matter was resolved after audit verification exercise on 5th October, 2020.The Auditor General confirmed that the issue was indeed resolved.

Committee's Observations and Recommendations

The Committee resolves to close the matter.

iii. Questionable Payment of Salary Arrears

The Controlling Officer submitted that the matter was resolved after audit verification exercise on 5th October, 2020. The Auditor General confirmed that the issue was indeed resolved.

Committee's Observations and Recommendations

The Committee reiterates its concern over the *laissez-faire* manner in which Management at Mansa Trades Training Institute handles financial issues relating to employees and reiterates that the Controlling Officer must institute measures to ensure that the unprofessional conduct is stopped. The Committee resolves to close the matter.

iv. Failure to Pay Outstanding Obligations

The Controlling Officer informed the Committee that during the period under review, the institution experienced inadequate and inconsistent funding. Management engaged the Ministry of Higher Education headquarters over these liabilities, and the Ministry in turn engaged the Ministry of Finance. Funds were released to enable the institution dismantle part of its arrears. A total of K749, 642 out of K2, 081,031 had since been liquidated as shown below. With regard to the outstanding PAYE, on 8th April, 2020, the Ministry wrote to the Secretary to Treasury asking him to consider a debt swap.

Obligation	Outstanding Amount K	Paid Amount K	Outstanding Amount K
Gratuity	533,689	533,689.00	-
Workers Com	48,368	48,368.00	-
NAPSA	117,585	117,585.00	-
PAYE	1,381,389	50,000.00	1,331,389
Total	**2,081,031**	**749,642**	**1,331,389**

Committee's Observations and Recommendations

The Committee observes with serious concern that remittance of statutory obligations is a common problem among statutory institutions. Further, the Committee expresses disappointment over the growing tendency to clear statutory obligations via debt swaps. In any case, the Committee directs that all documents in support of the submission be submitted to the Auditor General for verification. The Committee will await an update on the settlement of the outstanding statutory obligations.

8.0 MPULUNGU HARBOR - INDUSTRIAL DEVELOPMENT CORPORATION

Review of Operations

An examination of financial and other records for the Financial Years ended 31st December, 2017 and 2018 maintained at Mpulungu Harbour Corporation Limited revealed various irregularities, to which the Chief Executive Officer, Industrial Development Corporation (IDC) responded as outlined below.

8.1 Income

The Committee was informed that the non-achievement of budgeted revenue in 2017 and 2018 was attributed to external factors unforeseen at the time of budgeting. These factors were drivers of port throughput, a key determinant of cargo handling (stevedoring) revenue. The specific factors that negatively impacted revenue generation during the period under review are set out below.

Growing competition was reducing the level of business being channeled through Mpulungu Harbour Corporation (MCHL). The company lost business tonnage of over 40,000 tonnes from sugar exports that were transported by road to Rwanda; previously such business was allowed passage via Burundi.

The ban of export of maize also reduced the tonnage that was handled by Mpulungu Harbour. The Group Chief Executive Officer submitted that as a corrective measure, that the Corporation had established a business development unit mandated to maintain and grow levels of business with existing customers; and to develop new business to diversify dominance from the current cargo types mainly being handled by the Port. The diversification effort was demonstrated by MHCL's handling of coal, a different cargo type that was destined for Burundi. The Port had seen recovery and growth in the throughput handled by the Port with a record 181,000 metric tonnes of cargo being handled in 2019. It was forecast that in 2020 a total of 200,000 metric tonnes would be handled through the Port. Furthermore, in an effort to diversify the revenue streams, MHCL had prioritised the following activities:

i. undertaking a market survey as well as a trade mission to the Great Lakes Region to obtain on site information in respect of the opportunities for export and import; and

ii. increasing marketing activities that would drive awareness and benefits of using the Port, and generally the Lake Tanganyika corridor by traders in the medium term, and upgrade the Port which would increase the berthing capacity to support the growing throughput being handled.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a report on the actualisation of the plans and their impact on the entity's revenue generation.

8.2 Financial Analysis

i. Statements of Comprehensive Income

The statements of comprehensive income for the corporation for the period under review were as shown in Table 8.2 below.

Table 8.2: Statements of Comprehensive Income

Details	**2018 K**	**2017 K**
Total Income	27,680,277	26,249,621
Operating Costs		
Operating Expenses	26,156,797	24,928,223
Finance Costs	147,962	190,189
Profit/before Tax	1,375,518	1,131,209
Income Tax for the Year	-	-
Profit for the year	**1,375,518**	**1,131,209**

Source: Mpulungu Harbour Corporation Limited Financial statements for the Years ended 31st December 2017 and 2018

The corporation recorded a profit of K1,131,209 in 2017 which increased to K1,375,518 in 2018. The profit recorded was attributed to the amortisation of the Government grants and translation gains of K1,736,799 and K2,608,725, respectively which were included in the total income. The

Chief Executive Officer submitted that the amortisation of Government grants and recognition of the translation gains of K1,736,799 and K2,608,725, respectively through the statement of Profit or Loss was in line with the international accounting standards. In this regard, there was no action taken.

Committee's Observations and Recommendations

The Committee notes the response and directs that documents in support of the submission should be submitted to the Auditor General for verification, subject to which the matter should close.

ii. Statement of Financial Position

The financial position of the corporation for the Financial Years ended 31st December, 2017 and 2018 were as shown in Table 8.3.

Table 8.3: Statement of Financial Position

DETAILS	2018 K	2017 K
ASSETS		
Non-current assets		
Property and equipment	24,049,171	26,159,316
Current assets		
Inventories	94,232	89,127
Receivables and prepayments	6,637,241	5,788,600
Cash and cash equivalents	189,247	212,452
	6,920,720	6,090,179
TOTAL ASSETS	**30,969,891**	**32,249,495**
EQUITY AND LIABILITIES		
Equity attributable to owners		
Share capital	50,000	50,000
Capital grant	19,215,612	20,952,410
Revaluation reserves	2,903,886	2,971,282
Retained earnings	(8,239,733)	(4,172,021)
Total equity	**13,929,765**	**19,801,671**
LIABILITIES		
Non-current liabilities		
Deferred Pension liabilities	5,707,546	5,351,025
Deferred tax liabilities	1,167,475	1,203,766
Funds Pending Allotment- GRZ	17,139	17,139
	6,892,160	**6,571,930**
Current liabilities		
Bank overdraft	730,398	1,423,881
Taxation payable	-	-
Payables, accruals and provisions	9,417,568	4,452,013
	10,147,966	5,875,894
Total liabilities	**17,040,126**	**12,447,824**
TOTAL EQUITY AND LIABILITIES	**30,969,891**	**32,249,495**

Source: Mpulungu Harbour Corporation Limited Financial statements for the Years ended 31st December, 2017 and 2018

Current Ratio

The Group Chief Executive Officer submitted that the negative working capital was mainly caused by the increase in payables and accruals from K4,452,013 in 2017 to K9,417,568 in 2018. The major increase was an amount of K5,922,744 in respect of statutory obligations in particular NAPSA and PAYE. The Committee was informed that subsequent to the reporting date, and due to improvements in the working capital position, as at 6th February 2020, MHCL had cleared and closed the overdraft facility and paid most of the liabilities outstanding at the date of the report. Specifically, MHCL was now current on its ZRA statutory obligations and obligations were being settled as and when they fell due. In case of NAPSA, the principal amount had been paid in full and the corporation was current. MHCL was currently making payments towards penalties. The current ratio as at 30th June, 2020 had improved to 1.9 from 0.68 and 1.04 of 2018 and 2017, respectively.

Committee's Observations and Recommendations

The Committee notes the response and directs management to submit documents in support of the submission to the Auditor General for verification subject to which the matter should closed.

8.3 Accounting Irregularities

i. Failure to Deduct Taxes - Education and Board Allowances

The Committee was informed that the cause of non-remittance of PAYE on child higher education allowance and board allowances was due to management oversight resulting in the omission to deduct and PAYE as required by the provisions of the *Income Tax Act.* As a corrective measure, action had since been taken and management computed PAYE on child higher education and board allowances on PAYE. Payment to ZRA had been made as of 20thOctober to resolve the anomaly and in turn, management should recover the full extent of PAYE from the affected employees in thirty-six monthly installments. All payments to employees and board members, which constituted taxable emoluments as per the *Income Tax Act*, were now being taxed accordingly in compliance with the tax rules.

Committee's Observations and Recommendations

The Committee is perturbed over the response of the Chief Executive Officer The Committee directs that stern disciplinary action should be meted out against the officers responsible for the irregularity, including all supervisors who authorised the payments without ensuring that the taxes were deducted. The Committee further directs that management should submit all the documents in support of the submission to the Auditor General for verification and will await a progress report on the matter.

ii. Questionable Payment of Insurance Claim

The Committee was informed that the payment of the insurance claim to the Managing Director was caused by an error of judgment and failure to follow laid down procedure. The conditions of service entitled the Managing Director to buy the vehicle that had been assigned to him on a personal to holder basis and accordingly at the end of contract he offered to buy. However, before payment of the offer price and transfer of ownership from the MHCL to the Managing Director, the vehicle was involved in a traffic accident, in November 2017, and was written off. The insurance claim was subsequently paid to MHCL as the insured; however, erroneously the compensation was paid to the Managing Director. The Corporation had assessed that there was no basis to justify the cited payment to the former Managing Director. The Chief Executive Officer also informed the Committee that the process to recover the full amount erroneously paid to the Managing Direct had commenced, and MHCL had instructed its lawyers to vigorously pursue the matter to its logical conclusion. The Managing Director was separated from the employment of the corporation as of 2nd December, 2019.

Committee's Observations and Recommendations

The Committee strongly condemns the decision to pay the Managing Director the insurance claim from the insurance company on the basis that he was entitled to buy the vehicle at the end of his contract. The Committee directs that MHCL should relentlessly pursue the matter and ensure that the money in question is recovered. The Committee further directs that all documents in support of the query should be submitted to the Auditor General for verification and upon recovery of the full amount, the matter should close. The Committee will await a progress report on the matter.

iii. Non-Remittance of Statutory Contributions

The Committee was informed that the non-remittance of statutory deductions was caused by constrained liquidity, resulting from the low cargo throughput handled by the port. The constrained liquidity resulted in a lag on payment of statutory obligations. As a corrective measure, MHCL had since entered into a payment plan with respect to legacy tax obligations which had led to the freezing of the accrual of penalties as the corporation liquidated the outstanding tax obligations in accordance with the signed agreement.

MHCL had been current on its ZRA statutory obligations since the third quarter of 2019. Statutory obligations were being settled as and when they fell due. The Controlling Officer further added that the principal amount for NAPSA had been paid in full and the corporation was current. MHCL was currently making payments towards penalties.

Committee's Observations and Recommendations

The Committee notes the response and urges management to ensure that sustainable strategies are put in place to manage statutory obligations and further resolves to await a progress report on the outstanding amounts that are yet to be liquidated.

9.0 NATIONAL SPORTS COUNCIL OF ZAMBIA MINISTRY OF YOUTH SPORTS AND CHILD DEVELOPMENT

Review of Operations

An examination of financial and other records for the financial year ended 31st December, 2018 maintained at NSCZ revealed various irregularities, to which the Controlling Officer responded as outlined below.

9.1. Governance - Lack of a Council

The Controlling Officer submitted that the situation had since been corrected. The chairperson had been appointed and members of the Board had been elected including the vice chairperson. The names had been recommended to Cabinet for ratification. Relevant documents were available for verification.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await an update on the appointment of all Council members.

9.2 Income

The Controlling Officer submitted that it was true that in the Financial Year ended 31st December, 2018, the Council was under funded by K 420,000. This was due to adverse economic factors rendering revenue collections difficult at Ministry of Finance.

Committee's Observations and Recommendations

The Committee notes the response and recommends that the Council should be innovative and endeavour to raise funds on their own as opposed to always relying on government funding. The Committee further urges the Treasury to ensure that the Council is funded adequately as per their approved budget line. The Committee resolves to close the matter.

9.3 Operational Matter- Lack of Strategic Plan

The Controlling Officer submitted that it was true that during the period under review, NSCZ operated without an approved Strategic Plan. However, the NSCZ had developed a strategic plan which was currently being finalised with support from Management Development Division (MDD) domiciled at Cabinet Office.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the formulation of the strategic plan for the Council.

9.4 Accounting Irregularities

i. Delayed Banking

The Controlling Officer submitted that the Auditor General's observation was correct. He further submitted that the issue of delayed banking with respect to bar sales was as a result of the bar unit not submitting timely daily sales and deposit slips to accounts for banking and reconciliation, a wrong system which was put in place by the previous Board. However, after employing a competent accountant the situation had been corrected and the revenue was banked in accordance with Financial Regulation No. 121. Further, the two officers working at the bar, had since been reprimanded and reoriented on the provisions of the Financial Regulation No. 121.

Committee's Observations and Recommendations

The Committee is elated that management took action against the erring officers and further recommends that strict adherence to the provisions of the Financial Regulations should be enforced. The Committee resolves to close the matter, subject to audit verification.

ii. Questionable Payment of Christmas Bonus

The Controlling Officer submitted that the Auditor General's observation regarding payment of Christmas bonus was noted. He further informed the Committee that the paid bonus was authorised by the Hon Minister at his discretion based on the powers given to him by the *Sports Council of Zambia Act, Chapter 142 of the* Part V Section 29 Sub section 3b which stated that "There shall be paid from the funds of the council such reasonable travelling, transport, subsistence and other allowances for members of the board, the staff or members of any committee of the Council when engaged on the business of the council, at such rates as the Minister may determine". Further, the bonus paid was not an annual taxable bonus that had to be paid on the basis of performance.

Committee's Observations and Recommendations

The Committee observes with concern that the payment of the Christmas bonus was irregular even though it was purported to have been authorised by the Minister. The Committee directs the Controlling Officer to submit all documents in support of the submission to the Auditor General for verification subject to which the matter should either close or a recovery of the money in question should be instituted with immediate effect. The Committee will await a progress report on the matter.

iii. Delayed Remittance of Statutory Obligations

The Controlling Officer submitted that the National Sports Council of Zambia was up to date with the remittance of statutory obligations. However, the outstanding amounts were in the form of penalties and interest accrued to NAPSA as a result of delayed remittance of statutory contributions. The penalties and interest accumulated during a period when workers were not getting paid due to financial challenges at the institution. When salary arrears were paid, even the NAPSA arrears were cleared. He added that the penalties and interest had accumulated beyond the capacity of the National Sports Council. At the time of reporting, the National Sports Council had continued paying small amounts towards dismantling of the penalties, and had continued engaging NAPSA through the parent Ministry for a possible amnesty to cancel the huge penalties.

Committee's Observations and Recommendations

The Committee finds it unacceptable that NAPSA, which was created to ensure that all employees have social security, is not receiving the monthly contributions to be used to provide this intended benefit since almost all government entities owe NAPSA huge amounts in contributions and penalties. The Committee further expresses concern that the NAPSA penalty charges are too punitive. It is the Committee's considered view that the Treasury with other relevant stakeholders should review the rate at which NAPSA charges penalties against defaulting customers The Committee resolves to await a progress report on the matter.

