



**REPUBLIC OF ZAMBIA**

**REPORT**

**OF THE**

**PUBLIC ACCOUNTS COMMITTEE**

**ON THE**

**REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE  
REPUBLIC FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> DECEMBER, 2018**

**FOR THE**

**FOURTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY**

*Printed by the National Assembly of Zambia*

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**REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE REPUBLIC FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> DECEMBER, 2018, FOR THE FOURTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY**

**Membership of the Committee**

1. The Committee consisted of Mr H Kunda, MP (Chairperson); Ms B M Tambatamba, MP (Vice Chairperson); Mr M Mbulakulima, MP; Mr C Mweetwa, MP; Mr T J Kasonso, MP; Mr K Simbao, MP; Ms D Mwape, MP; Mr M C Munkonge, MP; Mr V Lumayi, MP; and Mr A K Mukosa, 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 the Republic for the Financial Year Ended 31<sup>st</sup> December, 2018 for the Fourth Session of the Twelfth National Assembly.

**Functions of the Committee**

2. The functions of the Committee are to examine the accounts showing the appropriation of sums granted by the National Assembly to meet the public expenditure, the Report of the Auditor General on the accounts and such other accounts.

**Meetings of the Committee**

3. The Committee held twenty six meetings to consider the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31<sup>st</sup> December, 2018.

**Procedure adopted by the Committee**

4. With technical guidance from the Auditor General, the Accountant General and the Controller of Internal Audits, the Committee considered both oral and written submissions from Controlling Officers of ministries and institutions that were cited in the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31<sup>st</sup> December, 2018. The Secretary to the Treasury was also requested to comment on the status of financial management in all the ministries and institutions cited in the Report.

This Report contains the observations and recommendations of the Committee structured in two parts. Part I of the Report deals with the Auditor General's comments and the response from the Secretary to the Treasury; Part II captures the responses from Controlling Officers on the individual audit queries;

## **PART I**

### **Paragraph 1 - Introduction**

#### **AUDITORS GENERAL'S COMMENTS AND THE RESPONSES FROM THE SECRETARY TO THE TREASURY**

5. The Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31<sup>st</sup> December, 2018 was produced in accordance with Article 250 of the *Constitution of Zambia (Amendment) Act, No. 2 of 2016*, the *Public Finance Management Act, No. 1 of 2018* and the *Public Audit Act, No. 13 of 1994*.

#### **Audit of Public Accounts**

- a. According to Article 211 (2) of the Constitution, the Auditor General is required to examine the Financial Report on the Accounts of the Republic and express an opinion on the Report.
- b. Article 212 requires the Auditor General to, not later than nine months after the end of a financial year, submit an audit report to the President and the National Assembly, on the accounts of the Republic audited in respect of the preceding financial year.
- c. Article 250 (1) (a) to (d) mandates the Auditor General to audit the following:
  - i. the accounts of state organs, state institutions, provincial administration, local authorities and institutions financed from public funds;
  - ii. the accounts that relate to the stocks, shares and stores of the Government;
  - iii. financial and value for money audits, including forensic audits and any other type of audit, in respect of a project that involves the use of public funds; and
  - iv. ascertain that money appropriated by Parliament or raised by the Government and disbursed—
    - has been applied for the purpose for which it was appropriated or raised;
    - was expended in conformity with the authority that governs it; and
    - was expended economically, efficiently and effectively.
- d. The *Public Finance Management Act, No. 1 of 2018*, Part VII confers on the Auditor General authority to have:
  - i. access to all the books, records, returns, reports, other documents and financial management systems in electronic or any other form relating to the accounts of public bodies as he considers necessary;
  - ii. access at any reasonable time of the day to the premises of any public body under audit examination or inspection;
  - iii. power to call for any relevant information from persons responsible for the financial administration of any public body under audit examination or inspection; and
  - iv. access to all information, communication technology systems used in the management of the public moneys.

#### **Treasury Response**

The Secretary to the Treasury submitted that the facts were correctly stated by the Auditor General in the Report on the Accounts of the Republic for the Financial Year Ended 31<sup>st</sup> December, 2018. He submitted that the Auditor General undertook the audit of Government Accounts for the Financial Year ended 31<sup>st</sup> December, 2018 and expressed an opinion on

those Accounts in accordance with the Constitution of the Republic of Zambia and the *Public Finance Management Act, No. 1 of 2018*.

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

The Committee commends the Auditor General for the timely production of the Report on the Accounts of the Republic for the Financial Year Ended 31<sup>st</sup> December, 2018 which culminated into its tabling on 7<sup>th</sup> October, 2019 in line with the provisions of Article 212 of the Constitution of Zambia as amended by Act No. 2 of 2016.

### **Paragraph 2 - Submission of Financial Statements by the Minister of Finance**

The Financial Statements of Government are prepared by the respective Ministries, Provinces and Spending Agencies (MPSAs) in accordance with Part VI, Section 70 of the *Public Finance Management Act, No. 1 of 2018*. The Minister of Finance is responsible for the consolidation of the Financial Statements and the preparation of the Financial Report.

Article 211 (1) of the Constitution requires the Minister of Finance to, within three months after the end of each financial year, prepare and submit to the Auditor General the Financial Report of the Republic in respect of the preceding financial year.

Article 211 (2) requires the Auditor General to, within two months of receipt of the Financial Report, examine the Financial Report and express an opinion on the Report.

Article 211 (3) stipulates that the Minister responsible for finance shall, within one month after the receipt of the Auditor General's opinion, lay the Financial Report, with the Auditor General's opinion, before the National Assembly.

Article 211 (4) stipulates the information that should be included in the Financial Report as follows:

- a. revenue received by the Republic during that financial year;
- b. the expenditure of the Republic during that financial year;
- c. gifts, donations and aid-in-kind received on behalf of the Republic in that financial year, their value and how they were disposed of;
- d. debt repayments;
- e. payments made in that financial year for purposes other than expenditure;
- f. the financial position of the Republic at the end of that financial year; and
- g. other information as prescribed.

The information is presented as follows in the Financial Report:

- a. Statement A - Statement of Cash Receipts and Payments;
- b. Statement B - Statement of Budget Execution;
- c. Statement C - Statement of Detailed Budget Execution;
- d. Statement D - Statement of Revenue and Expenditure by Functional Classification;
- e. Statement E - Statement of Public Debt; and
- f. Notes to the Financial Statements.

### **Treasury Response**

The Secretary to the Treasury submitted that the Accounts for the Financial Year Ended 31<sup>st</sup> December, 2018 contained information in line with the reporting outline as prescribed in the Republican Constitution.

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

The Committee notes the matter.

### **Paragraph 3 - Scope of Audit**

The audit scope included Government ministries and provinces as contained in the Financial Report of the Republic. The audit covered revenue and expenditure on the Accounts for the Financial Year Ended 31<sup>st</sup> December, 2018 as well as physical inspections of projects.

### **Treasury Response**

The scope of the audit for the Financial Year Ended 31<sup>st</sup> December, 2018 was as indicated by the Auditor General. It included all the Government ministries provinces and spending agencies as contained in the Financial Report of the Republic, with respect to the revenue collected during the year and the review of expenditure incurred. The Auditor General also carried out physical inspection of projects whenever it was possible to do so.

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

The Committee observes that the Auditor General has continued to audit selected MPSAs. In this regard, the Committee urges the Secretary to the Treasury to increase funding to the Office of the Auditor General so as to enable the Office to increase the number of MPSAs audited.

### **Paragraph 4 – Constraints**

#### **Paragraph 4 (i) Budget and Funding**

During the year 2019, the Office was allocated a budget of K28,942,873 for Recurrent Departmental Charges to audit the Accounts for the Financial Year Ended 31<sup>st</sup> December, 2018, against which amounts totalling K17,650,000 (61 per cent) were released as at 30<sup>th</sup> September, 2019. The amounts appropriated were inadequate considering the expanded mandate that included the audit of local authorities and the fact that all the audits were supposed to be finalised by 30<sup>th</sup> September, 2019.

According to the Constitution, the Auditor General is required to audit all the ministries, provinces, spending agencies, parastatals, other statutory bodies and local authorities, annually. As a result of the budget constraints, it was not possible to comprehensively audit all clients.

### **Treasury Response**

The Secretary to the Treasury submitted that the reduction in the budget provision and the release of only 61 per cent of the budgeted funds was due to the challenging economic landscape in the country which had a direct impact on revenue levels of the Republic. The Treasury, however, indicated that they would endeavour to provide adequate funding to the Office of the Auditor General as long as the revenue levels were adequate.

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

The Committee notes the submission and urges the Secretary to the Treasury to endeavour to provide adequate funding to the Office of the Auditor General.

### **Paragraph 4 (ii) Staff**

According to the Report of the Auditor General, the staffing position in the Office had over the years been improving. However, staffing levels were still not commensurate with the

number of Government programmes being undertaken throughout the country. With the new legal requirements to audit all local authorities which currently were 116 in number, the Office required additional staff to adequately carry out its mandate.

In November, 2018, the Ministry of Finance granted Treasury Authority for seventy-eight positions which were filled in January, 2019.

### **Treasury Response**

The Secretary to the Treasury submitted that the Treasury would engage the Auditor General to establish the obtaining staffing challenges in light of the Treasury Authority granted to the Office in January, 2019, for seventy-eight positions which had since been filled. The Committee was informed that after the engagement, the Treasury would consider granting another Treasury Authority depending on the availability of funds.

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

The Committee commends the Secretary to the Treasury for granting the Office of the Auditor General Treasury Authority to recruit seventy-eight officers. The Committee will await a progress report on the granting of further Treasury Authority to recruit more staff.

### **Paragraph 5 - Audit Methodology**

It was reported that the Report of the Auditor General was as a result of programmes of test checks, inspections and examination of accounting, stores, projects and other records maintained by the public officers entrusted with handling public resources. The audit programmes were designed to give reasonable assurance of financial management in the Government and to enable the expression of an appropriate audit opinion on the Financial Statements for the year. They were also intended to provide information that would assist the National Assembly in its oversight responsibility over the application of public resources and the execution of programmes by the Executive.

In order to ensure optimal utilisation of resources at the Auditor General's disposal, a risk-based audit approach was used to prioritise clients so that resources were targeted at the most risky areas of Government operations.

### **Treasury Response**

The Secretary to the Treasury submitted that the risk-based audit approach used by the Auditor General to prioritise risky areas of Government operations in ministries, provinces and spending agencies was appreciated. The Committee was informed that the methodology was suitable for detection of weaknesses in public financial management and it assisted the Executive to focus on addressing the weaknesses by enhancing internal control systems aimed at protecting public resources.

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

The Committee notes the response on the matter.

### **Paragraph 6 - Reporting Procedures**

It was reported that the reporting process involved three major stages. The first stage was where the Management Letter was sent to the Controlling Officer and was required to respond to the audit queries raised within fourteen days. Where the Controlling Officer did not respond to the queries or where the responses were not satisfactory, the Management Letter was upgraded to an Audit Reference (AR) Sheet. At AR stage (second stage), the

Controlling Officer was then required to respond within seven days. If the queries in the AR were not addressed, the AR was upgraded to a Draft Annual Report Paragraph (DARP). The DARP was the third and final stage and the Controlling Officer was given up to seven days in which to confirm as to whether the contents were factually correct or not. At every stage where responses received were satisfactory, amendments were made accordingly.

Although there had been improvement in the time in which responses were received, some of the responses were not supported with sufficient documentary evidence. In this regard, some of the issues remained outstanding due to the failure by the controlling officers to provide documentary evidence.