9.5 Weaknesses in Internal Controls on Disbursed Funds

i. Failure to Prepare Bank Reconciliation Statements

The Controlling Officer submitted that the Auditor General's observation was correct. He further submitted that the delay in submission of the statements was due to the fact that the officers in charge were non–accounting staff and had to seek assistance from Provincial Accounting Control Units who were too busy and that led to the delay in availing the statements to the auditors. However, the bank reconciliation statements for Kabwe and Chipata had since been prepared and were ready for audit verification. The Controlling Officer further submitted that he had written to Provincial Permanent Secretaries requesting for attachment of accounting officers to assist in the maintenance of accounting records.

Committee's Observations and Recommendations

The Committee finds the response unacceptable as failure to prepare bank reconciliation statements could be recipe for fraud and loss of public funds. The Committee takes the view that all officers charged with financial management are expected to be familiar with the Financial Regulations and the need to prepare relevant accounting documents in the course of their work. In the same vein, officers carrying out such duties are expected to be closely supervised to ensure that they perform their duties accordingly. To this effect, the Committee directs that disciplinary action be meted out against the officers who failed to prepare the bank reconciliation statements as well as their supervisors for this irregularity. In the meantime, the Controlling Officer should submit all documents in support of the submission to the Auditor General for verification. The Committee will await a progress report on the matter.

ii. Failure to Avail Annual Work Plans and Budgets

The Controlling Officer submitted that the annual work plans and budgets for Chipata Provincial and District Sports Advisory Committees (PSAC) were not submitted on time to the auditors by the Provincial Sports Officer who had since been reprimanded. The work plans and budget were available for verification.

Committee's Observations and Recommendations

The Committee notes the response and directs management to submit all documents in support of the submission to the Auditor General for verification subject to which the matter should close.

9.6 Staff Related Matters - Failure to Fill Key Vacant Positions

The Controlling Officer submitted that the National Sports Council of Zambia operational grant was inadequate to meet the wage bill for the entire establishment. Therefore, the vacant positions could only be advertised and filled once the National Sports Council was able to raise funds to meet the total wage bill. He further informed the Committee that, revitalising the National Sports Council of Zambia in terms of raising funds had been prioritised in the terms of reference for the Board which would resume sitting as soon as the final stage of its establishment was completed. The Controlling Officer further informed the Committee that the Ministry would guide the Board on how they could use the provided for grant as seed money to embark on robust business ventures. The authority to carry out business was provided for in the *Sports Council of Zambia Act, Chapter 142 of Laws of Zambia.*

Committee's Observations and Recommendations

The Committee observes with concern that the Council is operating without a full establishment which has a negative impact on its operations. In this regard, the Committee urges the Treasury to ensure that funds are provided to enable the Council to fill the existing vacancies. In the same vein, the Committee is of the view that the Council must recruit appropriately qualified personnel to be in charge of any business ventures it embarks upon. Additionally, the Committee strongly urges the Controlling Officer to ensure that the Ministry enhances its supervisory role on any business ventures undertaken. The Committee resolves to await a progress report on the matter.

10.0 NITROGEN CHEMICALS OF ZAMBIA INDUSTRIAL DEVELOPMENT CORPORATION

Review of Operations

An examination of financial and other records maintained at NCZ for the financial year ended 31st December 2018 revealed various irregularities, to which the Controlling Officer responded as outlined below.

10.1 Governance - Failure to Appoint the Board of Directors

The Group Chief Executive Officer submitted that the delay in appointing the board was mainly due to the process of transitioning the company from the supervision by the sector ministry to IDC. He further submitted that the following corrective measures had been instituted:

i A board had been appointed and was in place
ii Lack of strategic plan-a four-year strategic plan had been developed and was approved by the board in the first quarter of 2020.
iii Failure to hold Annual General Meetings-the Annual General Meeting was expected to be held in the first quarter of 2021 or as soon as the 2017 and 2018 accounts were agreed upon by NCZ and the auditors by end of the fourth quarter of 2020.
iv Unapproved Internal Audit Charter-the internal audit charter had been approved by the Board and was in use.

Committee's Observations and Recommendations

The Committee notes the submission with concern and finds it unjustifiable that the process of transitioning the company from the supervision by the Ministry of Agriculture to IDC took over four years. The Committee condemns this laxity and calls upon the Executive to treat matters with the seriousness and urgency they deserve at all times. The Committee directs the Chief Executive Officer to submit all supporting documentation to the Auditor General for verification, subject to which the matter should close.

10.2 Income

The Group Chief Executive Officer submitted that the under-achievement of budgeted sales by K647, 057,354 in the year ended 31stDecember, 2018 was attributed to the non-award of the contract under the Farmer Input Support Programme (FISP) which NCZ had assumed in its budget for the year. Further, without the award of the FISP contract, NCZ was not able to mobilise working capital, as NCZ leveraged the executed contract to source credit lines for raw materials. He explained that the following initiatives were actively being pursued to increase the customer base:

i leveraging intra-group business between NCZ and the subsidiaries of the IDC group of companies, specifically target the business in the Agro business.
ii diversifying from the traditional production of granular fertilizer to the blending approach which was not only cost effective but more preferred by the market.
iii active engagement with the Ministry of Agriculture to participate in FISP at high value contracts.

Committee's Observations and Recommendations

The Committee observes with concern the failure by NCZ to generate the budgeted revenue through internally generated and sustainable business as opposed to being dependent on the FISP every year. In this regard, the Committee strongly urges the IDC to enhance its supervisory role and ensure that the earmarked activities meant to improve revenue by growing the customer base are pursued. The Committee resolves to await a progress report on the matter.

10.3 Operational Matters

i. Failure to Prepare Financial Statements

The Group Chief Executive Officer submitted that the delay in the finalisation of the financial statements was due to challenges of auditing a back log of ten years. At the time when NCZ was transferred to IDC, financial statements had not been audited for the ten year period 2005 to 2015. The financial statements for NCZ had since been audited for the period 2005 to 2018.The audited financial statements were available for verification by the auditors.

Committee's Observations and Recommendations

The Committee notes the response with grave disappointment. The Committee further finds it highly unacceptable that an entity of such economic importance to the country with a vital role in the agriculture sector could operate for ten years without audited financial statements. It is the Committee's considered view that the officers charged with the responsibility of preparing the financial statements lacked seriousness in executing their duties. This view is based on the consideration that even before transitioning from the sector ministry to IDC, the company was fully operational and there was a Permanent Secretary at the Ministry of Agriculture to ensure prudent management of the company in the absence of the board. To this effect, the Committee directs that disciplinary action should be taken against all officers who were charged with but failed to execute the responsibility of preparing financial statements. The Committee resolves to keep the matter open and await a progress report.

ii. Payment to Zal – Bro Trading Limited for Purchase of Urea

The Group Chief Executive Officer submitted that the exposure to loss due to the advance payment of K453,488 was occasioned by management's disregard of the procurement procedures. The procurement procedure, which required that a bank guarantee be obtained prior to making an advance payment was not adhered to. As a corrective measure, the former Chief Executive officer (CEO) was suspended and charged with gross negligence of duty resulting in loss to company property in accordance with the disciplinary code. He was subsequently, separated from employment for failing to provide stewardship as CEO of the company. Further changes had been made to strengthen the Finance and Procurement functions through secondment and recruitment of suitably qualified personnel.

Committee's Observations and Recommendations

While noting with approval the action taken by management, the Committee strongly recommends that the advance payment amounting to K453,488 which the Committee deems as wasteful expenditure, should be recovered from the CEO and the company in question immediately. To this effect, all legal avenues should be pursued to recover the funds. The Committee resolves to await an update on the matter.

iii. Unpaid for Fertiliser - Chimsoro Farms Limited K 432,000

The Group Chief Executive Officer submitted that the failure to raise invoices for the fertilizer delivered was regretted and was attributed to failure to adhere to laid down procedures. Furthermore, he submitted that the officer responsible for sales and distribution, the Marketing Manager was censured and separated from the employment of NCZ. Further, his terminal benefits had remained frozen until the loss occasioned to the company was determined and, if need be, the loss would be recovered from his terminal benefits. The invoice had since been issued and delivered to Chimsoro Farms. Chimsoro Farms had agreed to pay monthly installments of K40, 000, and as at November 2020, K120, 000 had been collected. NCZ had enhanced and instituted a credit policy and operating procedures that must be adhered to in order to avoid recurrence.

Committee's Observations and Recommendations

The Committee is elated with the decision taken by management to freeze the terminal benefits of the officer responsible until the loss occasioned to the company is resolved. The Committee resolves to await a progress report on the settlement of the outstanding amount and directs management to submit to the Auditor General for verification the documents for the funds remitted thus far.

iv. Questionable Debt Swaps with Neria Investments Limited

The Committee was informed that the price at which the fertilizer was issued to Neria Investment was in consultation with the Ministry of Agriculture. In this regard, NCZ had continuously engaged and written to the Ministry of Agriculture for the payment of interest and awaits settlement.

Committee's Observations and Recommendations

The Committee is perturbed with the manner in which the transaction to settle the debt owed to Neria was handled. The Committee observes that the negligence exhibited is highly unacceptable and could border on criminality. In this vein, the Committee strongly recommends that the disciplinary action be taken against the officers involved from both NCZ and the Ministry who were responsible for this anomaly. Further, the matter should be reported to the investigative wings for further investigation and possible prosecution of all persons found culpable. Additionally, the IDC should ensure that the outstanding payment is expeditiously settled. The Committee will await an update on the matter.

v. Irregular Sale of Fertiliser

The Group Chief Executive Officer submitted that the anomaly of selling to customers with no executed contracts was due to non-adherence to laid down procedures in relation to the issuance of fertilizer. On the basis of the findings, the erring officer was charged and separated from the employment of NCZ. Most of the customers to whom sales were made without following procedure were agro-dealers. As a corrective measure, NCZ had entered into an agreement with the Ministry of Agriculture and agro-dealers under which the Ministry of Agriculture was collecting the outstanding debt on behalf of NCZ from the agro-dealers by way of offsetting amounts owed to NCZ against amounts payable by the Ministry of Agriculture to the agro-dealers under FISP. As at November, 2020 NCZ had recovered through the Ministry of Agriculture a total of K2.6 million.

Committee's Observations and Recommendations

The Committee notes the response from the Group Chief Executive Officer and strongly recommends that management should be cautioned against the failure to adhere to the laid down operational and financial guidelines and to discipline anyone found abrogating them. The Committee further urges the IDC to impress upon management to ensure that the outstanding debt is settled without further delay taking into consideration the time value of money. The IDC must also tighten its supervision of NCZ in order to ensure adherence to procedures at all times.

10.4 Accounting Irregularities

i. Irregular Payment of Commission

The matter arose due to the NCZ not being able to trace documentation in relation to the commission paid to Soteria Security Services. The substance of the observation was factually incorrect. However, Soteria Security had facilitated sales as an agent of NCZ amounting to K20, 984,699 and earned commission of K733,204. The computations were available for verification by the auditors.

Committee's Observations and Recommendations

The Committee notes the discrepancy between the submission and the auditor's observation and is dismayed that this information was not availed to the Auditor General timely. In this regard, the Committee recommends that disciplinary action be taken against the officers who failed to provide the information at the time of audit. Further, the Committee directs the IDC to ensure that the documentary evidence is submitted to the Auditor General for verification. The Committee will await a progress report on the matter.

ii. Failure to Remit Statutory Contributions

The cause of unremitted statutory obligations was inadequate working capital. Consequently, NCZ had not been able to operate the business at optimum levels, leading to insufficient generation of cash flows for operational purposes. NCZ had started making payments towards the outstanding principle amount with K6,000,000 which had been paid during the fourth quarter of 2019 to the first quarter of 2020 and an additional K5,000,000 was paid in the third quarter 2020. Following its performance and discharge of the contract of supply and delivery of 10,000 metric tonnes of Compound D fertilizer, NCZ was projecting to settle its obligations to NAPSA and ZRA of K20 million and K31 million respectively using revenue to be generated from the FISP 2020/21 contract.

Committee's Observations and Recommendations

The Committee notes with concern the failure by NCZ to settle statutory obligations and strongly urges the Controlling Officer to ensure that the outstanding balances are cleared without any further delay to avoid accruing penalties and possible litigation. The Committee resolves to await an update on the matter.

iii. Failure to Pay Terminal Benefits

The unsettled terminal benefits were attributed to inadequate working capital. Consequently, NCZ had not been able to operate the business at optimum levels, leading to insufficient generation of cashflows to meet obligations to pay terminal benefits. NCZ had since paid K15 million out of the outstanding amount. In line with Article 189(2) of the Constitution of Zambia as amended by Act No. 2 of 2016, NCZ was also paying monthly salaries to the separated employees as a short term measure, NCZ was being positioned to secure contracts under FISP to operate the plant at optimum capacity to ensure generation of revenue to meet operating cash flows. As a medium to long term measure, NCZ's business would be remodeled to better respond to the market and accordingly increase its market, which was expected to reduce dependency on contracts under FISP.

Committee's Observations and Recommendations

The Committee observes with sadness that failure to pay terminal benefits has in most cases led to the separated employees becoming destitutes after diligently serving the country. The Committee takes note of the submission with regard to the amount which has since been settled and the strategies being pursued in the quest to settle the outstanding amounts. The Committee strongly urges the IDC to ensure that these strategies are implemented to ensure that the seperated employees who are still on the payroll can be paid their terminal benefits and removed from the payroll. The Committee will await an update on the matter.

11.0 PATENTS AND COMPANIES REGISTRATION AGENCY MINISTRY OF COMMERCE TRADE AND INDUSTRY

Review of Operations

An examination of financial and other records maintained at PACRA for the financial years ended 31st December 2016, 2017 and 2018 revealed various irregularities, to which the Controlling Officer responded as set out below.

11.1 Income

In the Estimates of Revenue and Expenditure for the financial years ended 31st December, 2016, 2017 and 2018, provisions totaling K163,778,848 were made to cater for various activities against which amounts totaling K149,954,730 were released resulting in underfunding of K13,824,118 as shown in table 11.1 below.

Table 11.1: Budget against actual income

Year	Budget K	Actual K	Under Funding K
2016	53,889,424	53,889,424	-
2017	53,889,424	49,398,639	(4,490,785)
2018	56,000,000	46,666,667	(9,333,333)
Total	**163,778,848**	**149,954,730**	**(13,824,118)**

The Controlling Officer submitted that the underfunding of K13, 824, 118 was as a result of the non-release of grants by the Ministry of Finance for the periods December, 2017, November, 2018 and December, 2018. The Committee heard that the Agency made numerous follow ups with the Ministry of Finance in an effort to remedy the situation. The Agency was not funded despite several assurances on the release of the grants. This also affected the Agency's ability to settle its liabilities, such as PAYE. The Ministry of Finance had since settled all outstanding tax obligations. Further, from January 2019 to October 2020, the Agency had been funded in full.

Committee's Observations and Recommendations

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

11.2 Information Communication Technology (ICT) Systems

i. Missing Information on Client Master Data - Contact Details

a. Registration numbers for some companies

The Controlling Officer submitted that the Agency's registration system, until the upgrade of the electronic registration system (e-Pacra) in 2019 and the introduction of new forms under the new *Companies Act, No 10 of 2017* did not provide for detailed particulars of "other companies" including registration numbers from their respective registries. Other companies in this case were companies registered outside Zambia or entities incorporated by other laws in Zambia that had shareholding in a Zambian company. This issue arose from the fact that the statutory forms for incorporation did not expressly require the registration number of such entities (as provided under their respective registries).

Committee's Observations and Recommendations

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

b. Missing addresses on the electronic database

The Controlling Officer submitted that the reason for the missing addresses was that during data migration from manual to a computerised database in 2006, the policy of the Agency on data migration was to only provide data input for names of businesses and their registration numbers, without full business registration details. Full registration details were only completed upon a business filing latest annual returns and verification of lodgments on file. The filing of annual returns was seen as the most effective way of determining correct and latest addresses for companies. The Controlling Officer submitted that the Agency had since started using the ePacra system to update full registration details because the field for the address was made mandatory and officers could not create any case on a company or business name with empty records. Further, the Agency was not providing any service to businesses that had not submitted their annual returns. This measure had helped in collecting up to date information for entities registered under the old manual system not appearing on the electronic database.

Committee's Observations and Recommendations

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

ii. Lack of Business Continuity Plan(BCP)

The Controlling Officer submitted that the Agency had trained all departments in documenting their respective business continuity measures. He further submitted that, management had consolidated the respective departmental Business Continuity Plans into a draft organisational Business Continuity Plan.

Committee's Observations and Recommendations

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

iii. Failure to Maintain Data Recovery Site Environment

The Controlling Officer informed the Committee that a temporary shortage in storage space led to the storage of stationery and cleaning materials in the server room. However, stationery and cleaning materials had since been moved from the server room.

Committee's Observations and Recommendations

The Committee observes with concern the laxity exhibited by management who entertained the decision to use the ICT sites and server rooms as storage room. The Committee notes that this could have resulted in wasteful expenditure in an event that damages were caused to the equipment stored in the server rooms. The Committee cautions management against such laxity and resolves to close the matter subject to audit verification.

11.3 Accounting Irregularities

i. Irregularities Related to the Fixed Deposit Account-Misapplication of Funds Reserved for Construction Project

The Controlling Officer submitted that Ministry of Finance delayed to fund the Agency and, in some instances, no funding was received at all. The partial use of the Agency's funds in the fixed deposit account was done in order to avert the total disruption of operations which would have ultimately adversely affected collection of Government revenue. Additionally, the reduction of the funds in the fixed deposit account was attributed to project expenditure such as survey fees and purchase of the additional land adjacent to PACRA House which was part of the office construction project. Approval was sought from the Board for all funds that were utilised from the Agency's fixed deposit account. He further submitted that the Agency had lobbied for timely remittance of grants by Ministry of Finance. Accordingly, from January 2019 to October 2020, the Agency had been funded in full. Additionally, the Agency refunded all amounts for the months which funding was subsequently received from the Treasury. The fixed deposit account therefore, stood at K12, 424, 537. 20 as at 20th October, 2020. Board Minutes, current account ledgers showing funding from Ministry of Finance and the Fixed Deposit Certificate were available for verification.

Committee's Observations and Recommendations

The Committee notes the submission and directs that all documents in support of the submission should be submitted to the Auditor General for verification, after which the matter should close.

ii. Non-remittance of Tax

The Controlling Officer informed the Committee that the Ministry of Finance did not fund the Agency in December 2017and November and December 2018. This led to the non-remittance of the tax obligations in question. The Ministry of Finance had since settled all the outstanding tax obligations on behalf of the Agency. Receipts from the Zambia Revenue Authority were available for verification.

Committee's Observations and Recommendations

The Committee observes with concern the continued delay by the Ministry of Finance to fund the Agency. This has led to accrual of penalty charges due to delayed remittances. In this regard the Committee strongly urges the Treasury to ensure that it funds the Agency timeously, failure to which the Ministry bear the penalties charges. The Committee directs the Controlling Officer to submit all documents in support of the submission to the Auditor General, subject to which the matter should close.

iii. Delayed Transfer of Revenue to Control 99

The Committee learnt that the delays were as a result of delayed transmission of fee details by ARIPO and WIPO. This issue had since been addressed with both WIPO and ARIPO and fees were now transferred to the Government revenue transit account on a timely basis. Proof of transfer to Ministry of Finance was available for verification.

Committee's Observations and Recommendations

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

iv. Under Declaration of Revenue on Annual Returns

The Committee learnt that the processing and fees to file annual returns by company type was being undertaken manually, prior to the automation of the registration process. However, when the electronic system was introduced in 2006 and data migration of companies was undertaken, the processing of annual returns ended up being a drop-down selection on the electronic system. This was later enhanced to lock-in filing of annual returns by class of company. Consequently, misclassification of some companies on the database after the upgrade led to incorrect charging of annual returns. Under the upgraded e-Pacra system, the classification of companies was tied to the selected company class and to the nature of business which was determined at the point of processing a name clearance and registration. The Agency had also undertaken a comprehensive data clean up of entities using data from the Bank of Zambia and Pensions and Insurance Authority to ensure accurate classification of entities. Documentary evidence indicating companies in the banking, insurance and financial services sectors which had filed annual returns in the last two years and amounts paid was available for verifications.

Committee's Observations and Recommendations

The Committee notes the response and directs that all documents in support of the submission should be submitted to the Auditor General for verification subject to which the matter should close.

11.4 Administrative Issues

i. Failure to Obtain Title Deeds

The Controlling Officer submitted that there was a delay in locating the documents pertaining to the acquisition of land in Chinsali due to misplacement of the said documents by the Council. However, the documents were later retrieved by the Chinsali Council. In this regard, applications had since been resubmitted to Chinsali Council and as at 14thOctober, 2020, the application was still under consideration by the Council. Documentary evidence was available for verification.

Committee's Observations and Recommendations

The Committee notes the response and directs that all documents in support of the submission should be submitted to the Auditor General for verification, subject to which the matter should be closed.

12.0 PUBLIC SERVICE MICRO FINANCE COMPANY, MINISTRY OF FINANCE

Review of Operations

An examination of financial and other records for the financial years ended 31st December 2013, 2014, 2015, 2016, 2017 and 2018 revealed various irregularities, to which the Controlling Officer responded as set out below.

12.1 Governance - Failure to Appoint a Board of Directors

The Secretary to the Treasury submitted that the process of appointing the Board of Directors was awaiting the revision of the company's Articles of Association which were awaiting vetting by the Attorney General. The Attorney General had advised that the Board of Directors should only be appointed after the revised Articles had been lodged at Patents and Companies Registration Agency.

Committee's Observations and Recommendations

The Committee is dismayed that PSMFC is operating without a Board. The Committee wonders where the strategic direction of the company is derived from and how corporate governance is being adhered to. The Committee observes that the reasons why the Ministry has not appointed a board are neither convincing nor justifiable, and wonders what the Articles of Association have to do with board appointment. In this regard, the Committee strongly urges the Secretary to the Treasury to ensure that the board is appointed without any further delay. The Committee will await an update on the matter.

12.2 Income

The Secretary to the Treasury submitted that the negative variances were attributed to the difference between what the shareholders undertook to finance the company and what was disbursed to the company. Over the years, when generated interest was matched against the projected figure, the company was profitable. What was causing a negative variance was the projected grant funded for the financial years 2015 to 2017 when the company did not receive the grants but reflected it under budgeted revenue as expected non-operating income. Tables 1 and 2 show the revenue from grants and interest.

Table 1- Budgeted interest revenue Vs Actual earned interest Revenue

Years	Budgeted Revenue (K)	ACTUAL REVENUE (K)	VARIANCE (K)
2013	103,602.00	581,161.00	477,599.00
2014	2,995,930.00	3,771,911.00	775,981.00
2015	5,641,410.00	6,291,126.00	649,716.00
2016	8,551,438.00	11,199,069.00	2,647,631.00
2017	22,030,000.00	22,663,282.00	633,282.00
2018	18,349,324.00	30,004,147.00	11,654,823.00
TOTAL	**57,671,704**	**74,510,696.00**	**16,838,992.00**

From the above, it could be seen that the institution exceeded the budgeted revenue in relation to interest on loans for all the years under review.

Table 2 Budgeted Grant Revenue Vs Actual Received from Ministry of Finance/ Shareholder

Years	Budgeted Revenue (K)	Actual Revenue (K)	Variance (K)
2013	12,982,691.00	10,224,271.00	(2,758,420.00)
2014	28,203,738.00	27,070,652.00	(1,133,086.00)
2015	22,139,003.00	1,384,858.00	(20,754,145.00)
2016		555,700.00	555,709.00
2017		614,845.00	614,845.00
2018		3,967,591.00	3,967,591.00
TOTAL	63,325,432.00	43,817,926.00	(19,507,506.00)

From the Tables above it was noteworthy that the institution only received revenue grants from Ministry of Finance/shareholder in 2013 and 2014. It was clear that the negative variances could be attributed to the difference between what the shareholder undertook to pay to the company and what the company actually received.

Committee's Observations and Recommendations

The Committee notes the response and acknowledges that the entity is entitled to receive operational grants. The Committee expresses concern as to why the budgeted income should be based only on the grants and not also on the expected revenue in a respective financial year. In this regard, the Committee recommends that the Government should ensure that the entity is timeously funded and that the budgets should include both the income from the grant and the budgeted revenue from the operations**.** The Committee will await a progress report on the matter.

12.3 Financial Analysis

i Financial Performance – Statements of Comprehensive Income

a. Profitability of the Company

The Secretary to the Treasury informed the Committee that the institution incurred losses in the years 2015 and 2016 due to expenditure incurred on the introduction of credit life insurance and costs incurred in the process of developing new products for the institution. Further the depreciation costs for assets procured in 2014 and 2015 charged in the financial years under review eroded the profits earned.

Committee's Observations and Recommendations

The Committee notes the response and expresses concern that the introduction of new products lead to a decrease in profits. The Committee is disappointed that the newly introduced products did not help to increase the non-operating income. The Committee resolves to await a progress report on the newly introduced products vis-à-vis their contribution to the profitability of the company net non-operating income.

iii. Financial Position – Statements of Financial Position

The Secretary to the Treasury submitted that the losses were attributed to expenditure incurred on the introduction of credit life insurance and costs incurred in the process of developing new products for the institution.

Committee's Observations and Recommendations

The Committee reiterates its recommendation that a progress report be submitted to it on the impact of the newly introduced products with regard to the net non-operating income.

12.4 Outstanding Loans as Per PSMFC Debtor's Age Analysis

The Secretary to the Treasury submitted that the age analysis adopted by PSMFC was in line with the *Banking and Financial Services Act*, *No. 21 of 1994* and the Banking and Financial Services (classification and provisioning of loans) Statutory Instrument Number 142 of 1996 which showed the ranges of the age of outstanding loans during the period under review falling under the categories substandard K413,051; doubtful K529,265; and loss K11,203.303 was correct since the Institution operated in this sector and subscribed to the *Banking and Financial Service Act.* The cause of the delay in the recovery of the loans was that during its formative years in 2013, the PSMFC loan book and inputs were handled by a third party, namely National Savings and Credit Bank (NATSAVE). The Bank did not perform to the expectations of the PSMFC and during the Payroll Management and Establishment Control (PMEC) system upgrade, the running recoveries and input of new recoveries was affected. In order to address this challenge, management had put in place monitoring measures that ensured that payments on these accounts were consistent for the tenure of the loans by engaging clients to ensure collection of the funds were evidenced with attached letters to customers for settlement of the outstanding balances.

Committee's Observations and Recommendations

The Committee notes with concern that the company had engaged the National Savings and Credit Bank which despite having an established reputation, failed to perform to the expectations of PSMFC, leading to uncollectable loans. In this regard, the Committee strongly recommends that all the outstanding loans should be expeditiously collected. The Committee further directs that the available documentary evidence should be submitted to the Auditor General on the strategy to collect the outstanding loans. The Committee will await an update on the matter.

12.5 Weaknesses in the Administration of Loans

i. Delinquent Loans

The Secretary to the Treasury submitted that management had continued to engage the clients who were not servicing their loans, through calls and demand letters. He further added that the follow up action had helped to reduce the number and value of delinquent Loans. He further submitted that it was sad to note, some of the civil servants were acquiring loans from more than two institutions to an extent that their take home were below the 40 per cent threshold of net pay which was against government's policy. This in turn, made it difficult to consistently collect the loan repayments by PSMFC as PMEC deductions could not go through by the fifth of the following month.

Committee's Observations and Recommendations

The Committee is extremely disappointed that the company has delinquent loans considering that the clients for the company are civil servants whose loans are payroll based. It is the Committee's considered view that the company has not undertaken stringent efforts to recover the loans. The Committee strongly recommends that the Treasury should work in hand with Public Service Management Division(PSMD) to ensure that all civil servants who are in the habit of circumventing the PEMC system by acquiring loans from more than one entity, which often deduct their money before the fifth day of the month, when PEMC effects their deductions are disciplined. The Committee resolves to await a progress report on the matter and strongly urges the Chief Executive Officer to purse the clients that still owe to ensure that the loans are paid off, failure to which the matter should be reported to the investigative wings for investigation and possible prosecution of all persons found culpable. The Committee will await a progress report on the matter.

ii. Under Recovery of Loans

The Secretary to the Treasury responded that observation of the Auditor General was noted and the problem was caused during the period when the loan book was managed by NATSAVE from 2013 to 2016. During this period NATSAVE had challenges in reconciling the loan accounts leading to under recovery of various loan accounts. The loan book had since been handed over to PSMFC and the reconciliation of the loan book was up to date. The reconciliation of the NATSAVE Loan Book highlighted a number of issues, such as inaccurate data that could attract legal liabilities from clients and queries from regulators such as Competition and Consumer Protection Commission. PSMFC had since reinstated all loans which were under collected through PMEC deductions.

Committee's Observations and Recommendations

The Committee notes the response and directs that documents in support of the submission should be submitted to the Auditor General for verification and upon liquidation of the loan, the matter should close.

12.6 Failure to Disburse Mortgage Loans

The Secretary to the Treasury submitted that at the time of handover, the files handed over by Zambia National Building Society (ZNBS), were verified by PSMFC, Ministry of Finance and by ZNBS. He further submitted that the documents were signed for and that out fifty files reported, forty four files were handed over without certificates of title. Furthermore, twenty seven mortgages had been redeemed and the certificates of title released to the clients by ZNBS. The Committee was also informed that one file was subject of litigation and that; the matter was resolved via Consent Order in 2020. PSMFC facilitated the issuance of three certificates of title. Management had continued to pursue acquisition of the title deeds, and the number of mortgages without titles had reduced, even though the files were submitted to PSMFC with various pertinent documents missing.