Where the issues had not been resolved, the DARPs were consolidated in the Annual Report of the Auditor General on the Accounts of the Republic for the year then ended.

### **Treasury Response**

The Secretary to the Treasury submitted that the reporting procedure was as stated by the Auditor General. The Secretary to the Treasury also submitted that the Treasury, having observed the failure by MPSAs to provide the required information to the Auditor General in time, ensured that the penalty was stiffened for failure to provide information to the Auditor General, the Secretary to the Treasury, Accountant General and Controller of Internal Audit.

The Committee was informed that the Treasury had embarked on a sensitisation programme to orient all office holders on the salient features of the *Public Finance Management Act, No. 1 of 2018*, with regard to penalties enshrined in the Act.

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

The Committee notes the submission and supports the sensitisation programme embarked upon by the Treasury for all office holders on the punitive measures enshrined in the *Public Finance Management Act, No. 1 of 2018*. The Committee urges the Secretary to the Treasury to ensure that the programme is completed without fail.

### **Paragraph 7 - Audit Opinion on the Accounts**

The Auditor General audited the Financial Statements of the Government of the Republic of Zambia which comprised the Statements: A - Statement of Cash Receipts and Payments; B – Statement of Budget Execution; C – Statement of Detailed Budget Execution; D – Statement of Revenue and Expenditure by Functional Classification; and E – Statement of Public Debt as at 31<sup>st</sup> December, 2018 and notes to the Financial Statements.

In his opinion, the accompanying financial statements of the Government of the Republic of Zambia presented fairly, in all material respects, its financial performance and cash flows for the year then ended in accordance with the Principles of International Public Sector Accounting Standards (IPSASs) Cash Basis of Accounting.

### **Treasury Response**

The opinion of the Auditor General that the Financial Statements of the Government of the Republic of Zambia for the Year Ended 31<sup>st</sup> December, 2018 presented fairly, in all material respects, its financial performance and cash flow for the year ended in accordance with Generally Accepted Accounting Principles (GAAP) and Principles of International Public Sector Accounting Standards (IPSASs) Cash Basis of Accounting was noted and appreciated. The Committee was informed that the Government was in the process of developing a policy

document for implementing accrual International Public Sector Accounting Standards (IPSAS) in Zambia. Full implementation of IPSAS was envisaged to improve the quality of reporting, enhance transparency, accountability and comparability of financial information.

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

The Committee notes the response on the matter.

#### **Paragraph 7.1 - Basis for Opinion**

The Report of the Auditor General explained that he conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). His responsibilities under those standards were further described in the Auditor's responsibilities for the audit of the Financial Statements section of his report. The Report explained that the Office of the Auditor General was independent of the Ministry of Finance in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) Code of Ethics together with the ethical requirements that were relevant to the audit of the financial statements in Zambia, and the Auditor General had fulfilled the other ethical responsibilities in accordance with these requirements and the INTOSAI Code. The Auditor General was of a belief that the audit evidence obtained by the Office was sufficient and appropriate to provide a basis for the opinion rendered.

#### **Treasury Response**

The Secretary to the Treasury submitted that the basis of the opinion made by the Auditor General was noted that the Auditor General conducted the audit independently without interference from the Ministry of Finance or any other public body. The Committee was informed that, as correctly observed by the Auditor General, there was no interference observed by the Treasury which would suggest that the independence of the Auditor General was compromised.

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

The Committee notes the response on the matter.

#### **Paragraph 7.2 - Key Audit Matters**

Key Audit Matters were those matters that, in the Auditor General's professional judgment, were most significant in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole and in forming an opinion thereon, and the Auditor General did not provide a separate opinion on these matters.

Key Audit Matter	How the Matter was addressed in the audit
<p>1. Integrated Financial Management Information System (IFMIS) is a key system that is used by the Government of the Republic of Zambia in capturing and recording of financial data. It is also used in the production of financial reports. At the beginning of 2018, the system crashed. During the Financial Year Ended 31<sup>st</sup> December, 2018, expenditure records were manually processed and uploaded into the IFMIS and as such had no audit trail in the system. In view of the above, IFMIS was considered a Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>• Determined the procedures followed in data capture and validation when the system was restored in June 2018.</li> <li>• Interviewed key Personnel on the effect of system outage in each Ministry, Province and Spending Agency's (MPSAs) Statement 'C'.</li> <li>• Checked the completeness of manual records.</li> <li>• Checked the completeness of funding and payments in the manual cash books.</li> <li>• Compared manual cashbook entries in each of the MPSA's Statement 'C'.</li> <li>• Compared the consumed amount in the Budget Consumption report with the figures reported in each of the MPSA's Statement 'C'.</li> </ul>
<p>2. Personal Emoluments were K20, 970,464,608 representing 35.22 percent of the total expenditure of K59, 535,943,562. In view of the financial materiality of the component, personal emoluments were identified as a Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>• Determined the eligibility of staff in each MPSA's payroll.</li> <li>• Checked the establishment register for the existence of the vacancies against Treasury Authority.</li> <li>• Compared the Human Resources staff listing and the payroll.</li> <li>• Checked for the existence of duplicated employees on the payroll.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Reviewed the files of people that have been separated from the entity.</li> <li>• Established the amount indicated for emoluments in the yellow book to amounts spent.</li> </ul>

<p>3. Capturing of Journals: A journal voucher is used for capturing transactions and adjusting accounts or correcting errors within the same control account. During the period under review, a lot of journals were passed to correct errors and thus a key audit matter.</p>	<p>Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. Reviewed the detailed ledgers and the associated journal entries in the System. Made inquiries and requested for journal vouchers used to adjust accounts and correct errors.</p>
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### **Treasury Response**

The Secretary to the Treasury submitted that strides had already been made to ensure that a recurrence of the IFMIS crash was avoided. The Committee was informed that the Treasury, with support from SMART Zambia Institute, had since enhanced back-up systems for the information generated and maintained on the IFMIS platform. The Committee was also informed that in order to enhance the Treasury's control over the IFMIS system, a new Department had been created to be anchored under the Ministry of Finance and one of its core responsibilities was to manage the technical component of IFMIS on a daily basis and in the long term.

Regarding management of the Government payroll, the Committee was informed that Circular No. 6 of 2019 had been issued to streamline roles and responsibilities in the management of the Government payroll with a view of reducing the risk of payroll fraud and ensuring only eligible employees were remunerated.

The Committee was also informed that the Treasury, in consultation with other key stakeholders, was reviewing the configuration aspects of IFMIS in order to ensure internal controls for components relating to journal postings were enhanced to prevent abuse.

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

The Committee notes the response and urges the Secretary to the Treasury to expeditiously finalise the review of the IFMIS configuration aspects. The Committee will await a progress report on the matter.

### **Paragraph 7.3 - Responsibilities of Management and those Charged with Governance for the Financial Statements**

The Auditor General observed that the Minister of Finance was responsible for the preparation and fair presentation of financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Principles of International Public Sector Accounting Standards (IPSASs) Cash Basis of Accounting and for such internal controls as management determined necessary to enable the preparation of financial statements that were free from material misstatements, whether due to fraud or error.

Those charged with governance were responsible for overseeing the Government's financial reporting process.

### **Treasury Response**

The Secretary to the Treasury submitted that the Minister of Finance, as Head of the Treasury, was in charge of overseeing the Government's financial reporting process. In this regard, the Committee was informed that in the year under review, the Minister provided the necessary leadership to ensure that the Financial Report for the Republic was produced in line with constitutional requirements.

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

The Committee notes the response on the matter.

#### **Paragraph 7.4 - Auditor's Responsibilities for the Audit of the Financial Statements**

The Auditor General explained that the objectives were to obtain reasonable assurance about whether the Financial Statements were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included the opinion. Reasonable assurance was a high level of assurance but not a guarantee that an audit conducted in accordance with ISSAIs would always detect a material misstatement when it existed. Misstatements could arise from fraud or error and were considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of Financial Statements.

As part of an audit in accordance with ISSAIs, the Auditor General exercised professional judgment and maintained professional skepticism throughout the audit.

The Auditor General also:

- i. identified and assessed the risks of material misstatement of the Financial Statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that was sufficient and appropriate to provide a basis for the opinion. The risk of not detecting a material misstatement resulting from fraud was higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- ii. obtained an understanding of internal controls relevant to the audit in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control;
- iii. evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Minister of Finance; and
- iv. evaluated the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represented the underlying transactions and events in a manner that achieved fair presentation.

The Auditor General explained that he communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls identified during the audit. The Auditor General also explained that he provided those charged with governance with a Statement that he had complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on his independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, he determined those matters that were of more significance in the audit of the Financial Statement of the current period and were therefore the Key Audit Matters. He described these matters in the audit

report unless the law or regulation precluded public disclosure about the matter or when, in extremely rare circumstances, he determined that a matter should not be communicated in his Report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

### **Treasury Response**

The Secretary to the Treasury submitted that the audit responsibilities of the Auditor General were noted and the objective of obtaining reasonable assurance was appreciated. The Committee was informed that it was clear from the Auditor General's statement above that due care was taken to produce his Report in line with the requirements.

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

The Committee notes the response on the matter.

### **Paragraph 7.5 - Report on Other Legal and Regulatory Requirements**

In the opinion of the Auditor General, the required accounting and other records of the Government of the Republic of Zambia as at 31<sup>st</sup> December, 2018 were properly maintained in accordance with the *Public Finance Management Act, No. 1 of 2018*.

### **Treasury Response**

The Secretary to the Treasury submitted that the facts were as stated by the Auditor General. The Committee was informed that in preparing the Financial Statements for the year under review, the Treasury complied with the requirements of the *Public Finance Management Act, No. 1 of 2018*.

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

The Committee notes the response on the matter.

### **Paragraph 8 - Weaknesses in Internal Controls**

There were weaknesses in the implementation of internal controls observed in MPSAs which included the following:

- i. failure and delays in the collection of Government revenue;
- ii. failure to detect anomalies such as overpayments, under/over banking, unauthorised payments and misappropriation;
- iii. failure to adhere to Cabinet Office and other circulars, Terms and Conditions of Service for the Public Service, Financial and Public Stores Regulations such as payment of remote and rural hardship allowances to officers in ineligible stations and payments of meal and subsistence allowances to officers working within district boundaries;
- iv. failure to adhere to procurement procedures and contract provisions;
- v. poor record keeping, leading to failure to maintain books of accounts, missing payment vouchers and unsupported payments;
- vi. failure to follow the Appropriation Act and Financial Regulations leading to misapplication of funds, that is, use of funds budgeted for a programme on an unrelated programme without authority from the Secretary to the Treasury;
- vii. failure to update and reconcile the Establishment Register and the Staff Assignment;
- viii. misplacement of payroll area for staff, allowing officers to draw salaries from stations where they were not placed;
- ix. failure to insure Government assets; and

- x. failure to deduct and remit statutory contributions.