Committee's Observations and Recommendations

The Committee observes with concern that PSMFC took over mortgage cases without proper due diligence as some of the clients in question did not submit the relevant documents such as, title deeds which were to be used as collateral in an event that there was a default. The Committee strongly directs that PSMFC should ensure that all the outstanding matters are resolved and all documents in support of the submission should be submitted to the Auditor General for verification and to expeditiously commence disbursement of mortgages to civil servants. The Committee resolves to await a progress report.

13.0 UNIVERSITY OF ZAMBIA, MINISTRY OF HIGHER EDUCATION

Review of Operations

An examination of accounting and other records of the University of Zambia (UNZA) for the Financial Years ended 31st December 2013, 2014, 2015, 2016, 2017 and 2018 revealed various irregularities to which the Controlling Officer responded as set out below.

13.1 Governance - Failure to Appoint a Substantive Council

The Controlling Officer submitted that the delay to appoint a substantive Council was due to delays in the approval processes. He further submitted that the process of appointing the Council members had reached an advanced stage and in the interim, the Minister appointed a caretaker Council as provided by the *Higher Education Act, No 4 of 2013,* and had submitted the requisite documents to the appointing authority, for the appointment of the members to serve on the Council of the University.

Committee's Observations and Recommendations

The Committee is concerned that UNZA has been operating without a Council for over four years and the Controlling Offer has failed to provide a satisfactory response as to why this is the case. In this regard, the Committee strongly urges the Controlling Officer to expeditiously engage the appointing authority to appoint the Council without further delay. The Committee will await an update on the matter.

13.2 Income

The Controlling Officer informed the Committee that the approved budget for the university was less than the request for funding which had been submitted to the Ministry of Higher Education. He further submitted that during the period under review, the university received supplementary funds to cover the deficits on operational costs. The Committee also learnt that the Government had developed a financing strategy to address the escalating costs of running the university. The strategy provided a roadmap on how to restructure the establishment, for purposes of focusing on the core business of the university; liquidation of statutory, settling of personnel related debt; and abolishment of all current internal pension schemes. Management at UNZA on the other hand, had developed and implemented the restructuring plan which would address the high staffing levels. Management had also established a company, (UNZA Holdings) which would take over the running of all business ventures.

Committee's Observations and Recommendations

While noting the response from the Controlling Officer, the Committee expresses concern over the decision to establish UNZA Holdings is prudent, given the many challenges that the university is facing. The Committee urges the university to be extremely cautious with this decision and to ensure that due diligence is done to determine the viability and benefit of forming UNZA Holdings. The Committee resolves to await a progress report on the efforts being undertaken to improve UNZA's income.

13.3 Operational Matters - Irregular Invoicing of Non - Sponsored Students to Loans Board

The Controlling Officer informed the Committee that there were delays during the screening process to reconcile the student records between the Higher Education Student Loan Board (HELSB) and UNZA. He further informed the Committee that screening was done on a yearly basis by the HELSB for the purposes of confirming the loans that had been awarded to the students who had met UNZA's requisite requirements. He further submitted that in order for the university to access funds from HELSB on time, a provisional invoice of the number of students who were awarded provisional bursary before being screened had to be raised, upon which payments to UNZA by HELSB were based. He further submitted that the students queried were initially on government sponsorship, but were not screened in the academic year under review. However, reconciliation with HELSB was carried out for the academic year 2017/2018 and the balances were agreed. The Committee also learnt that through this reconciliation, it was ascertained that no public funds were lost.

Committee's Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to ensure that the query does not recur and directs the Controlling Officer to submit all supporting documents to the Office of the Auditor General for audit verification, subject to which the matter should close.

13.4 Procurement Matters - Failure to Account for Sale and Hire of Graduation Attire

The Controlling Officer submitted that at the time of audit, stores records for graduation attires were misplaced. Misplaced records had since been found and now available for verification

Committee's Observations and Recommendations

The Committee finds it unacceptable that management failed to maintain a proper record keeping system as this is a sign of laxity on the part of management. In this regard, the Committee strongly urges the Controlling Officer to institute disciplinary action against officers who misplaced the records. The Committee further directs that the Controlling Officer should impress upon management to ensure that proper record keeping systems are implemented and strictly maintained. The Committee resolves to await a progress report.

13.5 Accounting Irregularities

i. Failure to Submit Annual Reports

In response, the Controlling Officer informed the Committee that the delay in submitting annual reports was because the audited financial statements which formed a major component of the report were not concluded by Grant Thornton at the time of audit.

He further submitted that in 2012, the university had a backlog of unaudited financial statements for the years 1994 to 2014. The university had planned to be up to date with the preparation of financial statements by December, 2019. However, there were unavoidable disruptions to the plan in 2017 when the Auditor General commenced its audit of 2013–2017 financial statements. The Office of the Auditor General concluded the audit of 2013–2017 financial statements in 2018 and shortly thereafter, in 2019 embarked on the audit of 2018 financial statements. He further submitted that the external auditors could not carry out the audit as well during the same period as the university had to accommodate the Auditor General. The audited financial statements up to 2016 had since been finalised and approved.

The Controlling Officer further responded that the university had produced draft financial statements and annual reports up to 2017. The draft 2018 financial statements were awaiting audit clearance. The university had a revised target to be up-to-date with both audited financial statements and the Annual Report by June 2021.

Committee's Observations and Recommendations

The Committee observes with worry that UNZA has not prepared financial statement and annual reports for a long time and questions what role the Ministry has played in the previous years if it has to take the auditors to highlight this inefficiency. The Committee perceives this to be a sign of laxity on the part of the Ministry which the Committee finds unacceptable, considering that UNZA has qualified personnel in the accounts department, who were drawing salaries during the period in question without adding value to the institution. In this regard, the Committee strongly urges the Controlling Officer to ensure that the outstanding financial statements and annual reports are prepared and that the disciplinary action should be meted against the accounting officers who failed to execute their duties. The Committee will await an update on the matter.

ii. Loss of Revenue – Unpaid Accommodation Fees

The Controlling Officer submitted that ten students were offered accommodation but did not meet registration requirements to take up the offer. Consequently the university did not collect accommodation fees from the ten students. A reconciliation of the records was done and upon discovering that the students in question were not registered, the offer for bed-spaces was withdrawn and reallocated to other registered students on the waiting list in August, 2018. The fees charged from August, 2018 were collected from those who took up the bed-spaces for the remainder of the academic year. The university had put in place controls to ensure that bed spaces were allocated only after registration.

Committee's Observations and Recommendations

The Committee takes note of the response and directs that all supporting documents should be submitted to the Auditor General for verification, subject to which the matter should close.

iii. Unsupported Payments

The Controlling Officer reported that the query occurred due to poor record management. He further submitted that nineteen transactions totalling K258,276.50 were available for verification. As a long term measure, management had introduced an annual performance appraisal system of accounting staff and preparation of proper accounts documents was tagged as a Key Performance Indicator (KPI).

Committee's Observations and Recommendations

The Committee finds it unacceptable that documents were only located after the audit. The Committee observes with concern the tendency to submit documents after an audit. This casts doubt on the authenticity of the documents and the Committee takes the view that the documents could have been unscrupulously prepared for the purpose of satisfying the audit process. To this effect, the Committee recommends that disciplinary action be taken against all officers responsible for this irregularity, including all supervisors who failed to ensure proper filing of these important accounting documents. The Committee resolves to await a progress report on the matter.

iv. Unaccounted for Stores

The Controlling Officer responded that the query occurred due to poor management of stores. The prevailing status was as indicated in the Table below.

No	Unit	Details	Amount (K)	Sch.No.	Status
1	CICT	Various stores	43,360.00	CY 10	Outstanding
2	Central Administration	Various stores	785,548.82	CY 11	Two transaction totalling K17,000 out of thirty three transactions been adequately supported
3	UNZA Printer & Press	Various stores	156,666.52	CY 12	Outstanding
4	Dean of Students	Various stores	1,422,070.73	CY 13	Outstanding
5	School of Law	Various stores	109,500.50	CY 14	Project items not issued for use.
6	Central Stores	Fuel	491,814.54	CY 15	Records amounting to K204,468.77 for four(4) transactions are available for verification.
			3,008,961.11		

The Controlling Officer further explained that as a long term measure, management had developed draft inventory management policy to ensure that a record of receipts and disposal details for stores was maintained. Maintenance of this record had become a KPI.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's submission and strongly directs that disciplinary action should accordingly be taken against all officers responsible for this irregularity. Additionally, the Committee recommends that the Controlling Officer should impress upon management to effect deductions on staff who failed to provide information to account for stores. The Committee resolves to await a progress report on the balance which the Controlling Officer has not accounted for and urges him to submit supporting documents for audit verification. The Committee will await a progress report on the matter.

13.6 Projects

i. Construction of a False Roof - School of Mines

a. Failure to Provide Performance Security against the Contract

The Controlling Officer submitted that the query arose due to poor oversight by officers and weakness in contract management. He further informed the Committee that to resolve the matter, management had put in place mechanisms to enhance contract management for supply of works, goods and services. Some of these mechanisms included but not limited to, obtaining advance bonds on all advance payments and performance bonds before commencement of any works.

Management would ensure that in future there was full compliance with the provisions of the Zambia Public Procurement Regulations.

Committee's Observations and Recommendations

The Committee is disappointed to note that the query arose as a result of poor oversight by officers and weakness in contract management. The Committee finds the response by the Controlling Officer to be non-committal and recommends that disciplinary action should be meted out against all officers who failed to adhere to the Zambia Public Procurement Regulations. The Committee resolves to await a progress report on the matter.

b. Questionable Payments on expired Contract

The Controlling Officer submitted that failure by management to settle obligations as they fell due was due to liquidity challenges faced by the university. He further submitted that the Auditor General's observation that the contract expired in December, 2015 was correct. However, the first and second extension for project completion was given in the letters dated 1st June, 2016 and 1st May 2018 respectively. Payments were based on certified works for the extended period as outlined in the earlier submitted Interim Payment Certificates.

Committee's Observations and Recommendations

The Committee notes with concern over the submission that the payments were based on the earlier submitted Interim Payment Certificates, which showed a discrepancy in the completion status as observed by the Auditor General. The Committee directs the Controlling Officer to ensure that all documents in support of the query are submitted to the Auditor General for audit verification subject to which disciplinary action should be instituted against all officers who processed the payment and may be found wanting. The Committee resolves to await a progress report on the matter.

c. Failure to Complete Works

The Controlling Officer informed the Committee that the cause of the failure to complete the project on time was due to liquidity challenges experienced by the university. The contract was terminated on mutual consent by both parties and the contractor was paid based on works certified. However, management engaged another contractor to complete the works. Management had committed adequate financial resources to complete the works without delays.

Committee's Observations and Recommendations

The Committee notes the response and directs the Controlling Officer to ensure that all documents in support of the submission are submitted to the Auditor General for audit verification subject to which the matter should close.

ii. Failure to Construct a Poultry House - School of Veterinary Sciences

The Controlling Officer submitted that the delay to construct the Poultry House was as a result of the changes to the earlier design. The supplier had refunded the funds.

Committee's Observations and Recommendations

The Committee directs the Controlling Officer to submit documents in support of the submission to the Auditor General for verification subject to which the matter should close.

13.7 Asset Management

i. Lack of Asset Management Policy

The Controlling Officer explained that management initiated the process of developing the Asset Management Policy which was finalised and approved for implementation in March, 2020. He further informed the Committee that before the policy was approved, the university was using accounting policies and industry best practices.

Committee's Observations and Recommendations

While noting the Controlling Officer's submission, the Committee cautions against the failure to put in place proper asset management policy**.** In this regard, the Committee urges the Controlling Officer to ensure that an Asset Management Policy is put in place without further delay. The Committee will await an update on the matter.

ii. Failure to Utilise Procured Property

In response, the Controlling Officer informed the Committee that the property could not be occupied from the time it was handed over to the university in 2012 to date because it needed to be renovated to be suitable for the purpose. However, the delay in renovation was due to the following:

a. after the house was handed over to the institution in 2012, there was a boundary dispute which was amicably resolved in 2012. During this period, nothing could have been done to the property as the case was still in court.
b. after resolving the boundary dispute, ZAMNET through management requested to rent the property and subsequently renovated it in 2015. However, ZAMNET did not occupy the property due to liquidity challenges and only communicated in 2018.
c. in 2018, the unit requested that the renovations be done to the property by the university itself and requested the Resident Engineer for the Bill of Quantity (BoQ). In January 2019 the process of purchasing the materials commenced.

The Committee also learnt that management had since embarked on renovation of the house and planned for completion by December 2020. The renovations stood at 80 per cent complete.

Committee's Observations and Recommendations

The Committee is dismayed at the state of affairs regarding the unutilised property especially in light of the fact that the university is constantly lamenting that it is facing liquidity challenges. The Committee finds it unacceptable that UNZA could wait for three years for ZAMNET to indicate that they would not occupy the house and observes that this translates into a lack of seriousness on the part of management. The Controlling Officer is urged to strongly caution management on the need to avoid unnecessary lapses and directs that all officers who should have instituted control measures are disciplined. The Committee will await a progress report on the matter.

13.8 Staff Related Matters

i. Failure to Settle Statutory Contributions K 2,755,977,104

The Controlling Officer reported that the failure to pay statutory obligations as and when they fell due was due to liquidity challenges the university was faced with. He further submitted that government funding to the university and self-generated income were well below operational costs and rendered the university incapable of dismantling the accrued arrears. The university anticipated that most of its debt would be liquidated by the Government of Zambia as per the Public Universities New Financing Strategy Cabinet memo of 2017. He further informed the Committee that in December, 2018, the Treasury released K23 million for purposes of dismantling the arrears. In 2019 a total of K20.9 million was released towards dismantling of arrears and in 2020 Treasury had released a total of K16 million.

He further informed the Committee that the university applied the proceeds from the sale of land at York Farm amounting to K126, 811,680.00 to dismantle arrears for NAPSA contributions.

Committee's Observations and Recommendations

The Committee is concerned that the statutory obligations have not been settled and strongly urges the Controlling Officer to ensure that the matter is treated with the seriousness and urgency that it deserves so as to avoid accrual of penalty charges and possible litigation. The Committee will await a progress report on the matter.

ii. Failure to Settle Terminal Benefits

The Controlling Officer responded that the failure to pay terminal benefits as and when they fell due was as a result of liquidity problems the university was faced with. The budget line that was approved every year towards dismantling arrears in terminal benefits was insufficient. The Controlling Officer stated that the Ministry had devised a financing strategy and the university anticipated that most of its debt would be liquidated by the Government of Zambia as per the Public Universities New Financing Strategy Cabinet memo of 2017. In December 2018 Treasury released K23million for dismantling of arrears. In 2019 a total of K20.9 million was released towards dismantling of arrears. Documentary evidence was available for verification. The university was also making efforts to enhance income generation activities. Further all UNZA business ventures would be placed under UNZA Holdings Limited for effective management.

Committee's Observations and Recommendations

The Committee observes that the liquidity challenges that UNZA is undergoing appear to be insurmountable and an urgent strategy on how to resolve this challenge must be formulated expeditiously. The Committee holds the view that it is unfair not to pay retirees who have faithfully served the institution, what is due to them. The Committee anticipates that the measures presented by the Controlling Officer will lead to a quick dismantling of the arrears. The Committee resolves to await a progress report on the matter.