### Treasury Response

S/N	Weakness	Control Measures
(i)	Failure and delays in the collection of Government revenue	The Secretary to the Treasury submitted that the Treasury was automating revenue collection systems to avoid the human interface and therefore preventing failure to collect revenue.
(ii)	Failure to detect anomalies such as overpayments, under/over banking, unauthorised payments and misappropriation.	The Secretary to the Treasury submitted in order to address this omission, instructions shall be issued in the Treasury and Financial Annual Circular for 2020 to compel all Controlling Officers in public bodies to thoroughly review the control environment in order to ensure that internal controls were enhanced to in order to competently detect anomalies.
(iii)	Failure to adhere to Cabinet Office and other circulars, Terms and Conditions of Service for the Public Service, Financial and Public Stores Regulations for example payment of remote and rural hardship allowances to officers in ineligible stations and payments of meal and subsistence allowances to officers working within the district boundaries;	The Secretary to the Treasury submitted that the observation shall be reviewed to determine as to whether they were caused due to system failure or human contraventions.
(iv)	Failure to adhere to procurement procedures and contract provisions;	The Secretary to the Treasury submitted that the Treasury was currently revising the <i>Public Procurement Act, No. 12 of 2008</i> and regulations to bring them in line with the <i>Public Finance Management Act, No. 1 of 2018</i> , in terms of penalties which were currently enforceable in the PFMA.
(v)	Poor record keeping leading to failure to maintain books of accounts missing payment vouchers and unsupported payments.	The Secretary to the Treasury submitted that the Treasury, through the Office of the Accountant General, was undertaking vigorous sensitisation on the

		provisions of the <i>Public Finance Management Act, No. 1 of 2018</i> , which included maintenance of up to date books of accounts and supporting documents. Further, a programme had been drawn up and earmarked for second quarter of 2020 to review compliance levels by accounting officers to the provisions of the law.
(vi)	Failure to follow the Appropriation Act and Financial Regulations leading to misapplication of funds, that is, use of funds budgeted for a programme on an unrelated programme without authority from the Secretary to the Treasury;	The Secretary to the Treasury submitted that the Treasury, through the Office of the Accountant General, was undertaking vigorous sensitisation on the provisions of the <i>Public Finance Management Act, No. 1 of 2018</i> , which included the management of variation of funds. Sensitisation of office holders was envisaged to reduce misapplication of Public funds.
(vii)	Failure to update and reconcile the Establishment Register and the Staff Assignment;	The Secretary to the Treasury submitted that the Treasury shall engage all stakeholders under Cabinet Office responsible for Human Resource Management to reconcile and update Establishment Register and the Staff Assignment.
(viii)	Misplacement of payroll area for staff allowing officers to draw salaries from stations where they were not placed	The Secretary to the Treasury submitted that a Government Payroll validation and verification task team had been constituted to comprehensively address all payroll queries.
(ix)	Failure to insure Government assets	The Secretary to the Treasury submitted that the <i>Public Finance Management Act, No. 1 of 2018</i> , had regulated the insurance of public assets by all public bodies. As regards funds for

		procurement of insurance cover, Controlling Officers had been reminded to prioritise insurance.
(x)	Failure to deduct and remit statutory contributions	The Secretary to the Treasury submitted that the Treasury, through the Accountant General, had arranged a meeting in the last week of December, 2019 with all heads of Accounting units where, among other issues, the Accountant General would sensitise participants on the need to ensure that all statutory deductions were effected and remitted in accordance with the procedures.

### **Committee’s Observations and Recommendations**

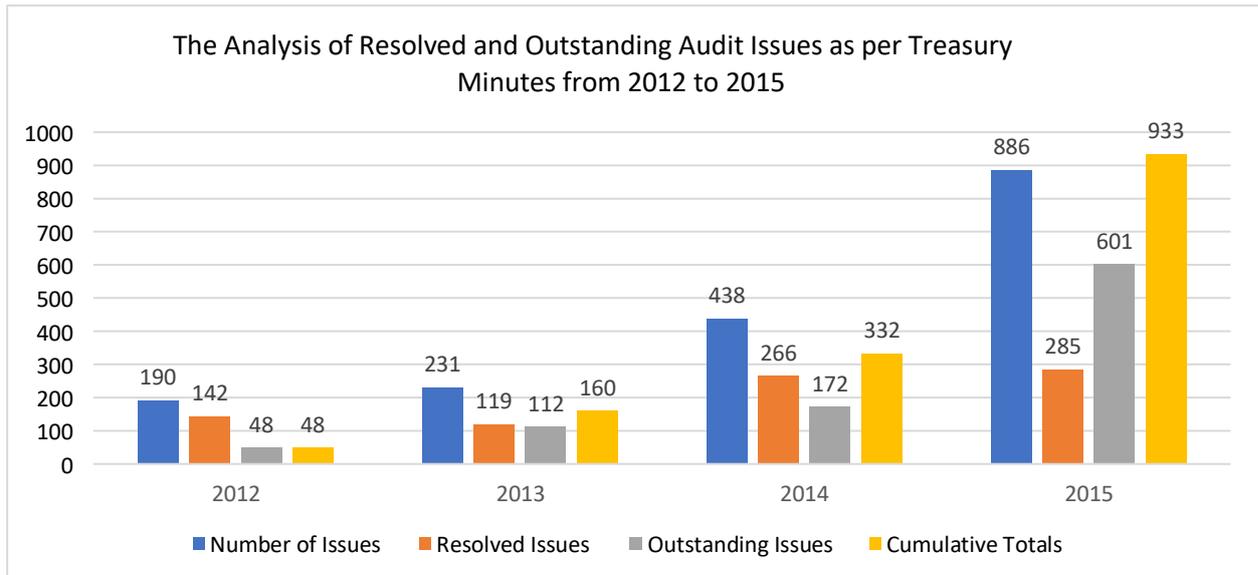
The Committee notes the responses but expresses displeasure at the failure and delays in the collection of Government revenue and the failure to detect anomalies. In this regard, the Committee urges the Secretary to the Treasury to ensure that the stipulated control measures are realised without fail. The Committee will await a progress report on the matter.

### **Paragraph 9 - Trend Analysis of the Resolution of Audit Issues as per Treasury Minutes (2012 to 2015)**

“Supreme Audit Institutions (SAIs) strengthen accountability, transparency and integrity by independently auditing public sector operations and reporting on their findings. This enables those charged with public sector governance to discharge their responsibilities in responding to audit findings and recommendations, and taking appropriate corrective action to complete the cycle of accountability”

The outstanding issues were audit queries that remained unresolved from the Treasury Minutes (Action Taken Report) prepared by the Ministry of Finance on the Reports of the Auditor General. The number of outstanding issues for the Financial Years Ended 31<sup>st</sup> December, 2012 to 2015 stood at 933.

The analysis of resolved and outstanding audit issues as per Treasury Minutes from 2012 to 2015 is as shown in the chart below.



As can be seen from the trend analysis above, there was need for the Secretary to the Treasury to ensure that audit recommendations by the Auditor General and the Public Accounts Committee (PAC) were implemented in order to enhance public financial management. Further, the failure to promptly implement the recommendations could lead to matters being statute barred.

### **Treasury Response**

The Secretary to the Treasury submitted that the Treasury was making efforts in ensuring that audit recommendations were implemented and that resources were made available to the Committee of Officials so as to expeditiously deal with outstanding issues arising from the 2018 Audit Report. In this regard, the Committee of Officials secretariat had been directed to follow up on all unresolved issues after the conclusions of the Public Accounts Committee sittings to consider the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31<sup>st</sup> December, 2018 so that the working documents were availed to the Committee in March, 2020.

The Committee was informed that the Treasury took matters raised in the Auditor General's Report seriously as they provided valuable guidance on areas that needed enhancement of the public financial management system. The Committee was also assured that all matters that would require intervention would be attended to promptly and decisively.

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

The Committee observes with concern that 933 outstanding issues remain unresolved, defeating the purpose of public financial accountability. In this regard, the Committee urges the Secretary to the Treasury to ensure that all outstanding issues are followed up and provide feedback to the Committee, without delay. The Committee will await a progress report on the matter.

### **Executive Summary**

The Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31<sup>st</sup> December, 2018 was produced in accordance with Article 250 of the *Constitution of Zambia* as amended by Act No. 2 of 2016, the *Public Finance Management Act, No. 1 of 2018* and the *Public Audit Act, No. 13 of 1994*.

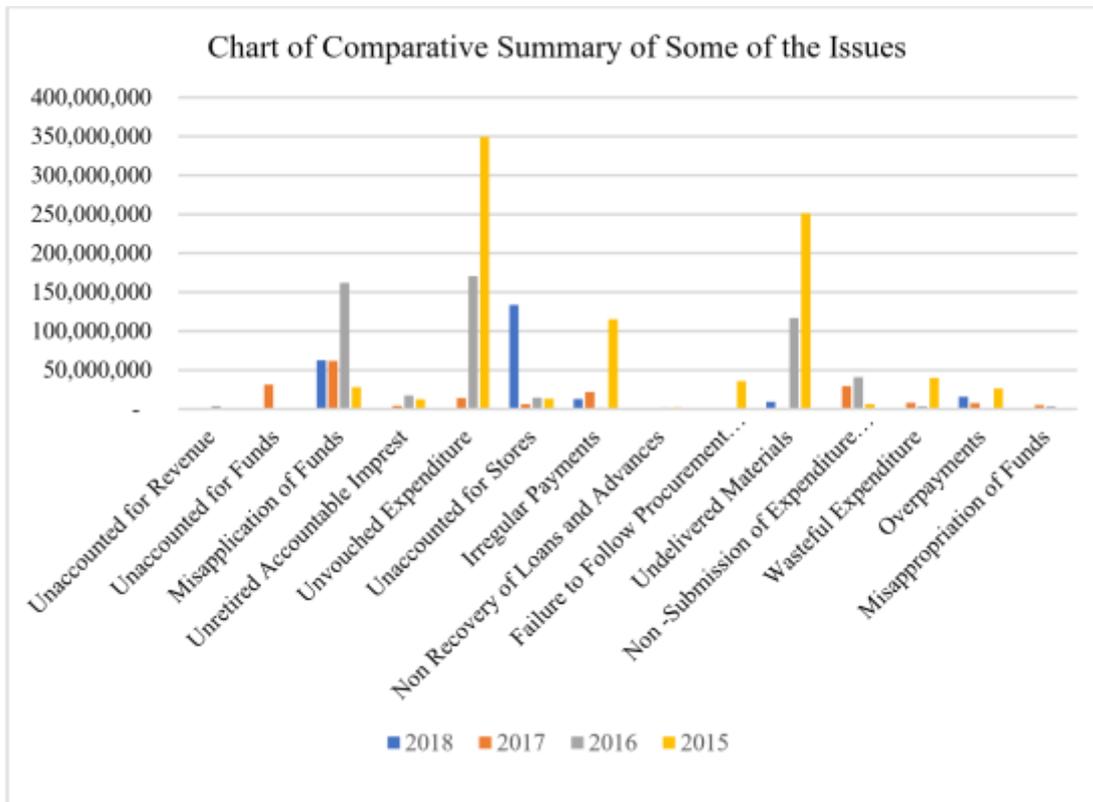
During the audit process, there were various levels at which the Office interacted and communicated with Controlling Officers whose accounts were audited. The purpose of this interaction was to provide an opportunity for the controlling officers to clarify and take corrective action on the findings of the audits.

The Report contained fifty-four paragraphs consisting of forty-one paragraphs on audit matters and thirteen paragraphs on other matters. The forty-one paragraphs on audit matters reflected issues that could not be resolved during the audit process and on which corrective actions were not undertaken as at 20<sup>th</sup> September, 2019. In addition, the Report contained audit recommendations which were aimed at addressing various issues of concern observed during the audit process.

The comparative summary of some of the issues contained in the report are outlined in the table below.

<b>Details</b>	<b>2018 K</b>	<b>2017 K</b>	<b>2016 K</b>	<b>2015 K</b>
Unaccounted for Revenue	143,179	873,649	3,700,509	558,449
Unaccounted for Funds	26,000	31,200,930	386,834	193,910
Misapplication of Funds	62,432,136	61,657,450	162,095,699	28,153,997
Unretired Accountable Imprest	667,703	4,073,434	17,559,399	12,659,892
Unvouched Expenditure	1,033,754	14,137,189	170,554,478	349,306,160
Unaccounted for Stores	133,815,072	6,370,531	14,428,573	13,460,323
Irregular Payments	12,767,837	21,791,360	1,591,348	115,350,860
Non Recovery of Loans and Advances	201,572	901,507	1,689,982	2,352,451
Failure to Follow Procurement Procedures	879,000	1,051,686	509,535	35,701,492
Undelivered Materials	9,195,241	1,486,568	116,759,240	251,523,804
Non-Submission of Expenditure Returns	301,830	29,409,484	40,705,270	6,308,762
Wasteful Expenditure	222,534	7,865,395	3,586,879	39,854,959
Overpayments	15,824,166	7,437,149	1,061,247	26,559,013
Misappropriation of Funds	61,354	5,036,051	3,618,127	

The chart of a comparative summary of some of the issues contained in the Report is presented below.

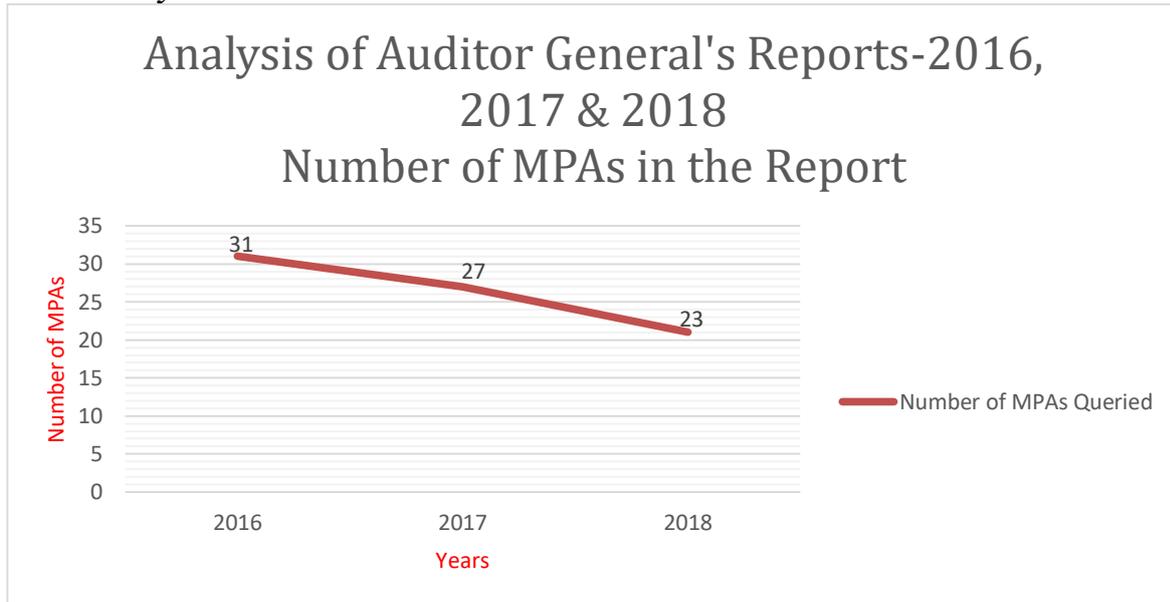


### Treasury Response

The Secretary to the Treasury submitted that there was an increase in irregularities for unaccounted for stores, overpayments and undelivered materials compared to the previous year. The Secretary to the Treasury, however, assured the Committee that the Treasury was committed to implementing adequate measures to enhance internal controls so as to curtail the irregularities.

The Committee was informed that after analysis, it was apparent that the public financial management reforms being undertaken by the Treasury had essentially started showing results as could be seen in the graph below:

### **Trend Analysis – 2016 to 2018**



From the graphical presentation above, the Committee was informed that there had been a reduction in the total number of ministries, provinces and agencies appearing in the Auditor General's Report from 31 in 2016 to 23 in 2018, representing a 26 per cent decrease. The Secretary to the Treasury also submitted that the Treasury was committed to ensuring development and enforcement of the legal framework for public financial management in order to continue reducing the number of institutions appearing in the Auditor General's Report every year.

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

The Committee notes the submission but contends that the reduction in the total number of ministries, provinces and agencies appearing in the Auditor General's Reports from 2016, could also be attributed to the inadequate funding of the Office of the Auditor General, which has a corresponding effect on the number of MPSA's audited. In this regard, the Committee urges the Secretary to the Treasury to ensure that the Office of the Auditor General is adequately funded in order to have more MPSA's audited. The Committee will await a progress report on the matter.

## PART II

### ZAMBIA REVENUE AUTHORITY ZRA

<b>AUDIT QUERY</b>	<b>:</b>	<b>PARAGRAPH 10</b>	
<b>PROGRAMME</b>	<b>:</b>	2011	Tax Revenue – Zambia Revenue Authority
<b>ACTIVITIES</b>	<b>:</b>	111	Income Tax
		112	Customs and Excise Duty
		113	Value Added Tax

#### Accounting and Other Irregularities

6. An examination of accounting and other records maintained at the Zambia Revenue Authority (ZRA) Headquarters and a visit to selected stations carried out from April to May, 2019 revealed various irregularities, to which the Secretary to the Treasury responded as outlined below.

#### a. Treasury Division

##### i. Worsening Arrears of Domestic Tax - K42,858,779,785

The Secretary to the Treasury submitted that the Zambia Revenue Authority (ZRA) had continued to collect tax debts. The Authority's debt collection efforts in the year 2018 had resulted in the collection of an amount of K5.2 billion of the tax arrears. The Committee was informed that ZRA had further collected K4.65 billion outstanding tax arrears as at 30<sup>th</sup> September, 2019 against a target of K4 billion for the same period.

The Secretary to the Treasury also submitted that as at the end of 2018, domestic taxes debt stock stood at K36,166.8 million, out of which K17,247.8 million was principal tax, K17,359 million was penalties while K1,560 million was interest. In this regard, the Committee was informed that debt reconciliation activities were heightened in 2018.

The Secretary to the Treasury further submitted that the private debt owed as at the year ended December 2018, comprised mainly debt owed by Government institutions to private entities which were in turn unable to pay their tax obligations. The Committee was informed that other payments were made through the Real Time Gross Settlement System (RTGS) which were being traced to respective taxpayers and tax obligations as reconciliations were ongoing with institutions for remittances on behalf of taxpayers.

The Secretary to the Treasury also submitted that the debt owed by private companies in domestic taxes as at the end of 2018, amounted to K18,929.2 million representing 52.3 per cent. Parastatal companies owed an amount of K15,294.5 million representing 42.3 per cent with Government debt standing at K1,943.1 million representing 5.4 per cent of total Domestic Tax debt.

Meanwhile, the Committee learnt that on 17<sup>th</sup> September, 2019, the Permanent Secretary in charge of Economic Management and Finance in the Ministry of Finance had indicated that the parastatal debt was being pursued through the Industrial Development Corporation (IDC) while the private debt was being pursued through the issued 709 enforcement Garnishee Orders with a value of K17,045,249,220 and 227 Warrants of Distress with a value of K19,532,036,123.

The Committee also learnt that as at 20<sup>th</sup> September, 2019, the outstanding debt had remained uncollected despite the issuance of Garnishee Orders.

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

The Committee observes with concern that the domestic tax debt had continued to increase even after employing mechanisms such as issuance of enforcement Garnishee Orders, Warrants of Distress and engagement of the Industrial Development Corporation (IDC) to collect debt from parastatal bodies. In this regard, the Committee urges the Secretary to the Treasury to ensure that ZRA puts more measures in place to heighten debt reconciliation activities, and also ensure that ZRA vigorously follows up taxpayers owing the Authority, based on the outcome of the reconciliation. The Committee will await a progress report on the matter.

#### **ii. Tax Debtors without Contact Details - K21,667,298**

The Secretary to the Treasury submitted that the Zambia Revenue Authority had written to local authorities and the Patents and Companies Registration Agency (PACRA) in an effort to obtain details on debtors without proper contact details.

As regards the tax liability of K21,667,298, the Secretary to the Treasury submitted that mines, banks, the Government and its spending agencies, among others, who served as agents had been garnisheed in an effort to recover taxes owed. As the agents paid their suppliers for goods and services rendered, the Authority was informed and contact was initiated to recover the owed taxes. He further submitted that recommendations were being made for debt write off of uncollectable tax liabilities.

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

The Committee notes with concern that taxpayers were captured in the ZRA database without vital personal contact details. The Committee also notes with concern the intention by ZRA to write off uncollectable tax liabilities.

In view of the foregoing, the Committee urges the Zambia Revenue Authority to develop a tax arrears database with physical addresses and contact numbers as mandatory fields in order to make it easy for the Authority to pursue the tax debtors.

With regard to the writing off of uncollectable taxes, the Committee urges the ZRA to prepare and submit a detailed report pertaining to uncollectable taxes, to the Office of the Auditor General for verification. The Committee also urges the Secretary to the Treasury to ensure that the law pertaining to tax write offs is followed to the letter. The Committee will await a progress report on the matter.

#### **a. Domestic Taxes**

##### **i. Returns Pending Validation- K1,287,183**

The Secretary to the Treasury submitted that the returns that were listed as pending had been posted to the respective taxpayer accounts on tax online. The cases under this category were Income Tax annual returns that required Form 56 to be attached to the return upon submission. The Committee was informed that the Form was separately uploaded and submitted, after submission of the return. However, the Committee was informed that there had been a challenge of taxpayers not completing the process and as such the return pended at system validation stage. In this regard, the Secretary to the Treasury also informed the

Committee that this requirement would be excluded in Tax Online II as Form 56 would form part of the return and hence would not be required to be separately completed.

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

The Committee expresses disappointment that ZRA failed to resolve this matter at the time of audit. The Committee, however, urges the Secretary to the Treasury to ensure that the Tax Online II is rolled out and that taxpayers are sensitised about the system so that the collection of the taxes is not hampered. The Committee will await a progress report on the actualisation of the Tax Online II.

#### **ii. Approval of Tax Objections without Supporting Documents- K3,209,352,596**

The Secretary to the Treasury submitted that the supporting documents from taxpayers were being used to process the requests in line with the ZRA objections processes and therefore, due to time limitations at the time of the audit, the documents could not be availed for audit verification. However, the processed objections of tax payers were available for verification.

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

The Committee observes with disappointment that ZRA did not prioritise the audit process and ensure that relevant supporting documents were availed to the Auditors at the time of audit, in line with the provisions of the *Public Finance Management Act, No. 1 of 2018*. In this regard, the Committee urges the Secretary to the Treasury to ensure that supporting documents are availed to the Office of the Auditor General for verification. The Committee also urges the Secretary to the Treasury to institute disciplinary action against officers who failed to avail supporting documents to the auditors. The Committee will await a progress report on the matter.

## **b. Customs Taxes**

#### **i. Unassessed Registered Bills of Entry - K17,052,691**

The Secretary to the Treasury submitted that in order to address the 267 entries for importations by the Government ministries and other institutions granted special delivery through issuance of Government vouchers, a pilot project for electronic issuance of government vouchers was being undertaken. The Secretary to the Treasury also submitted that the stated pilot project of Electronic Voucher of Exemption had nine ministries on board.

The Committee was informed that the project would eliminate the delay in clearance of entries under the voucher system which was causing a significant number of unassessed entries. As regards the other entries, the Committee was informed that they were not assessed for various reasons such as outstanding queries on account of:

- i. insufficient documentation for instance, import/ export permits on controlled or restricted goods;
- ii. technical challenges at various stages of processing the entries thus assessment not enabled by the system;
- iii. pending applications for cancellations which may have been duplicated;
- iv. awaiting clearance from Zambia Compulsory Standards Agency (ZCSA); and
- v. declarations for which the consignments had not been availed to Customs for inspection.