13.9 Financial Analysis - UNZA Investments

i. Poor Performance of Investments – ZAMNET

a. Failure to Produce Financial Statements

The Controlling Officer informed the Committee that the financial statements had not been audited due to liquidity challenges ZAMNET was undergoing. He further submitted that the draft financial statements were available for verification. The University of Zambia Council approved to look for an equity partner with a view to revamp the operations of ZAMNET. However, in the mean time the university was supporting the operations through payment of licenses to ZICTA and bandwidth from CEC Liquid.

Committee's Observations and Recommendations

The Committee expresses concern over the failure to prepare financial statements and observes that management needs to make a decision on the way forward regarding the existence of ZAMNET, especially in light of the fact that the university is facing liquidity challenges and cannot afford to be bailing out ZAMNET. The Committee observes with concern that the provisions of the *Companies Act No. 10 of 2017* are not being adhered to and urges the Controlling Officer to ensure that this query does not recur. The Committee resolves to await a progress report on the matter.

b. Recurring Losses – Statement of Comprehensive Income

In response, the Controlling Officer informed the Committee that ZAMNET was uncompetitive in a highly competitive market due to inadequate investment in technology arising from loss of customer base. He further submitted that ZAMNET Board was actively engaged in securing an equity partner with a view to recapitalise the operations of ZAMNET.

Committee's Observations and Recommendations

The Committee reiterates its observation on the need to find a lasting solution with respect to ZAMNET**.** While acknowledging that ZAMNET was a pioneer in the industry, the failure to keep up with the competition is causing a strain on resources for the university. The Committee resolves to await an update on the matter.

ii. Declining Profits – York Farm

The Controlling Officer submitted that the costs of production and export had become unsustainable. Management had raised concerns over dwindling profits with York Farm Limited Board. The Board decided to dispose part of the farm to settle the arrears pertaining to NAPSA contributions. The farm had since been sold to NAPSA and UNZA's shares from the sale proceeds had been used to settle part of the debt to NAPSA.

Committee's Observations and Recommendations

The Committee directs the Controlling Officer to submit documents in support of the submission to the Auditor General for verification subject to which the matter should close.

14.0 WORKERS' COMPENSATION FUND CONTROL BOARD, MINISTRY OF LABOUR AND SOCIAL SECURITY

Review of Operations

An examination of accounting and other records of the Workers' Compensation Fund Control Board (WCFCB) for the financial years ended 31st December 2017, 2018 and 2019 revealed various irregularities to which the Controlling Officer responded as set out below.

14.1 Governance – Failure to Comply with Board Composition

The Controlling Officer submitted that the Board Members were nominated by associations and not by virtue of their offices.

Committee's Observations and Recommendations

The Committee directs the Controlling Officer to submit the supporting documents for audit verification subject to which the matter should close.

14.2 Financial Analysis

i. Financial Performance

a. Administrative Costs as a Percentage of Assessment Income

The Controlling Officer submitted that WCFCB had set up milestones in its five year strategic plan for the period 2015 to 2020 which would enable WCFCB to achieve a 100 per cent increase in assessment income, on the assumption that the actuarial recommendation to increase assessable earnings from K800 to K1, 200 would be implemented. As a result of non-effecting of the increase in assessable earnings, the assessment income only increased by 47.83 per cent.

During the same period costs rose due to inflation. The Controlling Officer further explained that in order to improve the ratio, the following measures had been implemented:

a. strategic partnerships with other statutory bodies such as the National Pension Scheme Authority; Zambia Revenue Authority; and Patents and Companies Registration Agency for purposes of data sharing;
b. increase in the number of inspectors and prosecutors;
c. separation of the service delivery functions from the revenue collection function so as to dedicate inspectors to revenue collection because before April 2019, the inspectors were doing both compliance and service delivery functions;
d. the Workers' Compensation Amendment Bill extending coverage to the informal sector and the public sector had been submitted to the Ministry of Justice; and
e. review of the Statutory Instrument covering domestic workers.

The Committee also learnt that the Board engaged stakeholders through the Tripartite Consultative Labour Council to review assessable earnings. The adjustment of assessable earnings from K800 to K1200 was accepted by stakeholders and a Statutory Instrument reflecting the change was submitted to Ministry of Labour and Social Security for further action.

Committee's Observations and Recommendations

The Committee notes the actions taken and urges the Controlling Officer to ensure that the WCFCB operates as per its set administrative costs, that it can enable it to better serve its clients. The Committee will await a progress report on the matter.

14.3 Operational Matters - Pensioners and Dependants on Payroll without Life Certificates

The Controlling Officer informed the Committee that many beneficiaries lacked fixed abodes and as a result, tracing them was an operational challenge. In this regard, the Board provided a three months graces period for the beneficiaries before dropping them from the payroll on an annual anniversary. He further submitted that some beneficiaries submitted their life certificates late and others completed them with errors. In addition, some beneficiaries lived in far flung areas where communication lines were difficult. However, some beneficiaries did not come forward deliberately to fill in life certificates until the pension had accrued to a substantial amount. The Committee learnt that the monthly pension was paid to pensioners that had submitted proof of life through filled in Life Certificates that were submitted annually. Where the pensioner did not submit the Life Certificate, the monthly pension was suspended. However, for new beneficiary enrolments onto the payroll, Pensioner Enrolment Form (Form 32) and Dependant Enrolment Form (Form 40A) acted as Life Certificates during the first year and the beneficiaries were only required to complete the Life Certificate in subsequent years.

WCFCB interrogated the records of 984 beneficiaries and the following were the findings:

a. 201 cases had valid life certificates and were in good standing;
b. 424 cases were new entrants on the payroll and needed to clock one full year to revalidate existence; and

c. 359 cases (166 widows and children; and 193 pensioners) were found to be with no valid life certificates and immediately dropped from the payroll awaiting revalidation of life. The Board shall in future ensure that beneficiaries without life certificates were removed from payroll immediately.

Committee's Observations and Recommendations

The Committee notes the response from the Controlling Officer and directs that all documents in support of the submission should be submitted to the Auditor General for verification and the Committee will await an update on the matter.

14.4 Asset Management

i. Lack of Title Deeds

The Controlling Officer informed the Committee that some title deeds were lost and duplicate titles were being processed. He further added that some land was acquired via debt swaps as bare plots and title for such land was being processed.

The Controlling Officer further explained that out of the seventeen properties cited as having no certificate of title, seven properties were originally on title but the certificate of title could not be traced. The Board therefore applied for duplicate certificates of title in line with the *Lands and Deeds Act*. The process of obtaining duplicates was underway. He further submitted that ten properties that had never had certificates of title were acquired either without title or as bare land via debt swaps with local authorities against assessment debt as listed below.

a. Solwezi land - This land was repossessed by Solwezi Municipal Council despite the Board having paid for it in full.
b. Choma land - This was acquired by the Board through a debt swap with assessment debt. The Board was waiting for full minutes of the Full Council Meeting so as to process title deeds.
c. Chipata land - This was acquired by the Board via a debt swap with assessment debt. The land has been claimed by a third party and the Board awaits allocation of alternative land.
d. Mufulira land - This was acquired by the Board through a debt swap with assessment debt. The Board is waiting for minutes of the Full Council Meeting so as to process title deeds.
e. Kafue land - This was acquired from National Housing Authority (NHA) by the Board. NHA is processing title on behalf of the Board.
f. Mpika land - This was acquired by the Board through a debt swap with assessment debt. The Board was processing title.
g. Chinsali land residential) - This was acquired by the Board through a debt swap with assessment debt. The Board was processing title.
h. Chinsali land (commercial) - This was acquired by the Board through a debt swap with assessment debt. The Board was processing title.
i. Lusaka land - This was acquired by the Board from NHA. Housing units on the said plots had been advertised for sale and title would be processed directly to the purchasers.

j. Kalumbila land - These were fifty plots acquired without title. The Board had acquired title in respect of forty two of the plots.

Committee's Observations and Recommendations

The Committee expresses concern over the large number of properties that do not have title deeds as this will negatively affect WCFCB in the event of any land disputes. The Committee urges the Controlling Officer to ensure that the process of acquiring titles is expedited and resolves to await a progress report on the matter.

ii. Failure to Collect Rental Income

The Controlling Officer explained that the Board of Directors approved the Rent Policy in 2015. The policy ensured that all tenants provided critical data that was placed on their files at inception of the lease. Before 2015, the process of obtaining documents was not thorough as files mainly contained contact details for tenants. Hence when some tenants separated with the WCFCB, there were no complete records. However, the Rent Policy had since addressed all the gaps.

He further submitted that the Board had established a Tenant Selection Committee which vetted the eligibility of tenants. The Committee learnt that the old rental debt relating to ex-tenants had been recommended for write off. He further informed the Committee that for Government institutions that owed the Board, the respective Controlling Officers had been engaged and commitments had been made to settle the outstanding rentals. The Board had also engaged the Government through the Ministry of Labour and Social Security on the review of rental laws. Further, management had implemented a computerised accounting system for rental invoicing, receipting and account statements. As of 30th September, 2020, the Board had collected K5.8 million out of a total of K18,504,132.34.

Committee's Observations and Recommendations

The Committee strongly urges the Controlling Officer to impress upon management to use more aggressive measures to collect its debt as the amount that has since been cleared off is insignificant compared to what is still owed. The Committee will await a progress report on the matter.

iii. Loans Issued to Employees without Security

The Controlling Officer submitted that this arose due to lack of loan guidelines. Loan Guidelines were approved by the Board of Directors in 2015. Of the six employees, one of them had since paid the loan. The remaining five had not furnished the Board with security and the Board had since recalled the loans. The loan balance stood at K150, 953.84

Committee's Observations and Recommendations

The Committee observes with concern that employees still have outstanding loans payments. In light of this, the Committee strongly urges the Controlling Officer to ensure that management improves the process of issuing loans by undertaking a very stringent due diligence before issuance of any type of loans so as to reduce the number of defaults. The Committee will await an update on the matter.

15.0 ZAMBIA FORESTRY AND FOREST INDUSTRIES CORPORATION LIMITED INDUSTRIAL DEVELOPMENT CORPORATION

Review of Operations

A review of financial and other records for the period 1st January, 2016 to 31st December, 2018, revealed a number of irregularities to which the Controlling Officer submitted as outlined below.

15.1 Income

The Chief Executive Officer for the Industrial Development Corporation submitted that the observation by the Auditor General that the income for the company, for the period under review was below budget was correct. He further informed the Committee that this was caused by insufficient market demand for Eucalyptus in the period under review. The Committee learnt that as a corrective measure management was actively promoting the use of Eucalyptus as a sustainable alternative to Pine. He further informed the Committee that the corporation was supporting a large manufacturing company, which was transiting from the use of Pine to Eucalyptus for its pallets and wooden drums. This was being done by assuring the availability of eucalyptus stems.

Committee's Observations and Recommendations

The Committee notes the response and urges management to ensure that it enhances its sensitisation to the market on the use of eucalyptus considering that most users prefer pine wood to eucalyptus as it is a softer and readily available wood. The Committee directs that all documents in support of the submission should be submitted to the Auditor General, subject to which the matter should close.

15.2 Financial Analysis

i. Financial Performance - Statement of Comprehensive Income

During the period under review the company statement of comprehensive income was as stated in Table 1.2 below:

Table 15.2: Statement of Comprehensive Income

Details	2018 K	2017 K	2016 K
Revenue	244,715,056	208,183,277	195,028,756
Cost of sales	(39,408,762)	(28,464,457)	(24,672,707)
Gross Profit	**205,306,294**	**179,718,820**	**170,356,049**
Other income	9,028,459	9,767,313	10,385,363
Operating expenses	(83,854,468)	(68,669,435)	(95,825,567)
Profit before income taxes	**130,480,285**	**120,816,698**	**84,915,845**
Income Tax Expense	(10,897,932)	(6,278,986)	(5,405,840)
Profit for the year	**119,582,353**	**114,537,712**	**79,510,005**

Source: ZAFFICO financial statements for the years ended 31st December 2016, 2017 and 2018.

b. Profitability

The Chief Executive Officer submitted that the observation by the Auditor General that the company recorded profits of K79,510,005 in 2016, K114,537,712 in 2017 and K119,582,353 in 2018 as a result of non-adherence to the Annual Allowable Cut (AAC) set at 451,203 cubic metres against which the corporation harvested 1,288,009 cubic metres of pine thereby compromising future revenues was correct**.** See Table 15.3 below.

Table 1.3: Sources of Revenue per Product

SN	Source of Revenue	2018 K	2017 K	2016 K
1	Pine Saw logs	234,798,441	204,033,081	180,235,846
2	Eucalyptus treated poles	2,823,778		
3	Eucalyptus Untreated poles	2,259,020	2,108,845	4,517,347
4	Eucalyptus Saw logs	560,150	1,059,488	707,054
5	Miscellaneous	4,274,667	981,862	1,136,536
6	Mukula	-	-	8,431,973
	Total Revenue	**244,716,056**	**208,183,276**	**195,028,756**
	% of Pine Sales	**96%**	**98%**	**92 %**
	% of Eucalyptus & Gmelina	**4%**	**2%**	**8%**

The Committee was further informed that primary cause for the over-harvesting was the need to cushion the high demand for Pine in the country. The Group Chief Executive Officer further submitted that, there was still a high deficit for Pine roundwood in the country. As a corrective measure, Zambia Forestry and Forest Industries Corporation Limited (ZAFFICO) had since reduced the annual harvest volume for Pine from the average of 430,000m^{3}in prior years to 280,000m^3. Further, active measures had been instituted to attain and adhere to the AAC by reducing the volume of Pine to be harvested in the year 2020 by 150,000m^3. Subsequently, volumes available for harvesting would be reduced by 50,000m^{3}each year until such a time when the corporation begun to increase the volume for harvesting. At the time of reporting, 29,068.89

hectares of plantation of young stands had been established. According to the plan, the AAC was expected to begin to increase by the year 2029with the maturity of young stands.

Committee's Observations and Recommendations

The Committee observes with concern that ZAFFICO had to abrogate the annual allowable cut volumes to make a profit. The Committee further observes with misgivings that despite that ZAFFICO over cut the pine wood, it failed to reach its revenue targets. The Committee strongly urges management to plant more trees. The Committee directs that all documents in support of the submission should be submitted to the Auditor General subject to which the matter should close.

b. Over Dependence on Pine Species

The Group Chief Executive Officer submitted that the observation by the Auditor General that the corporation was over dependant on one pine product was correct. The Committee was further informed that the initial business model of ZAFFICO, as an Exotic Forest Plantation grower, was anchored on one dominant product line, which was the round wood, for which market demand existed. Without intervention, such demand pattern would continue into the foreseeable future and management had devised interventions to diversify the revenue streams through the following measures:

a. increasing the sales of treated poles-management had been marketing its treated poles and had since secured contracts with ZAMTEL, REA and ZESCO. The corporation also sold treated poles to some mining companies and the general public and the percentage proportion to total revenues for this product line had increased from 1per cent in 2018 to a projected 50per cent in 2021;
b. promoting the use of Eucalyptus as an alternative to Pine. Sales of Eucalyptus was expected to account for about 8 per cent in 2020 from 1 per cent in 2018; and
c. setting up a timber processing sawmill plant in 2021 so as to add value to the round wood and increase profits.

Committee's Observations and Recommendations

The Committee notes the response and urges management to ensure that all the strategies earmarked to reduce the dependence on pinewood are expeditiously implemented. The Committee further directs management to submit all documents in support of the submission to the Auditor General for verification. The Committee will await an update on the matter.

ii. Financial Position - Statements of Financial Position

During the period under review, the company's statements of financial position was as stated in Table 1.5 below.

Table 1.5: Statements of Financial Position as at 31st December 2016 to 2018

DETAILS	2018 K	2017 K	2016 K
ASSETS			
Non-current assets			
Plantations in formation	480,145,598	399,369,337	311,943,653
Property and equipment	82,340,956	73,994,937	58,344,606
Intangible assets	225,655	184,274	232,208
Investment in Subsidiary	10,000	10,000	10,000
	562,722,209	473,558,548	370,530,467
Current Assets			
Inventories	24,026,136	7,766,033	6,696,448
Trade and other receivables	28,507,455	27,639,153	30,487,929
Cash and cash equivalents	141,349,182	117,989,036	67,283,346
	193,882,773	153,394,222	104,467,723
TOTAL ASSETS	**756,604,982**	**626,952,770**	**474,998,190**
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	82,500,763	82,500,763	82,500,763
Revaluation Reserves	3,397,419	3,838,704	4,279,989
Retained earnings	501,644,237	382,346,949	332,226,458
Amounts awaiting allotment		-	-
Total Equity	**587,542,419**	**468,686,416**	**419,007,210**
LIABILITIES			
Non-current liabilities			
Loans			
Deferred Liabilities	47,171,248	35,773,598	25,200,854
Deferred tax liabilities	3,098,359	3,262,644	3,426,929
Deferred capital grant	6,097,570	7,097,570	8,097,570
	56,367,177	46,133,812	36,725,353
Current liabilities			
Trade and other payables	62,397,207	36,025,508	5,513,446
Dividend payable	40,088,199	68,141,701	9,451,000
Income tax	10,209,980	7,965,333	4,301,181
	112,695,386	112,132,542	19,265,627
Total liabilities	**169,062,563**	**158,266,354**	**55,990,980**
TOTAL EQUITY AND LIABILITIES	**756,604,982**	**626,952,770**	**474,998,190**

Source: ZAFFICO financial statements for the years ended 31st December 2016, 2017 and 2018

a. Lack of Receivable Management Policy

The Committee was informed that included in the 2018 balance was an amount of K4.2 million relating to prepayments and other receivables. Other receivables included unauthorised credit sales of Pine sales, for which erring employees were separated from the corporation while the identified customers delisted. Management had instituted strict measures of enforcing the Debt Management policy that was approved by the Board and signed by the Board Chairperson on 13th April, 2017.The heightened enforcement of the debt management policy, which included the transfer of logging duties from the Plantations Department to Finance, would ensure that the receivables were effectively controlled and managed. Further the Committee was informed that ZAFFICO had started operating on a cash based business model and had less than ten customers who were serviced with a credit facility.

Committee's Observations and Recommendations

The Committee observes with concern that ZAFFICO was operating without a receivable management policy and directs that all officers responsible for the failure to prepare the policy document should be disciplined. The Committee notes that ZAFFICO is now operating a cash based business model. The Committee directs that management should submit all documents in support of the submission to the Auditor General for verification and resolves to await an update on the matter.

iii. Operational Matters

a. Exceeding Annual Allowable Cut (AAC)

The Committee was informed that the main cause for over-harvesting was the need to mitigate the high deficit of Pine roundwood in the country and to generate enough revenues to support the replanting and plantation expansion programmes. The corporation had taken steps towards attaining and adhering to the Annual Allowable Cut (AAC), by reducing the Pine volume to be harvested in the year 2020 by $150,000m^3$. In subsequent years, the volume harvested would be reduced by $50,000m^3$ until such a time that the Corporation begun to harvest within the AAC.

Committee's Observation and Recommendation

The Committee is disappointed to note that the query on exceeding the annual allowable amount has continued to reappear even when recommendations against abrogating the allowance have been given. The Committee finds it highly unacceptable that management seems to be taking a casual approach both to the Auditor General's observation and the Committee's recommendations due to the continued over cutting of the Pine roundwood. The Committee condemns the reasons given by management for exceeding the annual allowable cut and strongly urges the IDC to ensure that management adheres to the annual allowable and that disciplinary action should be instituted against all officers responsible for this query. The Committee resolves to await a progress report on the matter.

b. Failure to Develop the Forest Plantation Management Plan for 2018 - 2023

The Group Chief Executive Officer submitted that there was a delay to hold the Forest Resource Assessment, whose outcome had to provide input into the production of the 2018–2023 Forest Management Plan. The delay was specifically due to procurement process related issues specifically, that is; the non-responsiveness of consultants and the subsequent enhancement of the technical Terms of Reference to ensure a comprehensive assessment. Management had made progress on the matter and the Forest Management Plan for 2022 -2026 was expected to be in place by the end of 2021.

Committee's Observations and Recommendations

The Committee notes the response and directs that the documents in support of the submission should be submitted to the Auditor General for verification subject and the Committee will await an update on the matter.

c. ZAFFICO Tea Company- Failure to prepare Financial Statements

The delay in the finalisation of the audited financial statements was because ZAFFICO did not have adequate staff to prepare financial statements in readiness for the audit. The audited financial statements for the period under review had since been prepared and approved by the Board of Directors on 18th August, 2020. Additionally, Kawambwa Tea Company had since been separated from ZAFFICO and was now a standalone company.

Committee's Observation and Recommendations

The Committee observes with concern that the Government had initially handed over Kawambwa Tea Company to ZAFFICO when the company was struggling with management and adherence to prescribed policies. The Committee is, however, elated that Kawambwa Tea Company is operating is now a standalone company and strongly urges the Government to desist from overburdening parastatals with extra supervisory roles when they are already struggling to operate profitably. The Committee directs management to submit all documents in support of the submission to the Auditor General for verification subject to which the matter should close.

d. Lack of Title Deeds – Shiwang'andu and Copperbelt Plantations

With respect to plantations that didn't have title deeds, the Chief Executive Officer submitted with regard to the acquisition of title deeds for the various pieces of land that were cited by the Auditor General, as outlined below.

i. Shiwang'andu

The Corporation had since obtained Title deeds for the Shiwang'andu plantation

ii. Ndola, Chati, Ichimpe and Lamba Plantations

The land on which the Ndola, Chati, Ichimpe and Lamba plantations were established was part of the Forest Reserves belonging to the Ministry of Lands and Natural Resources. The corporation had actively engaged the Forest Department and the Ministry of Lands and Natural Resources and the following outcomes had been achieved:

i. The Cadastral survey of the corporation's forest plantations in Ndola, Chati, Ichimpe, and Lamba had been undertaken by the Surveyor General and maps submitted to the Forestry Department; and

ii. The Ministry of Lands and Natural Resources was in the process of issuing leases to the corporation based on the provisions of the land management in protected areas. It was expected that leases would be issued by December, 2020.

Committee's Observations and Recommendations

The Committee notes the responses and directs that all documents in support of the submission should be submitted to the Auditor General and resolves to await a progress report on the matter.

e. Use of Revenue on Sale of Mukula Logs

The Group Chief Executive Officer acknowledged the query as correct and submitted as outlined below.

i Expenditure Return to the Accountant General

The delay in submitting the returns on the confiscated logs was an oversight occasioned by the changes in personnel at the corporation. The expenditure returns had since been submitted to the Office of the Accountant General. Documentary evidence was available for audit verification.

Committee's Observations and Recommendations

While noting the response, the Committee is extremely concerned with respect to how the Mukula tree and logs are being harvested and managed. The Committee observes that in as much as ZAFFICO recorded a sale of the confiscated logs that were eventually exported; the records from the countries that had imported the timber were at variant with what had been recorded by the Government. The Committee strongly recommends for formulation of a framework that will give a platform of governing and managing the Mukula tree. The Committee further condemns the *laissez faire* attitude of submitting documents to the Auditor General for verification when the audit exercise has already been completed. The Committee recommends that disciplinary action should be instituted against all officers who do not execute their duties and an update will be awaited on the matter.

ii. Investment Plan and Budget – US$ 4.4m

The Committee learnt that at the time of the audit, US$4.4 million had already been committed for the construction of a modern factory (US$1.8 million) and the supply, installation and commissioning of a brand-new Tea Processing equipment (US$2.5 million) for Kawambwa Tea. The construction of the factory was well underway and the equipment had since been delivered on site, with commissioning expected by the end of January, 2021.
The funds were being spent in line with the treasury authority.

Committee's Observations and Recommendations

The Committee notes the response and directs that all documents in support of the submission should be submitted to the Auditor General for verification subject to which the matter should close.

iii. Infrastructure Management

a. Delayed Compensation - Land for Construction of International Airport

The delay in conducting the verification audit by the Ministry of Finance was attributed to the Ministry's scheduling. While the auditors from the Ministry of Finance had since verified the claims from the surrounding farmers, they were yet to verify ZAFFICO's compensation claim. The corporation would continue engaging the Ministry to secure the verification audit and subsequent settlement of the claim.

Committee's Observations and Recommendations

The Committee notes the response and strongly urges the Executive to expedite the process of verifying the compensation claim and subsequent settlement of the claim by ZAFFICO whilst factoring in time value of money. The Committee resolves to await a progress report on the matter.

b. Failure to Separate Power Supply - Former Institutional Houses

The Chief Executive submitted that the delay in implementing the de-linkage was attributed to ZESCO's scheduling. Amounts cited by the Auditor General were incurred during the period when ZESCO was still carrying out a separation exercise between the corporation's offices and the former institutional houses following the sale of former institutional houses. At that time, there was no independently verifiable method to allocate the bills to former institutional houses to effect recoveries. The meters had since been separated for Ndola, Ichimpe and Lamba stations. As such, the corporation was no longer receiving bills in respect of the former institutional houses at these stations. ZESCO was yet to delink Chati, the station that was still outstanding as the importation of the required components was delayed on account of the COVID-19 movement restrictions.

Committee's Observations and Recommendations

The Committee notes the response with concern as IDC has not provided information with respect to the recoveries of the monies that were paid when the houses had already been sold. The Committee recommends that these monies should be recovered without fail, and resolves to await a progress report on the matter.

16.0 ZAMBIA TELECOMMUNICATION CORPORATION LIMITED INDUSTRIAL DEVELOPMENT CORPORATION

Review of Operations

An examination of financial and other records for the Financial Years ended 31st December, 2015, 2016, 2017 and 2018 revealed a number of irregularities to which the Chief Executive Officer for the Industrial Development responded as outlined below.

16.1 Income

The Group Chief Executive Officer submitted that Zamtel could not reach the targeted revenue due to delayed completion of the rollout of the planned 387 4.5G sites under the Zambia Communication Towers Project, as only 217 towers were rolled out by end of 2018, and this negatively impacted planned revenue. He further submitted that Zamtel faced challenges in commercial capabilities as outlined below, which hindered maximisation of return on investment and contributed to the deficit in income.

i. Lack of commercial competencies in Customer Value Management and Geo-Marketing to enable effective understanding of customer behaviors and spending patterns and subsequently develop appropriate products, pricing per customer segment, and realistic revenue and customer assumptions.
ii. Lack of commercial competencies to develop an effective Sales and Distribution system across the country to ensure wider product availability.
iii. Challenges in raising financing (working capital) to enable the company procure customer acquisition tools such as low cost handsets and routers. This was partly due to the weak balance sheet.
iv. Lack of tools to enable effective monitoring off sit performance that would drive efficient interventions.
v. Weak balance sheet that could not enable the company to access financing in order for Zamtel to modernise its network to compete effectively.

He further informed the Committee that as a corrective measure, the Government who are the major shareholders invested a total of US$280M in 2017, into Zamtel, under the Zambia Communication Towers Project Phase II. This enabled Zamtel to expand and modernise its network, resulting in the company offering modern technologies such as 3G and 4G, and overall improved data experience for its customers. In addition, the investment enabled Zamtel to expand its footprint, which was expected to translate into increased revenue once the project was fully completed and the commercial challenges fully addressed. In 2019, the shareholder restructured the Zamtel balance sheet through intra-group asset optimisation between Zamtel and Infrastructure Telecommunication Limited (Infratel).

He further submitted that selected passive telecommunication infrastructure had since been transferred to Infratel with associated liabilities amounting to USD194, 311,742.47. The Committee also learnt that on 11th December, 2019, the shareholder approved the conversion of Zamtel debt amounting to USD199,892,907 to equity and this had since been completed. The impact of the debt to equity conversion, as well as the transfer of foreign currency denominated loans attached to passive infrastructure that was offloaded to Infratel lead to a reduction in foreign exchange losses and interest charges, thereby enhancing the value of Zamtel's Balance Sheet.

As at 31st December 2019, the Shareholder's Equity was positive K328 million coming from a negative equity position of K1.8 billion in 2018. With the assistance of the Government, Zamtel was now working on raising working capital to address the commercial challenges.

Further, commercial consultants specialised in Sales and Distribution, and Customer Value Management (CVM) had been engaged to strength the commercial function and this was expected to improve Zamtel's return on Investment. Additionally, site performance tools for real-time and near real-time revenue monitoring had been introduced to ensure proactive response to trend in actual revenue in relation to targeted sales and marketing activities. This intervention was expected to improve the revenue achieved.

Committee's Observations and Recommendations

The Committee notes the response and observes with concern that Zamtel lacks the requisite capacities to micro manage customer value, which leads to engagement of commercial consultants who are specialised in sales distribution and customer value. The Committee recommends that Zamtel should expeditiously endeavour to develop capacity to avoid this wastage of the meager resources. The Committee further condemns the conversion of debt owed to government by parastatals into equity whenever they fail to honour their debt. In this regard, the Committee recommends that IDC should ensure that all entities that acquire debt should ensure they liquidate the debt. The Committee directs that IDC should submit documentary evidence with regard to restructuring Zamtel balance sheet through intra-group asset optimisation between Zamtel and Infrastructure Telecommunication Limited (Infratel) and the conversion of Zamtel debt amounting to USD199, 892,907. The Committee resolves to await a progress report on the matter.

16.2 Information Communication Technology (ICT) Systems - Failure to Manage Backup Arrangements

The Chief Executive Officer submitted that procurement and installation of a robust off-site back-up solution had been delayed due to liquidity challenges. He further submitted that Zamtel had procured hardware for a Remote Disaster Recovery system scheduled for delivery by 30th November, 2020 and implementation of the off-site back-up solution by 31st December 2020, using a temporary license. Full solution implementation including licensing had been aligned with funding availability and was expected to be completed by the end of the first quarter, of 2021.

Committee's Observations and Recommendations

The Committee notes the response and directs Zamtel to submit the documents in support of the submission to the Auditor General for audit verification, subject to which the matter should close.