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

The Committee observes with concern that ZRA could not avail relevant documents on this matter to the auditors at the time of audit. In this regard, the Committee urges the Secretary to the Treasury to submit the 267 entries for importations by the Government ministries and other institutions granted special delivery and all other entries to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

#### **ii. Failure to Collect Revenue from Approved Tax Assessments - K152,171,591**

The Secretary to the Treasury submitted that the electronic evidence of the 1,851 entries were available in the ZRA ASYCUDA World system which ordinarily comprised assessed entries and supporting documents attached at the time of declaration of the respective entries. Regarding the 693 entries for Sinohydro Company valued at K85,470,213 under special delivery, pending offset of taxes against its refund, the Secretary to the Treasury submitted that the goods were for the Kariba North Bank Project and documents to support the final offsets were available.

The Secretary to the Treasury implored the Committee to note that the border posts had very limited space and, therefore, had no holding facilities for the volumes of traffic received. As a result, goods pending additional processes such as tax offsets and Government payment vouchers were deemed non-risky in nature and on account of the importers/ declarant's level of compliance, were released on special delivery to avoid transporters incurring demurrage charges given that the additional processes did not have a specified time for completion.

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

The Committee observes with concern that ZRA could not avail the relevant documents to the auditors at the time of audit. In this regard, the Committee urges the Secretary to the Treasury to submit all relevant documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

#### **iii. Unsupported Imports under Special Delivery - K260,315,358**

The Secretary to the Treasury submitted that special deliveries under the cited companies were allowed due to various reasons as set out below.

1. Global Logistics - 498 entries out of the total 770 granted special delivery pending offset against VAT refunds relating to Sinohydro Company for the Kariba North Bank Project and the investment agreement for the project to support the exemptions was available at the Ministry of Energy.
2. Primetime Clearing Company - 248 entries were for Huawei Tehnologies and were granted special delivery due to the urgency of the goods for the implementation of projects for Government ministries. The vouchers of exemption and waivers were available at the Government ministries who processed the tax exemptions on behalf of Huawei Technologies.

The Secretary to the Treasury also submitted that Special Deliveries were mainly granted to either Government ministries and agencies such as defence or strategic parastatals such as ZESCO, awaiting issuance of Government vouchers. Special Deliveries were also granted to trusted clients under Customs Accredited Clients Programme. The Customs Accredited Clients Programme, clients enjoyed speedy clearance of goods at the borders yet were subject to post-clearance audits as per provision under the Programme. Other Special Deliveries were

issued when there were ASYCUDA World system challenges such as during downtime or technical challenges that required intervention of the Business and Systems Support Unit (BSS) and/ or Information and Communication Technology (ICT) Departments of the Zambia Revenue Authority. Therefore, the balance of the entries was related to such clearances.

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

The Committee notes with displeasure that ZRA did not provide relevant supporting documentation at the time of audit. In this regard, the Committee urges ZRA to institute disciplinary action against the officers who failed to avail the supporting documents to the auditors. The Committee also urges ZRA to submit documents relating to transactions involving Global Logistics and Primetime Clearing Company to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

#### **iv. Unaccounted for Removals in Transit (RITs) - K96,313,164**

The Secretary to the Treasury submitted that the unaccounted for transits were still being processed for bond redemptions, with some guarantors having responded positively. Additionally, Zambia Revenue Authority was following up and awaited responses from other guarantors who had not yet responded. He also submitted that the Authority had embarked on the re-engineering of the ASYCUDA World system to enable system based controls that would tie the transactions made to the bond limit. He further submitted that the Authority was conducting an exercise where they had written to agents with outstanding transits to account for the outstanding transit entries.

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

The Committee finds it unacceptable that ZRA was not concluding the processing of the unaccounted for transits for bond redemptions, as this had a potential to deny the country much needed revenue. In this regard, the Committee recommends that ZRA expeditiously finalises the processing of the unaccounted for Removals in Transit and Removals in Bond. The Committee will await a progress report on the matter.

#### **v. Expired Customs Importation and Temporary Importation Permits - K805,387,889**

The Secretary to the Treasury submitted that the Investigations Department of the Zambia Revenue Authority was conducting checks with the Road Transport and Safety Agency (RTSA) to establish the number of vehicles on outstanding fifteen Customs Importation Permits (CIPs) that had been registered. The Committee was informed that once established, the list of the vehicles would be published in the media to allow the owners to come forward before action was taken. For the visitors' vehicles, CIPs were not expected to be registered by the Road Transport and Safety Agency (RTSA) and in this regard, Zambia Revenue Authority was in the process of introducing a simplified form which would replace the CIP. The Secretary to the Treasury also submitted that the form was the Integrated Border Declaration Form (IBDF) which would be easier to acquit on exit by the visitor.

The Secretary to the Treasury also submitted that the Zambia Revenue Authority was in the process of collecting taxes on similarly registered heavy vehicles and had advertised in newspapers to trace the owners. He also submitted that taxes on some of the smuggled vehicles whose owners had been traced had since been collected. He further submitted that the stated registered motor vehicles and any other that would be found to have been registered without paying taxes would be treated as having been smuggled into the country and taxes and penalties would be charged.

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

The Committee finds it unacceptable that ZRA only engaged the Road Transport and Safety Agency (RTSA) after the Auditor General raised the matter. The Committee, therefore, urges the Zambia Revenue Authority to be proactive and expeditiously conclude the outstanding issues and requests a progress report on the matter.

#### **vi. Delays in Clearing Imports under Government Voucher - K340,139,630**

The Committee was informed that the Ministry of Finance was reviewing all the outstanding entries from various ministries to identify the pending Government vouchers identified in the audit. The Secretary to the Treasury submitted that the bills of entry in question emanated from the periods the Ministry was changing from manual to electronic processing of the exemptions. He also submitted that the implementation of the Electronic Voucher of Exemption would eliminate the risk of allowing non-exempt imported goods to be cleared resulting in loss of Government revenue. The Secretary to the Treasury further submitted that the Electronic Voucher Exemption system allowed for the real time processing of the exemptions within the Zambia Revenue Authority's ASYCUDA World.

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

The Committee notes the submission and urges the Secretary to the Treasury to urgently conclude the review of all the outstanding entries from various ministries and to identify the pending Government vouchers in order to avoid the loss of Government revenue. The Committee will await a progress report on the matter.

#### **vii. Irregular Use of ASYCUDA World Processing Fees - K74,389,067**

The Secretary to the Treasury informed the Committee that he had since formally granted Treasury Authority to expend the funds appropriated at source. In addition, the Secretary to the Treasury informed the Committee that the authorisation was granted because of the expenditures incurred to support ASYCUDA World operations in line with the international practices where ASYCUDA World had been rolled out by the United Nations Conference on Trade and Development (UNCTAD). He further informed the Committee that the funds were used for scanner operations, payment for the scanner loan and the operations of the Customs Processing Centres.

Responding to the Committee's concerns as regards the absence of legal provisions empowering the Secretary to the Treasury to grant retrospective authority, the Secretary to the Treasury stated that he relied on the provisions of section 5 and 7 of the *Public Finance Management Act, No 1 of 2018*. The two sections provided that the functions of the Secretary to the Treasury, were to, inter alia:

- 5 (c) regulate, prepare, implement, monitor and evaluate the national budget and matters relating to budgeting;
- 7 (g) issue treasury authority to expend Public Funds; and
- (z) carry out any other functions that may be prescribed by the Minister or that may be considered reasonably necessary for proper financial management of the Republic.

The Secretary to the Treasury was of the opinion that these provisions empowered him to grant retrospective authority. He also indicated that there existed precedence on the matter in that, in considering a Treasury Minute on the Report of the Public Accounts Committee in November, 2011, the Public Accounts Committee itself directed the Secretary to the Treasury

to issue retrospective authority in order to regularise expenditure of K21 million which was the subject of an audit query involving misapplication of the said amount..

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

The Committee is disappointed with the response by the Secretary to the Treasury regarding the issue of retrospective authority for various reasons. Firstly, it is not clear to the Committee what compelling circumstances led to failure by ZRA to obtain prior Treasury authority to vary these funds when the activity was not of an emergency nature and could have been planned for. Secondly, the Committee disagrees with the opinion of the Secretary to the Treasury that the cited provisions of the law constitute legal authority for his Office to grant retrospective authority at all. On the contrary, the Committee is of the view that the cited provisions implicitly prohibit this practice as it is most undesirable and does not promote proper financial management of the Republic. Thirdly, the Committee is of the view that, if anything, the Act mandates the Secretary to the Treasury to lead efforts to stamp out practices such as misapplication of funds rather than legitimise them through the issuance of retrospective authority. The Committee, therefore, implores the Secretary to the Treasury to ensure that all Controlling Officers and MPSAs, without exception, adhere to proper financial management procedures as regards obtaining prior Treasury authority for variation of funds at all times. To this effect, the Committee expects the Secretary to the Treasury to exercise his supervisory powers over Controlling Officers as prescribed in the Act to the fullest extent henceforth.

Further, the Committee resolves to await a progress Report on the outcome of the audit verification on the granted Treasury Authority to expend the funds appropriated at source.

## **MINISTRY OF TRANSPORT AND COMMUNICATION**

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 11</b>
<b>PROGRAMME</b>	:	2021 Non – Tax Revenue – Road Transport and Safety Agency
<b>ACTIVITY</b>	:	122070 Road Traffic Collections

### **Accounting and Other Irregularities**

7. An examination of accounting and related records maintained at the Road Transport and Safety Agency (RTSA) Headquarters and other stations carried out between January and June, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### **a. Advanced Road Safety Management System - Irregularities in the Administration of Concession Agreement (Intelligent Mobility Solutions (IMS))**

The Controlling Officer submitted as follows:

##### **1 Brief background which necessitated the signing of the Concession Agreement**

The Controlling Officer submitted that the Road Transport and Safety Agency (RTSA) on 23<sup>rd</sup> January, 2017 received an unsolicited proposal for Radio Frequency Identification (RFID) plates, car fitness and radar solutions through a Public-Private Partnership (PPP) model by Lamise Trading Limited.

The Committee was informed that the Road Transport and Safety Agency conducted a preliminary evaluation of the proposal and submitted the evaluation report to the PPP Unit. The Committee was also informed that the Agency was on 9<sup>th</sup> March, 2017 granted authority by the Unit to subject the unsolicited proposal to competition by requesting for competing proposals in accordance with Section 42 (6) of the *Public Private Partnership Act, No.14 of 2009* . In this regard, the Committee was informed that the Agency proceeded to request for competing proposals through advertisements in the public media made between 21<sup>st</sup> March, 2017 and 12<sup>th</sup> April, 2017. The Committee was also informed that four competing proposals were received from Mikros Traffic Monitoring (MTM) Traffics of South Africa, Grand View International a joint venture between Zambian/Romanian firms, Fischer Consulting of South Africa and Rashmita Information Systems of India.

The Controlling Officer also submitted that the Agency, between 25<sup>th</sup> and 27<sup>th</sup> April, 2017, evaluated the competing proposals. In this regard, the Committee was informed that the best of the competing proposals was compared with the unsolicited proposal as guided by the *Public Private Partnership Act, No.14 of 2009*. The Committee was also informed that the Evaluation Committee's submission to the PPP Unit recommended that Lamise Trading Limited be allocated the preferred bidder status.