16.3 Financial Analysis

i Financial Performance -Statements of Comprehensive Income

The Statements of Comprehensive Income were as shown in the Table 16.2 below.

Table 16.2: The Statements of Comprehensive Income

Details	2018 K'000	2017 K'000	2016 K'000	2015 K'000
Revenue	648,710	673,717	458,368	641,804
Cost of Sales	(495,053)	(572,261)	(20,108)	(24,309)
Gross Profit	**153,657**	**101,456**	**438,260**	**617,495**
Other income / (expenses)	372,448	14,830	27,003	(506,499)
Net Impairment Losses on financial assets	(34,161)			
Distribution and Administrative Expenses	(542,536)	(549,143)	(875,275)	(804,886)
Operating Loss	**(50,592)**	**(432,857)**	**(410,012)**	**(693,890)**
Finance Income	330	107	211,094	221
Finance cost	(496,102)	(43,078)	(72,156)	(461,058)
Net finance cost	**(495,772)**	**(42,971)**	**138,938**	**(460,837)**
Loss before income tax	**(546,364)**	**(475,828)**	**(271,074)**	**(1,154,727)**
Income tax expense	(30)	(37)	(1,275)	(596)
Loss for the year	**(546,394)**	**(475,865)**	**(272,349)**	**(1,155,323)**
Other Comprehensive Income				
Revaluation Surplus	171,392			
Total Comprehensive Loss for the year	**(375,002)**	**(475,865)**	**(272,349)**	**(1,155,323)**

Source:Zamtel Financial Statements for the years ended 31st December 2015, 2016,2017 and 2018

a. Profitability

The Group Chief Executive Officer submitted that there were numerous challenges that led to a negative profitability as outlined below.

i. The lack of commercial competencies in Customer Value Management and Geo-Marketing to enable effective understanding of customer behaviors and spending patterns and subsequently develop appropriate products, pricing per customer segment, and realistic revenue assumptions contributed to the huge losses that were recorded.

ii. The lack of competencies to develop an effective Sales and Distribution system across the country that ensured wider product availability also contributed to the losses and the challenges in raising financing (working capital) to enable the company procure customer acquisition tools such as low cost handsets and routers which was partly due to the weak balance sheet.

iii. Zamtel did not have the tools to effectively monitor site performance that would drive efficient interventions.
iv. Zamtel had a weak balance sheet that could not enable the company access financing in order for Zamtel to modernise its network to compete effectively.
v. Inefficient costs management and operational structure, due to among other things, late uptake of technologies, such as delayed migration from fixed landlines/data services (with high maintenance costs) to fixed wireless technology (that had low maintenance costs) and significant forex exchange losses on foreign currency denominated liabilities contributed to the increased losses during the reported period.

The Committee was further informed that to resolve the alluded to challenges, Zamtel undertook various measures as outlined below.

i. Restructuring of the staff establishment including organisational right sizing of Executive Management from eleven to six and operational headcount from 652 to 431 employees. This had resulted in cost saving of K9 million for the Financial Year ended 31st December, 2019 when compared to the previous Financial Year ended 31st December, 2018. The number of employees was further expected to reduce with the scheduled outsourcing of the call center and other back office operations.
ii. Zamtel was transforming its business model by shifting its focus from the traditional voice and data services to enhance its digital capabilities and maximise revenue. Accordingly, Zamtel had been involved in transformative initiatives such as ZamPay, eHealth and eEducation and this was expected to significantly increase revenue in the medium to long term.
iii. Zamtel's balance sheet had been restructured by converting its debt to equity and this was expected to mitigate Foreign Exchange losses suffered in the past.
iv. Zamtel had engaged commercial experts to assist address the challenges faced in commercialising Zamtel investment. The team of experts was tasked to create an efficient end-to-end product and service distribution channel and effective customer value management which would in turn, improve the top line profitability of the Company. From the time the experts were engaged, Zamtel had seen a 13 per cent growth in revenue in the nine months ended 30thSeptember 2020, when compared to the same period in 2019.

Committee's Observations and Recommendations

The Committee observes with consternation that Zamtel has continued to record losses due to legacy liabilities and has continued to perform poorly in comparison to the private mobile service providers. The Committee notes the measures that have been earmarked to turnaround the business and ensure that the company records profits. In this regard, the Committee resolves to await a progress report on the actualisation of the plans and the positive impact that will arise there from. The Committee further directs Zamtel to submit all documents in support of the submission to the Auditor General for verification.

b. Revenue Losses - Service Downtime and Penalties

The Group Chief Executive Officer submitted that the root cause was mainly fibre cuts that arose from road construction works; power failures exacerbated by load shedding at sites that did not have alternative power supply and were connected to the national grid; and internet link failures. The Committee was informed that Zamtel had since deployed extensive redundant power supply at Primary and Secondary data centres to enhance system uptime. Furthermore, transmission capacities of network backbones in Eastern, Northern, Southern, Western, and North-Western regions had been upgraded to enhance Quality of Service (QoS). In addition, Zamtel had invested in capacity swaps with MTN and Airtel to increase redundancy links, as well as migrating fixed line customers from cable to wireless. This was expected to significantly mitigate the network failures occasioned by road works. Further, Zamtel had embarked on a 4G Radio Access Network (RAN) capacity improvements and deployment which included:

i. deployment of Second Frequency (F2) in LTE2300 MHz Band on 22 Lusaka and 1800 MHz Re-farming on 274 LTE sites from 10MHz to 15MHz;
ii. access transmission capacity upgraded on affected sites; and
iii. continued deployment and activation of GRZ communication towers across the country to improve availability.

The Committee was further informed that the above measures were expected to improve network availability which would in turn translate into reduced regulatory penalties. Additionally, the improvements in the system uptime were as follows:

i. core Network uptime was at 99.99 per cent compared to an average of 98.75 per cent achieved during the period under review of 2015 to 2018;
ii. transmission network uptime was at 98.86 per cent compared to an average of 94.57 per cent during the period under review of 2015 to 2018; and
iii. radio Access Network was at 97.5 per cent compared to an average of 84.0 per cent achieved during the period under review of 2015 to 2018.

Committee's Observations and Recommendations

The Committee notes the response and urges the IDC to engage the Ministry of Housing and Infrastructure Development, and the Ministry of Local Government with respect to the issue of road construction which lead to fibre cuts, so as to create a platform of collaboration whenever road works are undertaken in areas where there are Zamtel cables. The Committee resolves to await a progress report on the impact of the strategies that have been earmarked to improve the service provision.

ii Financial Position - Statements of Financial Position

The statements of financial position for Zamtel as at 31st December 2015, 2016, 2017 and 2018 were as shown in Table 16.4 below.

Table 16.4: Statements of Financial Position

DETAILS	2018 K'000	2017 K'000	2016 K'000	2015 K'000
ASSETS				
Non-current assets				
Property, Plant and Equipment	2,634,510	1,642,803	1,403,955	1,621,845
Investment in Subsidiary - Mobile Money	10	10	10	-
	2,634,520	**1,642,813**	**1,403,965**	**1,621,845**
Current Assets				
Inventories	23,591	21,214	15,489	40,122
Trade and other receivables	75,142	519,424	273,561	181,903
cash and cash equivalents	128,310	27147	19,648	5,682
	227,043	**567,785**	**308,698**	**227,707**
TOTAL ASSETS	**2,861,563**	**2,210,598**	**1,712,663**	**1,849,552**
EQUITY				
Equity attributable to owners				
Share capital	6,000	6,000	6,000	6,000
Revaluation reserve	234,797	81,185	95,127	109,069
Amount awaiting allotment of shares	1,874,212	1,798,920	1,574,201	1,506,972
Accumulated Losses	(4,000,203)	(3,256,745)	(2,794,822)	(2,536,415)
Total Equity	**(1,885,194)**	**(1,370,640)**	**(1,119,494)**	**(914,374)**
Non-Current Liabilities				
Borrowings	-	664,077	-	1,136,513
Capital Grants		961	961	1,015
	-	**665,038**	**961**	**1,137,528**
Current Liabilities				
Contract Liabilities	41,957	28,890		
Trade and other payables	1,419,859	1,553,876	1,328,805	1,095,635
Current income tax liability	9,693	10,778	10,741	10,118
Borrowings	3,275,248	1,322,656	1,491,650	520,645
Total Liabilities	**4,746,757**	**2,916,200**	**2,831,196**	**1,626,398**
TOTAL EQUITY AND LIABILITIES	**2,861,563**	**2,210,598**	**1,712,663**	**1,849,552**

Source:Zamtel Financial Statements for the years ended 31st December 2015, 2016, 2017 and 2018

A review of the statements of financial position revealed the following:

a. Current Ratio

The Group Chief Executive Officer submitted that during the period under review, Zamtel's current ratio as well as working capital position deteriorated due to the following reasons:

i. lack of commercial competencies in Customer Value Management and Geo-Marketing to enable effective understanding of customer behaviors and spending patterns and subsequently develop appropriate products, pricing per customer segment, and realise revenue projections;
ii. lack of commercial competencies in Sales and Distribution to develop an effective sales and distribution system across the country that ensured wider product availability and ultimately revenue; and
iii. the company incurred huge foreign currency losses on loans and other commitments that were denominated in foreign currency.

The Committee learnt that the escalated debt position that persistently drove the degeneration of the organisation's current ratio was largely addressed, following the conversion of US$199,892,907.00 Zamtel debt to equity and transfer of selected passive telecommunication infrastructure with associated liabilities amounting to USD194, 311,742.47, from Zamtel to Infratel. This had significantly eliminated the foreign currency losses that Zamtel persistently incurred on its foreign currency denominated liabilities that had impacted the company's working capital. In addition, the following actions were being undertaken to improve the current ratio:

i. implementation of revenue enhancement interventions such as Customer Value Management (CVM), new Sales & Distribution framework, engagement of Market Development Partners, introduction of innovative digital services and solutions –digital health, e-learning, GRZ payment gateway;
ii. recruitment of a professional debt collection company to manage old debt while internal Credit Control department manages current debt;
iii. conclude the second ZICTA/Zamtel debt swap amounting to K57 million;
iv. negotiate and close other debt swap agreements with parastatal companies that had significant outstanding debts to improve on the Current Ratio and also reduce the debts which had since been reclassified from long term to short term. Zamtel had closed debt swap agreements with ZNBC and Lusaka City Council amounting to K8.1 million and K3.4 million respectively; and
v. Zamtel had embarked on an aggressive drive to limit foreign currency risk through procurement of a substantial amount of goods and services in local currency. This was expected to mitigate cost escalation occasioned by depreciation of foreign currency denominated liabilities.

Committee's Observations and Recommendations

The Committee takes note of the steps Zamtel has undertaken to improve the entity's current ratio. However, the Committee is concerned that Zamtel has continued to acquire debt as opposed to improving their balance sheet and consequently list the company on the Lusaka Securities Exchange which would be a better financing option. The Committee also notes that some of Zamtels' long term debts have been reclassified from long term to short term and hence have had a negative impact on its current ratio. The Committee directs Zamtel to submit all the documents in support of the submission to the Auditor General and resolves to await a progress report on the improvement of the current ratio.

b. Increase in Payable Days

The Group Chief Executive Officer submitted that the root cause was mainly attributed to liquidity challenges that led to delays in settling liabilities as they fell due. These had broadly been due to limited commercial capabilities in Customer Value Management (CVM), Sales and Distribution and Geo-Marketing, to enable the company maximise revenue from the investment. The company incurred huge foreign currency losses on loans and other commitments that were denominated in foreign currency and this worsened the debt position for Zamtel, considering that there was no growth in revenue. In this regard, the following actions had been taken to increase the liquidity position of the company:

i end product and service distribution channel and effective customer value management commercial experts had been engaged to assist address the challenges faced in commercialising Zamtel investment. The team of experts was currently creating an efficient end to and this in turn, was expected to improve the top line and ultimately profitability of the company. He further submitted that from the time the experts were engaged, Zamtel had seen a 13 per cent growth in revenue in the nine months ended 30th September, 2020, when compared to the same period in 2019.

ii implementation of a hybrid debt collection model by recruiting a professional debt collection company to manage old debt and a credit control department to manage current debt. The tender for the procurement of the debt collection service per region was concluded in to be done in the second quarter of 2020.

iii the shareholder had converted US$199,892,907.00 of Zamtel debt to equity and transferred selected passive telecommunication infrastructure with associated liabilities amounting to USD194,311,742.47, from Zamtel to Infratel. This had significantly eliminated the growth of the company's debt caused by foreign currency losses that Zamtel persistently incurred on its foreign currency denominated liabilities.

iv The company had embarked on an aggressive drive to limit foreign currency risk through procurement of a substantial amount of goods and services in local currency going forward. This was expected to mitigate cost escalation occasioned by depreciation of foreign currency denominated liabilities

Committee's Observations and Recommendations

The Committee notes the measures Zamtel has put in place but condemns the strategy to implement a hybrid debt collection model by recruiting a professional debt collection company to manage old debt and the Credit Control Department to manage current debt which the Committee deems as wastage of resources considering that the company is struggling with its finances. The Committee further observes with concern that no timeframe has been given in which Zamtel will improve the days to clear the accounts payables. The Committee resolves to await a progress report on the matter.

16.4 Accounting Irregularities - Failure to Settle Statutory Obligations and Accumulated Penalties

The Group Chief Executive Officer submitted that there were a number of causes as outlined below.

a. ZRA penalties were due to Zamtel's liquidity challenges to settle the obligations as and when they fell due;
b. NAPSA penalty was accrued by the company prior to its privatisation to Lap green, given that this was inadvertently omitted from liabilities that the Government took over at privatisation; and
c. Workers Compensation Fund Control Board penalties were incorrectly computed and these were escalated to the Attorney General for interpretation.

The Committee learnt that Zamtel had undertaken steps to resolve the query as outlined below.

a. ZRA-Zamtel had signed a Time to Pay Agreement (TPA) with ZRA for all its outstanding tax liabilities amounting to K2 million per Month. Zamtel was in compliance with the signed agreement.
b. NAPSA-The principle amount had been settled and the interest related to legacy debt was under a Time to Pay Agreement of K750,000 per month. The current outstanding balance on the legacy debt as at the end of September 2020 was K26.5 million.
c. Workers Compensation-Zamtel engaged the Attorney General for interpretation and guidance on the computation of Workers Compensation Fund penalties. The guidance had since been received and the Attorney General agreed with Zamtel's interpretation regarding computation of penalties. The opinion of the Attorney General had since been shared with Workers Compensation Fund and Zamtel was waiting for the reversal of the penalties charged as in the report.

Committee's Observations and Recommendations

The Committee resolves to await a progress report on the implementation of the payment plans which will enable Zamtel to liquidate the statutory obligations and penalties. The Committee strongly urges Zamtel to formulate a sustainable plan on how it will settle the statutory obligations as opposed to relying on Time To Pay arrangements. The Committee resolves to await a progress report on the matter.