The Controlling Officer also submitted that the PPP Unit on 23<sup>rd</sup> May, 2017 informed the Agency that the PPP Council had approved the preliminary award of a concession agreement between RTSA and Lamise Trading for the financing, development, operation and transfer of a Road Safety Management Solution and Services.

In this regard, the Controlling Officer submitted that the Agency proceeded as advised by the PPP Council. The Committee was informed that a due diligence on the preferred bidder and its associates was undertaken by a combined team of the Road Development Agency (RDA), National Road Fund Agency (NRFA) and RTSA between 19<sup>th</sup> June 2017 and 1<sup>st</sup> July, 2017. In this regard, the Committee was informed that the due diligence was conducted in South Africa, Germany, Spain, Poland and Austria. The Committee was further informed that pre-contract negotiations with the concessionaire were conducted in July, 2017.

The Controlling Officer also submitted that on 18<sup>th</sup> August, 2017, the PPP Council approved the request to enter into a Concession Agreement with Lamise Trading Limited in partnership with Kapsch for the installation, operation and transfer of a Road Safety Management Solution and Services.

The Controlling Officer further submitted that the Concession Agreement was cleared by the office of the Attorney General on 21<sup>st</sup> August, 2017 and the Concession Agreement was signed on 23<sup>rd</sup> August, 2017.

## **2 Who signed the Agreement**

The Controlling Officer submitted that the Agreement was signed by the then Director and Chief Executive Officer on behalf of RTSA.

With regard to the relevant legislation that empowered the signatory from RTSA, the Committee was informed that the Road Transport and Safety Agency was a statutory body established under the *Road Traffic Act, No. 11 of 2002* and was mandated, among other things, to implement Government policy on road transport, road safety and traffic

management. In this regard, the Committee was also informed that Section 3 of the Act, which established the Agency, provided as follows:

*3. (1) There is hereby established the Road Transport and Safety Agency which shall be a body corporate with perpetual succession and a common seal, capable of suing, and of being sued in its corporate name, and with power, subject to the provisions of this Act to do all such acts and things as a body corporate may, by law, do or perform.*

The Committee was also informed that the legal framework for Public-Private Partnerships (PPP) in Zambia was provided in the *Public-Private Partnership Act, No. 14 of 2009*. The Committee was also informed that Section 3 of the *Public-Private Partnership Act, No. 14 of 2009* defined a contracting authority as follows:

*"Contracting Authority" means the public authority that has the power to enter into an agreement for the implementation of an infrastructure project or infrastructure facility or the provision of any social sector services under any law, and includes any Ministry, Government department, local authority or statutory body.*

In this regard, the Controlling Officer submitted that a 'Public Private Partnership Agreement' on the other hand was defined to mean, *'a contractual arrangement between a Contracting Authority and a Concessionaire, made in accordance with the Public-Private Partnership Act, No. 14 of 2009.*

The Controlling Officer submitted that the foregoing showed that RTSA, being a statutory body, was permitted by law to enter into public-private partnership agreements.

He also submitted that the power to sign agreements on behalf of RTSA, according to clause 1 of the First Schedule to the *Road Traffic Act, No. of 2012* was vested in:

- a. For a contract that is required to be under seal, the affixing of the seal is authenticated by the Board Chairperson or Vice-Chairperson and the Secretary; and*
- b. For contracts that are not required to be under seal, the Director and Chief Executive Officer is empowered to enter into or execute such agreements on behalf of the Agency.*

The Committee was also informed that the Concession Agreement was approved by both the Public-Private Partnership Council and the Attorney General's office, for execution by the Road Transport and Safety Agency.

### **3 Amount of the Concession Agreement**

The Controlling Officer submitted that the agreed upon Initial Investment was US\$110 million and not the observed US\$108 million as per signed Concession Agreement. He also submitted that it was worth noting that the US\$108 million referred to by the auditors was a re-submission by the concessionaire during the re-negotiation meeting and had not yet been agreed upon. The Committee was informed that the project had thus far implemented one component from the project scope, which was the Road Side Law Enforcement.

Tabulated below is the breakdown of the US\$110 million Initial Investment for the three years.

Project Aspect	Initial Capital Expenditure					
	Year 1		Year 2		Year 3	TOTAL
	1st half	2nd half	1st half	2nd half		
<b>Road Safety Law Enforcement</b>						
Speed cameras	\$2,730,000	\$2,730,000	\$2,730,000	\$2,730,000	\$9,555,000	\$20,475,000
ANPR cameras	\$1,575,000	\$1,575,000	\$1,575,000	\$1,575,000		\$6,300,000
iTickets devices	\$315,000	\$945,000	\$630,000	\$630,000		\$2,520,000
Vehicles fitted out	\$2,400,000	\$2,400,000	\$2,400,000	\$2,400,000		\$9,600,000
Installed WIMs	\$	\$4,462,500	\$4,462,500	\$4,462,500		\$13,387,500
Installed ASOD	\$	\$3,675,000	\$1,837,500	\$1,837,500		\$7,350,000
iForce system	\$9,870,000					\$9,870,000
Central Facility	\$					\$
<b>RSLE Total</b>	<b>\$16,890,000</b>	<b>\$15,787,500</b>	<b>\$13,635,000</b>	<b>\$13,635,000</b>	<b>\$9,555,000</b>	<b>\$69,502,500</b>
<b>RSLE Cumulative</b>	<b>\$16,890,000</b>	<b>\$32,677,500</b>	<b>\$46,312,500</b>	<b>\$59,947,500</b>	<b>\$69,502,500</b>	
<b>Electronic Vehicle Registration</b>						
Integration to e-ZamTIS	\$3,885,000	\$	\$	\$	\$	\$3,885,000
VLN equipment	\$787,500	\$	\$	\$	\$	\$787,500
Hardware (replace after 5 years)	\$					\$
<b>EVR Total</b>	<b>\$4,672,500</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$4,672,500</b>
<b>EVR Cumulative</b>	<b>\$4,672,500</b>	<b>\$4,672,500</b>	<b>\$4,672,500</b>	<b>\$4,672,500</b>	<b>\$4,672,500</b>	
<b>Vehicle inspection</b>						
Number of lanes in use (average in period)	40	40	50	50	70	
Equipment and building cost per lane	\$6,300,000	\$	\$1,575,000	\$	\$3,150,000	\$11,025,000

<b>VI Total</b>	<b>\$6,300,000</b>	<b>\$</b>	<b>\$1,575,000</b>	<b>\$</b>	<b>\$3,150,000</b>	<b>\$11,025,000</b>
<b>VI Cumulative</b>	<b>\$6,300,000</b>	<b>\$6,300,000</b>	<b>\$7,875,000</b>	<b>\$7,875,000</b>	<b>\$11,025,000</b>	
<b>Cross Border Truck Enforcement</b>						
Integration to e-ZamTIS	\$2,047,500	\$	\$ -	\$	\$	\$2,047,500
Hardware (replace after 5 years)	\$	\$	\$	\$	\$	\$
<b>XBIT Total</b>	<b>\$2,047,500</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$2,047,500</b>
<b>XBTT Cumulative</b>	<b>\$2,047,500</b>	<b>\$2,047,500</b>	<b>\$2,047,500</b>	<b>\$2,047,500</b>	<b>\$2,047,500</b>	
<b>Traffic Management System</b>						
Eco Trafos system	\$	\$2,992,500	\$	\$	\$	\$2,992,500
Traffic management centre	\$2,000,000	\$2,000,000	\$2,000,000	\$	\$	\$6,000,000
System hardware replace after five years	\$	\$	\$	\$	\$ -	\$
VMS installed replace after 10 years	\$	\$735,000	\$735,000	\$1,470,000	\$2,940,000	\$5,880,000
Emergency call box (or alternative) installed	\$	\$525,000	\$525,000	\$1,050,000	\$2,100,000	\$4,200,000
<b>TMS Total</b>	<b>\$2,000,000</b>	<b>\$6,252,500</b>	<b>\$3,260,000</b>	<b>\$2,520,000</b>	<b>\$5,040,000</b>	<b>\$19,072,500</b>
<b>TMS Cumulative</b>	<b>\$2,000,000</b>	<b>\$8,252,500</b>	<b>\$11,512,500</b>	<b>\$14,032,500</b>	<b>\$19,072,500</b>	
<b>Central System Integrated Platform</b>						
Integration system	\$	\$4,462,500	\$	\$	\$	\$4,462,500
Hardware replace after five years	\$	\$	\$	\$	\$	\$
<b>CSIP Total</b>	<b>\$</b>	<b>\$4,462,500</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$4,462,500</b>

<b>CSIP Cumulative</b>	\$ -	\$4,462,500	\$4,462,500	\$4,462,500	\$4,462,500	
<b>IMS Total Capitalisation</b>						
RSLE Total	\$16,890,000	\$15,787,500	\$13,635,000	\$13,635,000	\$9,555,000	\$69,502,500
EVR Total	\$4,672,500	\$	\$	\$	\$	\$4,672,500
VI Total	\$6,300,000	\$	\$1,575,000	\$	\$3,150,000	\$11,025,000
XBTE Total	\$2,047,500	\$	\$	\$	\$	\$2,047,500
TMS Total	\$2,000,000	\$6,252,500	\$3,260,000	\$2,520,000	\$5,040,000	\$19,072,500
CSIP Total	\$	\$4,462,500	\$	\$	\$	\$4,462,500
Capitalisation Total	\$31,910,000	\$26,502,500	\$18,470,000	\$16,155,000	\$17,745,000	\$110,782,500
Capitalisation Cumulative	\$31,910,000	\$58,412,500	\$76,882,500	\$93,037,500	\$110,782,500	

## **Escrow Account and Revenue Sharing Mechanism**

### **i. Amendments to the Concession Agreement**

The Controlling Officer submitted that after the Agreement was signed, RTSA submitted the Agreement to the Ministry of Transport and Communications (MTC) for information. The Committee was informed that the Ministry of Transport and Communications made comments to the Agreement and requested that the issues raised be resolved before commencement of operations. The Committee was also informed that negotiations were subsequently held with the concessionaire which resulted in the signing of the First Addendum on 24<sup>th</sup> July, 2018, which operationalised the Concession Agreement.

The Controlling Officer submitted that following the commencement of operations, RTSA, in a letter dated 9<sup>th</sup> August, 2018, wrote to the Attorney General's office seeking guidance on electronic processes of the Road Side Law Enforcement component of the project compared to the manual processes provided for under the law.

In this regard, the Committee was informed that guidance was provided on 22<sup>nd</sup> October, 2018 wherein the Solicitor General observed that certain provisions of the Agreement were not in line with the law. The Committee was also informed that, the section that followed on the legal opinion detailed the observations of the Solicitor General.

The Controlling Officer also submitted that the opinion of the Solicitor General of 22<sup>nd</sup> October, 2018, necessitated an amendment of the Concession Agreement in order to align it with the law. The Committee was informed that the Second Addendum dated 28<sup>th</sup> May, 2019 addressed the concerns of the Solicitor General. The Committee was further informed that the Second Addendum also replaced RTSA with the Ministry of Finance as the principal party to the Agreement representing the Government, in line with the guidance that was provided, but the Agency was appointed as the Implementing Agency.

The Controlling Officer also submitted that while negotiations on the Second Addendum were taking place, the Ministry of Finance proposed a review of the financial model of the Agreement in order to ensure a win-win situation for Government and the concessionaire.

The Committee was informed that the negotiations which were underway and would lead to the signing of the Third Addendum were intended to review the foregoing:

- a. First Addendum to Concession Agreement and the rationale for the amendments; and
- b. Second Addendum to the Concession Agreement and the rationale for the amendments.

- **Status Report on Third Addendum**

The Controlling Officer submitted that the negotiations on the third Addendum, which sought to review, among other things, the financial model of the Concession Agreement, were still on-going.

The Committee was informed that some of the areas being re-negotiated were those set out below.

1. Breakdown of the initial investment amount of USD 110 million for scrutiny and verification with current market prices.
2. Concession fee computation (comprising operating costs, capital recovery and return on investment).
3. Provision on waiver of taxes, duties, fees and other imports.
4. Project costs related to different components of the project as follows:
  - a. speed cameras under – Road Side Law Enforcement (RSLE);
  - b. Automatic Number Plate Recognition (ANPR) cameras – RSLE;
  - c. iTicketing/Radio Frequency Identification tags – RSLE;
  - d. iForce system – RSLE;
  - e. average speed over distance cameras – RSLE; and
  - f. software integration costs.

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

The Committee notes the submission and urges the Controlling Officer to take disciplinary action against officers who failed to avail information regarding the agreed upon initial investment of US\$110 million and not the observed K108 million, at the time of audit. The Committee also urges the Controlling Officer to submit all relevant supporting documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

#### **ii. Legal Opinion**

The Controlling Officer submitted that the Agency operationalised the Agreement after clearance from the Office of the Attorney General and that in the process of execution, sought further guidance on the implementation processes.

The Committee was informed that management did suspend the activities that were or appeared to be unconstitutional or illegal in the Concession Agreement and corrective measures were undertaken as follows:

1. The Escrow Account was not opened, and the Concession Agreement was amended in May, 2019 by the deletion of all provisions relating to opening of the Account. He submitted that the amendments to the Agreement provided for all revenues to be deposited in the Government Consolidated Fund;

2. Equally, all provisions in the Concession Agreement on sharing of revenue were deleted by the Second Addendum. The Second Addendum provided for payment of a Concession Fee to the Concessionaire which comprised operating costs, capital recovery and return on investment;
3. On Admission of guilt procedure, the law mandated the Zambia Police to administer the procedure under Section 221 of the *Criminal Procedure Code, Chapter 88 of the Laws of Zambia*. To that effect, a Memorandum of Agreement was signed involving Zambia Police, the Concessionaire and RTSA, by which Zambia Police executed the admission of guilt procedure; and
4. In relation to compliance with the *Electronic Communications and Transactions Act, No. 21 of 2009*, the Agency sought guidance from Zambia Information and Communications Technologies Authority (ZICTA) and was implementing the recommendations. With these recommendations, the Controlling Officer submitted that the Agency was in compliance with the *Electronic Communications and Transactions Act, No. 21 of 2009* and personal information was protected.

Further, the Controlling Officer submitted the following:

- a. The Road Transport and Safety Agency had on 17<sup>th</sup> August, 2017 written to the Office of the Attorney General seeking clearance of the Concession Agreement for execution by the parties. On 21<sup>st</sup> August, 2017 the Attorney General responded to the letter giving the Agency a go ahead to execute the Concession Agreement; and
- b. The Road Transport and Safety Agency had on 9<sup>th</sup> August, 2018 written to the Office of the Attorney General seeking guidance on implementation processes of the project. On 2<sup>nd</sup> October, 2018 the Solicitor General responded to the letter, where he observed that certain provisions of the Concession Agreement were not in line with the law.

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

The Committee urges the Controlling Officer to ensure that the Second Addendum is amended, and that the financial model is reviewed in order to ensure a win-win situation for Government and the concessionaire. The Committee will await a progress report on the matter.

### **iii. Implementation Status**

The Controlling Officer submitted that Intelligent Mobility Solution had submitted the details of the capital investment into the project as at August, 2019 and from the list they submitted, Management verified the existence of capital items amounting to US\$9,847,475. The Committee was informed that the invoices to the verified capital items were not availed to the Agency. The Committee was further informed that Management had written to the concessionaire requesting that they submit invoices of the identified capital investment. However, no response had been received.

The Controlling Officer submitted that to resolve the matter, Government shall invoke the dispute resolution procedure provided in clause 25 of the Agreement. The Committee was informed that the dispute resolution process called for the parties to resolve disputes amicably in the first instance, failure to which the dispute was referred to conciliation which was presided over by the authorised representatives of the parties, in this case the CEOs of the

two institutions. The Committee was also informed that if reconciliation failed, the dispute was referred to Arbitration for final determination.

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

The Committee urges the Controlling Officer to submit the invoices for the verified capital items from Intelligent Mobility Solution to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

#### **iv. Unsupported Payment to the Concessionaire - K10,652,942**

The Controlling Officer submitted that the payment of K10,652,942 was done in accordance with the Second Addendum to the concession agreement dated 28<sup>th</sup> May, 2019, which stated that the Ministry of Finance shall pay the concessionaire an equivalent of 90 per cent of the revenue collected from 24<sup>th</sup> July, 2018 to 30<sup>th</sup> June, 2019 as concession fees against reconciled revenues amounting to K19,836,602.20 collected under the stated period. The Committee was informed that from the 90 per cent, Government retained K7,200,000 being fees for the operations of the Zambia Police as per memorandum of agreement referred to under legal opinion. The Controlling Officer, therefore, submitted that the Government ultimately received 10 per cent of revenue with an addition of K7,200,000 for services offered by the Zambia Police.

The Controlling Officer further submitted that the concession fee was paid towards operating costs, recovery of capital expenditure and return on investment in respect of milestones on the supply, delivery, installation and commissioning of sixteen cameras, four enforcement vehicles and services provided.

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

The Committee finds it unacceptable that evidence of computations of the paid amounts was not availed to the auditors at the time of audit. The Committee, therefore, urges the Controlling Officer to take disciplinary action against officers who failed to avail the necessary documents to the auditors. The Committee further urges the Controlling Officer to submit supporting documentation to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

#### **v. Administration of Intelligent Mobility Solution (IMS) Cameras**

##### **1 Use of a Bank Account not Approved by the Ministry of Finance - K1,484,707**

The Controlling Officer submitted that the Agency became aware of the use of the settlement account on the online payment platform that was not approved by the Ministry of Finance and engaged both the Ministry of Finance and the concessionaire. The Committee was informed that the collection of fines through the said account was subsequently suspended until the platform was reconfigured with an authorised transit account. The Committee was also informed that the anomaly relating to the use of the unauthorised settlement account was discovered and rectified before the audit was conducted.

The Controlling Officer further submitted that the total amount of fines collected through the cited account amounting to K1,484,707 was transferred into an approved Zambia National Commercial Bank Account.

## **2 Irregularities on Unapproved Bank Account - K82,967**

The Controlling Officer submitted that the account was one of the settlement accounts which came to the attention of the Agency as being used for online payment platform by Direct Pay Limited. The account was under the bank account name Pay Now Zambia, a company that managed the online payment platform. The Committee was informed that the Agency was not consulted on the account in question.

The Committee was further informed that the Agency had since suspended the payment of speed fines via the online platform and all the funds amounting to K82,967 collected through the said account had been transferred to an approved transit account.

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

The Committee notes that this information should have been availed to the auditors at the time of audit. The Committee, therefore, urges the Controlling Officer to take disciplinary action against officers who failed to avail information to the auditors. The Committee will await a progress report on the matters on v (1) and v (2).

## **3 Vehicles not Matching Records on the e-ZamTIS/ZAMTIS**

The Controlling Officer submitted that the difference in vehicle details from the records was due to cloning of vehicle number plates, with some vehicles being Government registered, foreign registered and diplomatic vehicles.

The Committee was informed that the Agency reviewed the list in question and discovered that out of the total of 1,016 vehicles in question, 377 motor vehicles were suspected to be cloned, 129 were Government vehicles, 279 were foreign registered vehicles and fifty two were diplomatic vehicles. The Controlling Officer had submitted that the balance of 179 vehicles were identified on the RTSA database and did not have discrepancies.

The Controlling Officer had also submitted that the list of the 377 suspected cloned vehicles, was shared with enforcement teams with a directive to have the said vehicles impounded.

The Committee was informed that the list of the 279 foreign registered vehicles was also circulated to border stations and enforcement teams for enforcement purposes, while the list of fifty-two diplomatic vehicles was sent to the Ministry of Foreign Affairs for action. The Committee was also informed that communication had been sent to the Controller of Government Transport, with regard to the 129 Government vehicles.

Tabulated below is a summary of the information on the matter.

<b>S/No.</b>	<b>Category of vehicles</b>	<b>Total number</b>
1.	Suspected cloned	377
2.	Foreign registered	279
3.	Government registered	129
4.	Diplomatic	52
5.	No discrepancy (available on E ZAMTIS)	179
	<b>Total</b>	<b>1,016</b>

The Controlling Officer further submitted that the challenge of cloning of vehicle number plates was one of the reasons why Government was proposing the re-registration of all motor vehicles.

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

The Committee urges the Controlling Officer to take disciplinary action against officers who failed to avail relevant documents on this matter to the auditors at the time of audit. The Committee also urges the Controlling Officer to establish the status on the 279 foreign registered, 52 diplomatic and 129 Government vehicles. The Committee will await a progress report on the matter.

#### **b. Loss of Cash and Other Valuable Items - Ridgeway Station - K248,283**

The Controlling Officer submitted that the break in that occurred at the station was immediately reported to the police.

The Committee was informed that the loss report was submitted to the Treasury as per regulation number 173 (1). The Committee was also informed that the loss amounting to K248,283 had since been recognised and written off by the Treasury. The Committee was further informed that management had enhanced the security at the station by re-enforcing burglar bars at the revenue collecting office.

The Controlling Officer further submitted that the four suspects in the matter were charged in connection with the offence and were appearing before the Court.

The Committee was informed that the loss report and authority to charge the total loss against Government Consolidated Fund were available for verification.

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

The Committee urges the Controlling Officer to present all relevant documentation to the Office of the Auditor General for verification and will await the outcome of the court case.

#### **c. Failure to Store Accountable Documents in the Safe – Kitwe ZSIC**

The Controlling Officer submitted that the Agency engaged the strategic partner, Zambia State Insurance Cooperation (ZSIC), to secure the accountable documents in line with the Financial Regulation No. 155. The Committee was informed that following the engagement, the accountable documents were moved to the Accountant's office where other accountable documents were being kept, ensuring that the sole responsibility for the documents rested with one senior employee within the organisation.

The Controlling Officer further submitted that RTSA assigned its officer to go and inspect the measures that ZSIC had put in place to secure the accountable documents and it was observed that ZSIC had since secured the documents in a lockable safe within the secured office of a senior officer. The Committee was informed that the safe for storage of accountable documents was available for audit verification.

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

The Committee notes that this information should have been availed to the auditors at the time of audit. The Committee, therefore, urges the Controlling Officer to take disciplinary action against officers who failed to avail information to the auditors at the time of audit. The Committee will await a progress report on the matter.

#### **d. Lack of Technical Support for e-ZamTIS**

The Controlling Officer submitted that the Agency discontinued service delivery with the system developer as a result of disputes that had developed in the implementation of the contract.

The Controlling Officer also submitted that Zambia Transportation Information System (ZAMTIS) was developed and delivered in 2006. The Committee was informed that the system operated well, basically performing the critical functions of the agency at the time. The Committee was also informed that after the deployment, vendor support became unavailable and thus the Agency could not enhance the system to implement new business rules and functions. The Committee learnt that this gave rise to the Agency going to the market to replace the system with one that would meet the latest and future needs.