16.5 Assets Management

i. Properties without Title Deeds and Expired Title Deeds

The Group Chief Executive Officer submitted that the root cause was partly driven by the nature of business as it required setting up infrastructure such as towers in areas that might be remote, not under statutory land tenure, and had never been titled before. As such, the formalisation process of such land had taken long. The Committee was informed that Zamtel had engaged a Legal Assistant–Conveyancing to engage the various local authorities across the country as well as the Ministry of Lands and Natural Resources to secure all outstanding title deeds. Below was the current status regarding securing title for the seventy five properties that did not have title and the thirty eight that had expired title deeds.

<u>Breakdown of Seventy Properties</u>
Fifteen properties were on title
Eight properties had been fully processed and currently awaiting issuance of title deeds
Fifteen properties are on offer letters
Thirty two properties are in the initial stages of the title deed acquisition process, pending issuance of offer letters
Three properties are sitting on third party premises and not subject to Zamtel ownership
Two properties do not exist or were erroneously captured

<u>Breakdown of Thirty eight with expired title deeds</u>

Four properties had been surveyed and renewal to ninety nine years was currently underway as survey diagrams were pending approval by surveyor general.
Thirty four properties related to assets that had been transferred to Infratel.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the acquisition of the title deeds for the properties whose titles are being processed.

ii. Lease of Kitwe Motor Workshop

On 30th December, 2011, Zamtel entered into a lease agreement with Amazon Security Service Limited for the lease of Kitwe Motor Workshop. The lease agreement was for a period of one year at a monthly rental charge of US$1,500.
The following observations were made:

a Failure to Renew Lease Agreement

The Chief Executive Officer submitted that the failure to renew the lease agreement was that the lease contract tracking process was manual, and the referred contract was inadvertently missed in the commercial properties lease tracking process. As a corrective measure, the lease contracts for the commercial properties would be uploaded and tracked through the Manage Engine Contract

Tracker to ensure contract expiry dates were adequately tracked. However, due to challenges that Zamtel was facing in obtaining rentals from Amazon Security Limited, a demand letter was sent on 2nd June, 2020 through the Legal Department for the tenant to vacant the premises. The tenant had since vacated the property.

Committee's Observations and Recommendations

The Committee notes the response and directs that all documents in support of the submission should be submitted to the Auditor General for verifications subject to which the matter should close.

b Failure to Collect Rental Income

The Chief Executive Officer submitted that the root cause was, the customer had liquidity challenges to settle the rental obligation as they fell due, despite several attempts and reminders that were made to engage with the customer. Zamtel had instituted legal proceedings against the tenant to recover the outstanding amount. This followed a demand letter that was sent to Amazon Security Services Limited on 2nd June, 2020 through the Legal Department due to failure by the tenant to pay the outstanding rentals as demanded.

Committee's Observations and Recommendations

The Committee notes the Controlling Officer's submission and resolves to await a progress report on the matter.

PART III

17.0 GENERAL RECOMMENDATIONS

Following the Committee's interactions with the Controlling Officers and Chief Executive Officers for the entities that were cited in the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial Year Ended 31st December, 2018, the Committee observed a number of overarching challenges. In light of this, for the Government to maximise its wealth and returns from investments in state owned enterprises (S.O.Es), improve financial management and accountability in statutory bodies, and generate future wealth as well as achieve its social objectives, the Committee observes and recommends as outlined below.

i. The Committee observes that failure to timely appoint substantive boards or governing councils by the respective Ministers is an overarching challenge in the management of parastatal bodies and statutory institutions and that it takes un substantiated inordinate time. The Committee further observes that the Ministers, are the appointing authorities for boards and governing councils are not answerable to anyone for these appointments. There is also no timeframe within which boards and governing council members are to be appointed. As a result, there is no process to hold them accountable in an event that the unjustifiably delay to appoint the boards and governing councils.

The Committee strongly recommends that the Executive should formulate a framework which will provide a timeframe within which Ministers should appoint Members of the respective boards and governing councils. Furthermore, the Committee recommends that Parliament should amend the respective Acts of parliament to factor in mechanisms to ensure accountability for these appointments and stop the unnecessary delays which in turn negatively impact the strategic planning and operations of these parastatals.

ii. The Committee observes that there is a growing tendency among the parastatal bodies and the statutory institutions of not taking the audit process serious. The Committee notes that most of the entities tend to provide documentary evidence in contravention of Section 11(1)(p) of the *Public Finance Management Act No. 1 of 2018*. Consequently documents are not provided during the specified period of the audit and often these parastatals request the Auditor General to undertake verification visits which lead to a cost that can be avoided.

The Committee strongly recommends that the entities that fail to take the audit process seriously should be prosecuted subject to Section 51 (a) and (b) of the *Public Finance Management Act No. 1 of 2018* and that the cost of verification visits that are as a result of negligence by the entities in question should be borne by them.

iii. The Committee observes that the requirement for public bodies subject to Section 25, of the *Public Finance Management Act No. 1 of 2018*, that monies received by public bodies should be deposited into the Treasury Single Account (TSA), has had a negative impact on the operations of income generating public entities.

The Committee urges the Government to consider re-introducing appropriation-in aid to allow such entities retain the monies they require for their operations and remit the balance to the Treasury Single Account.

iv. The Committee observes that most parastatals and statutory institutions showed unacceptable disregard of established procedures and guidelines in the management of stores, recruitment of staff and retirement of dispensed funds.

The Committee strongly urges the Treasury to ensure that the provisions of the PFMA are enforced to the later in order to ensure that officers begin to take the management of public entities and resources seriously considering that they have a huge impact on service delivery

v. The Committee observes with concern that some parastatals and statutory institutions either performed poorly or failed to efficiently and effectively deliver on their mandate. Most of these entities such as the Citizen Economic Empowerment Commission have continually appeared in the Reports of the Auditor General with a marred of audit queries which either reduce or increase in quantum.

The Committee strongly recommends that in line with Section 64 (1) of *the Public Finance Management Act No 1 of 2018,* the government should consider realigning and changing some of the management officials in most of these parastatal bodies which have a greater potential to positively impact the ordinary Zambian.

vi. The Committee observes that the Lusaka South Multi Facility Economic Zone (LS-MFEZ) has failed to deliver on its mandate of becoming an industrial hub. The Committee further observes that LS-MFEZ, focused on the sale of plots as a major source of revenue. The Committee also learnt that the failure is as a result of the Government's failure to deliver on its commitment to inject $ 153 million which the IDC could not mobilise. Additionally, the Committee observes that the collaborative arrangement to co-supervise the LS-MFEZ by IDC and the Ministry of Commerce Trade and Industry has been riddled with challenges and has equally had a negative impact on the delivery of its mandate.

The Committee strongly recommends that IDC should be given the sole mandate to supervise the MFEZ and that the Ministry of Commerce Trade and Industry should restrict itself to policy formulation as opposed to meddling in management issues such as appointment of the board of directors. Furthermore, the Committee recommends that the Government should mobilise the relevant resources for the MFEZ to embark on the implementation of capital projects and ensure it delivers on its mandate.

vii. The Committee observes with concern that there is a propensity to convert debts or grants financed by the Treasury into equity in instances that the borrowing entity fails to repay the debt. The Committee condemns this approach of liquidating debts and urges the Treasury to ensure that entities should only acquire debt that they are in a position to pay and that the Treasury should desist from conversion of debt into equity.

viii. The Committee observes that most of the statutory institutions were marred with outstanding statutory obligations and that they expect the Government to resolve all their problems.

The Committee strongly recommends that there should be a mind-set change for them statutory bodies to transition from bureaucratic to commercial and innovation outlook.

ix. IDC and supervising ministries should ensure that corporate governance practices in the state owned enterprises and statutory bodies respectively are improved by ensuring that:
a clear Board Charters are developed;
b board of Directors are in place at all times to drive their respective strategic directions;
c boards have a robust process to evaluate their performance on a regular basis; and
d strategic plans are developed and linked to the national development plans.

x. All the institutions should ensure that their properties are insured and on title.

xi. The Committee observes that cases reported to the investigative wings are taking inordinately too long to conclude. In this regard, the Committee strongly recommends that investigation wings/agencies should be appearing before it, in-camera, to update the committee on the investigations.

18.0 CONCLUSION

Zambia's public institutions are expected to conduct their activities in a way that satisfy the public interest to ensure the welfare of the people. In this regard, prudent management of the public institutions and strict adherence to the public financial management system can generate widespread and long–lasting benefits and may in turn help to reinforce wider societal shifts towards inclusive institutions that strengthen the nation, reduce poverty, and enhance balanced growth. Furthermore, as espoused in the Seventh National Development Plan, transparency and accountability in the management of public resources are key to the country's quest to improve service delivery and growth in the economy.

The 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. The Committee further expresses gratitude to the Office of the Clerk of the National Assembly and her staff for services rendered to it during the Session. The 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.

APPENDICES

Appendix I

Report of the Committee on the Action Taken Report on the Examination of the Annual Reports for the Tanzania Zambia Railway Authority for the Years Ended 2017 and 2018 for the Fourth Session of the Twelfth National Assembly

Appendix II

Committee's Recommendations on the Treasury Minute on the Report of the 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, 2017.

Appendix III

Report of the Committee on the Outstanding Issues, arising from the Committee`s Reports on the Reports of Auditor General for the Financial Years Ended 31st December 2012 to 2016 for the Fifth Session of the Twelfth National Assembly.

Appendix IV –List of National Assembly Officials

i. Ms C Musonda, Principal Clerk of Committees
ii. Mr H Mulenga, Deputy Principal Clerk of Committees (FC)
iii. Mrs C K Mumba, Senior Committee Clerk (FC)
iv. Mr E I C Chilimboyi, Committee Clerk
v. Mrs D C M Mukwanka, Committee Clerk
vi. Mrs V B Tembo, Typist
vii. Mr M Chikome, Committee Assistant
viii. Mr D Lupiya, Committee Assistant
ix. Mr M Kantumoya, Parliamentary Messenger

Appendix V – List of Witnesses

i. MINISTRY OF FINANCE

Mr F Yamba, Secretary to the Treasury
Mr K Mulenga, Chief Accountant
Mr E Manunga, Principal Accountant
Mr M Moyo, Principal Budget Analyst
Mr B Ngandu, Principal Economist

ii. PUBLIC SERVICE MICRO FINANCE COMPANY

Mr M Mwiko, Chief Executive Officer
Ms K Akapelwa, Director-Legal
Mr P Banda, Director- Audit
Ms I Tembo, Chief Financial Officer
Mr P Haambote, Chief Information Officer
Ms M W Kanganja, Director Human Resource Administration
Mr S Simonde, Director- Operations
Mr K Sibalut, Executive Officer

iii. Ministry of General Education

Dr J Mulwanda, Permanent Secretary

iv. EXAMINATIONS OF ZAMBIA

Mr M C Musanse, Principal
Mr W Sichamba, Accountant

v. MINISTRY OF AGRICULTURE

Mr S Zyambo, Permanent Secretary
Mr F Katulwende, Director

vi. FOOD RESERVE AGENCY

Mr C Kafwabula, Chief Executive Officer
Ms M M Nalubamba, Agency Secretary/Legal Counsel
Mr M Siamuyoba, Finance Manager
Mr J B Mwape, Property Manager
Mr M Chamatese, Food Reserve & Marketing Manager

vii. **MINISTRY OF COMMERCE TRADE AND INDUSTRY**

Mr M Mulenga, Permanent Secretary
Mr S Chikota, Director
Mr R Chanda, Senior Internal Auditor

viii. **CITIZENS ECONOMIC EMPOWERMENT COMMISSION**

Mr L Mukubuta, Director General
Col C N Mulenga (Rtd), CEEC Chairperson
Mr H Bweembelo, Budget and Finance Manager

ix. **PATENTS AND COMPANIES REGISTRATION AGENCY**

Prof M Sinjele, Chairperson
Mr A Bwembya, Chief Executive Officer
Mr B Mulenga, Chief Financial Officer

x. **INDUSTRIAL DEVELOPMENT CORPORATION**

Mr M C Kaluba, Group Chief Executive Officer
Ms C Sokoni, Chief Finance Officer
Ms S Kaweza, Senior Analyst Research & Strategy

xi. **ZAMBIA TELECOMMUNICATION CORPORATION LIMITED**

Mr S Mupeta Chief Executive Officer
Mr J Malupenga, Chief Finance Officer
Mr K Sindano, Chief Audit & Risk Officer

xii. **MPULUNGU HARBOUR**

Mr D Bwalya, Managing Director

xiii. **LUSAKA SOUTH MULTI FACILITY ECONOMIC ZONE LIMITED**

Mr K Mwila, Managing Director
Mr P Kaunda, senior Accountant
Mr M Mwenda, Business Dev Manager

xiv. **NITROGEN CHEMICALS OF ZAMBIA**

Mr W Mwale, Chief Executive Officer
Mr A E Mutambo, Chief Finance Officer
Mr T Sakalimwa, Finance Manager

xv. ZAMBIA FORESTRY AND FOREST INDUSTRIES CORPORATION LIMITED

Mr K D Bwalya, Managing Director
Mr B Jere, Director Internal Audit
Mr A Moyo, Intern Director of Finance

xvi. MINISTRY OF INFORMATION AND BROADCASTING SERVICES

Mr A Malupenga, Permanent Secretary
Ms N C Mwale, DHRA
Mr C Kasonde, Director Finance

xvii. INDEPENDENT BROADCASTING AUTHORITY

Ms J Mapoma, Director General
Mr E L Kawila, DHRA
Mr P Lesa, Manager -Finance

xviii. JUDICIARY

Ms N Imataa, Chief Administrator
Mr V Chileshe, Principal/Accountant
Ms A M Chpende, Chief Local Courts Officer
Mr L B Sikana, Chief/ Planner
Mr C Chinewe, Deputy Director Human Resource

xix. MINISTRY OF HIGHER EDUCATION

Ms K Siame, Permanent Secretary
Mr C Mulenga, Director – University Education
Ms M Mwale, Director

xx. MANSA TRADES TRAINING INSTITUTE

Mr M C Musanse, Principal
Mr W Sichamba, Accountant

xxi. UNIVERSITY OF ZAMBIA

Prof. L Mumba, Vice Chancellor
Mr A Kapambwe, Bursar
Mr D Kapaso, Chief Accountant

xxii. MINISTRY OF YOUTH, SPORT AND CHILD DEVELOPMENT

Dr J Phiri, Permanent Secretary

Mr J C Zulu, Director Sport
Mr B Kanungo, Director Finance
Ms C Haambola, Senior Internal Auditor
Mr R Mubanga, CSDO(p) and A/GS
Ms W C Kampyongo, Chief Planner

xxiii. NATIONAL SPORTS COUNCIL OF ZAMBIA

Ms M Sakala, Accountant

xxiv. MINISTRY OF LABOUR AND SOCIAL SECURITY

Mr C Kaziya, Permanent Secretary
Mr A Dumingo, Director Social Security
Mr S Mbuzi, Principal Accountant

xxv. WORKERS' COMPENSATION FUND CONTROL BOARD

Ms P C C Beembya, Chief Executive Officer
Mr P Siampwili, Director Legal Services
Mr K Kangwa, Director C and B
Mr H Kaonja, Finance Manager
Mr F C Chanda, Director-Investments