The Controlling Officer also submitted that in April 2017, the ZAMTIS experienced a critical crash with some partial data loss and was unavailable for up to about 14 days. The Committee was informed that after the core databases were rebuilt, a decision was made to immediately terminate the system and switch to the new system (e-ZamTIS) which was under development and testing.

The Controlling Officer also submitted that the Electronic Zambia Transportation Information System (e-ZamTIS) Project commenced in July 2014. The Committee was informed that the goal was to have a system that addressed the challenges of the old system as well as to implement new business rules and functions.

The Controlling Officer also submitted that in June, 2016 after successful pilot tests, the e-ZamTIS system was commissioned and began to run in parallel with old ZAMTIS with an official launch in January, 2017. The Committee was informed that after the launch of the first version, consequent upgrades were performed that addressed the issues discovered since the commissioning. The Committee was also informed that, concurrently, the vendor was onsite providing support services as per the contract.

The Controlling Officer also submitted that during the project implementation, the Agency had challenges meeting its financial contractual obligations to the vendor. The Committee was informed that the vendor would at times disable some system functionality, especially the driver licensing functions to force the Agency to pay. The Committee was also informed that the delayed payments to the vendor prolonged to levels where the vendor was no longer able to support the system and development works were suspended. The Committee was also informed that even after the Agency had fully paid the outstanding phase 1 amount and part of phase 2, it became very difficult to get the vendor to resume support services and fully develop and handover the system despite numerous correspondence. The Committee was also informed, in this regard, that the Agency suspended payments due to the vendor for phase 2, which resulted in the vendor also suspending support to the system.

The Controlling Officer also submitted that the vendor had insisted that the Agency pays the maintenance fees in order for them to fully deliver outstanding issues from phase 1.

Tabulated below are e-ZamTIS outstanding issues under phase 1:

S/No.	ISSUE	STATUS
1.	Delivery of license (biometric module)	Not Done
2.	Upgrade of the e-ZamTIS to the latest version	Not Done
3.	Development of reports	Partially Done
4.	Training of Technical staff from ICT	Not Done
5.	Source Code Handover	Not Done
6.	Delivery of enforcement gadgets	Not Done

7.	Website completion and training of users	Not Done
8.	Website interface to e-ZamTIS for online service	Not Done
9.	Interface with various systems in the country	Not Done
10.	Enforcement Module not fully functional	Not Done
11.	Delivery of consumables	Not Done

The Controlling Officer also submitted that the Agency had, however, initiated support maintenance acquisition for some system parts, including the core Oracle database and security appliances. The Committee was informed that since November, 2017 when the vendor was last on site, the Agency through its ICT staff had been supporting the systems without vendor involvement.

The Controlling Officer further submitted that the Agency was seeking to terminate the contract with the system developer. The contract with On Track Innovations Limited was available for verification.

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

The Committee urges the Controlling Officer to expedite termination of the contract with the system developer. In this vein, the Committee also urges the Controlling officer to put measures in place that will enhance the capacity of the ICT staff who will be managing the system. The Committee will await a progress report on the matter.

### **THE JUDICIARY**

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 12</b>
<b>PROGRAMMES</b>	:	121 Fines – The Judiciary
	:	123 Fees
<b>ACTIVITIES</b>	:	121010 Fines of Court
	:	123043 Court Fees
	:	123045 Library Services

### **Accounting and Other Irregularities**

8. An examination of accounting and other records maintained at the Judiciary Headquarters and a visit to various stations carried out in July, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### **a. Delayed Banking - K648,343**

The Controlling Officer submitted that for some selected stations, Management had put measures in place which would limit the handling of cash by revenue collectors. The Committee was informed that management had since engaged various banks, namely Atlas Mara, Stanbic and Zambia National Commercial (ZANACO), which had since developed tailor made deposit slips for the Judiciary. The Controlling Officer also submitted that in order to shorten the distance litigants had to travel between the courts and the banks, an agreement was reached with ZANACO to deploy some of their Agents within the court premises. The Committee was informed that this had worked well as litigants were able to pay for court processes timely.

The Committee was also informed that Management intended to roll out the same intervention to other courts that were away from the line of rail. The Controlling Officer

expressed optimism that the measures would eliminate the issue of delayed banking for courts that were near banking facilities.

The Controlling Officer further submitted that Management would continue to train and monitor its revenue collectors based at courts that were far from banking facilities to ensure that Government revenue was banked fortnightly as per financial regulations.

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

The Committee notes with concern that this query was recurrent at the Judiciary, especially the delayed banking of revenue by the High Court in Lusaka. The Committee finds this unacceptable and urges the Controlling Officer to institute stern disciplinary action against all revenue collectors who delayed the banking of revenue, without fail. The Committee will await a progress report on the matter.

#### **b. Long outstanding Uncredited Lodgements - K533,000**

The Controlling Officer submitted that the officer responsible was initially charged on an amount of K163,000 which was based on the Financial Year Ended 31<sup>st</sup> December, 2017. The Committee was informed that the matter was reported to the police and the officer had since been arrested. The Committee was also informed that Management constituted a team that prepared the bank reconciliations for the High Court – Commercial List Client Account for the past five years which revealed uncredited lodgements in amounts totalling K533,000 and the charge had since been revised by the Judicial Service Commission. The Controlling Officer further submitted that the quoted amount of uncredited lodgements of K533,000 was based on the draft bank reconciliations.

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

The Committee urges the Controlling Officer to be proactive and regularly conduct reconciliations to avoid the recurrence of this irregularity. The Committee also urges the Controlling Officer to ensure that the funds in question are recovered without fail. The Committee will await a progress report on the matter.

#### **c. Failure to avail receipts**

##### **i. Samfya Subordinate Court**

The Controlling Officer submitted that the accountable documents (Accounts Form 40) in question went missing and Management did report the missing of the General Receipt Book to the police and a notice to the general public was issued through the Zambia Daily Mail and Radio Yangeni.

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

The Committee expresses concern that safety of accountable documents was not guaranteed at the Samfya Subordinate Court. In this regard, the Committee urges the Controlling Officer to put measures in place that will enhance the security situation at the Court. The Committee will await a progress report on the matter, including the outcome of the Police case.

##### **ii. Chama Subordinate Court**

The Controlling Officer submitted that the General Receipt Books bearing the queried receipts were availed for audit and according to the records at the Judiciary, the matter was resolved and the status report from the office of the Auditor General was available for verification.

**d. Failure to Keep Copies of Duplicates of Cancelled Receipts - Mongu Subordinate Court**

The Controlling Officer submitted that duplicate receipts were presented for audit and according to the records at Judiciary, the matter was resolved. The status report from the office of the Auditor General was available for verification.

**e. Failure to Provide Accounting Records for Sale Of Seized Items - Luanshya Subordinate Court - K22,840**

The Controlling Officer submitted that the supporting documents relating to the queried amount of K22,840 were presented for audit and according to the records at Judiciary, the matter was resolved. The status report from the Office of the Auditor General was available for verification.

**Committee's Observations and Recommendations**

The Committee resolves to close the matters from c (ii) – (e).

**f. Failure To Issue Receipts- Luanshya Subordinate Court - K22,581**

The Controlling Officer submitted that the receipts could not be issued despite the said money being deposited by the litigants. The Committee was informed that litigants directly deposited money into Clients' Account maintained at Luanshya Subordinate Court. The Committee was also informed that the Office of the Clerk of Court at Luanshya Subordinate Court did engage Zambia National Commercial Bank (ZANACO) on the matter.

In this regard, the Controlling Officer submitted that it was apparent from the engagement that on the deposit slips, the details of the depositors were not adequate to trace the one(s) who deposited the money and that even the phone numbers were not going through.

The Controlling Officer also submitted that as a control measure for future would be depositors, Management did engage Atlas Mara, Stanbic and ZANACO Banks to add certain features such as depositor details, case type, case record number and parties involved.

The Committee was informed that the same information had since been replicated on the bank statements. The Committee was also informed that this had made it easy for the clerks of court to issue receipts (Accounts Form 40) to the litigants.

The Committee was further informed that using its ZANACO express agents, ZANACO had brought in in-house express facility for all courts which saved with the Bank and this included Luanshya Subordinate Court.

The Committee was further informed that Luanshya Subordinate Court had a ZANACO Express Agent operating within the premises of the Court.

**Committee's Observations and Recommendations**

The Committee notes that the information should have been made available to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to take disciplinary action against officers who failed to avail information to the auditors at the time of audit. Further, the Committee urges the Controlling Officer to submit all relevant supporting documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

## MINISTRY OF AGRICULTURE

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 13</b>	
<b>PROGRAMME</b>	:	122	Licences
		123	Fees
		129	Other Revenue
<b>ACTIVITIES</b>	:	122090	Import and Export Permit
		123094	Import Declaration Fees
		123097	Inspection Fees
		129030	Plant Quarantine and Phytosanitary Services

### Accounting and Other Irregularities

9. An examination of accounting and other records maintained at the Ministry headquarters and selected districts carried out from January to April, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### a. Failure to Avail General Receipt Books - Livingstone and Sesheke

The Controlling Officer submitted that, at the time of audit, the District Marketing Development Officer (DMDO) who was also the custodian of documents was out on other assignments and had only left the book which was being used at that time. The Controlling Officer further submitted that the structure at the cited stations did not have a provision for an accounting officer, hence the use of a DMDO. It was hoped that a position for accounting officer would be created in the near future. All the books were available for audit verification.

### Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that all his officers at all levels of the Ministry comply with Financial Regulation No. 10 (n) which requires accounting officers to produce all books and records or accounting documents in the accounting officer's charge when required to do so by the Secretary to the Treasury, the Controlling Officer or the Auditor General. The Committee further urges the Controlling Officer to follow up with the Office of the Accountant General, regarding the issue of ensuring that the districts cited have qualified accounting officers. In addition, the Committee urges the Controlling Officer to ensure that relevant staff remain at the station during the audit process in order for them to provide information and avail documents when requested. The Committee awaits a progress report on the matter.

#### b. Inconsistent Use of Receipt Forms in Chirundu District

The Controlling Officer submitted that, contrary to the report of the Auditor General, no single receipt was issued during the period 27<sup>th</sup> October, 2016 to 25<sup>th</sup> April, 2017. The Controlling Officer stated that the establishment structure of Chirundu District did not have a position of Accounting Officer, hence the use of a DMDO. Regarding the inconsistent use of receipt forms, the Controlling Officer submitted that the officer responsible for collecting revenue was a DMDO who was not conversant with Financial Regulations. The Controlling Officer stated that the officer had been written to and sternly warned to ensure consistency in the issuance of Government receipts. Further, the Ministry was in the process of orienting DMDOs who were collecting cash on behalf of the Ministry to ensure that they were conversant with the Financial Regulations.

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

The Committee is concerned that the inconsistent use of receipt books could potentially lead to misappropriation of public funds. The Committee finds the Controlling Officer's response that the DMDO was not conversant with the Financial Regulations unacceptable as the officer should have been oriented upon being assigned responsibilities that were not part of the officer's job description.

The Committee is further concerned with the lack of accounting staff at stations which are required to collect revenue. The Committee, therefore, calls on the Secretary to the Treasury to ensure that qualified members of staff are assigned to perform accounting tasks at all the stations which are required to collect revenue. Further, the Ministry should ensure that officers performing tasks that they are not formally trained to perform are adequately sensitised. In addition, disciplinary action should be taken against the officer who caused the query. The Committee will await a progress report on the matter.

#### **c. Failure to Match General Receipts, Deposit Slips and Import/Export Permits - Chirundu District**

The Controlling Officer informed the Committee that at the time of audit, general receipts, deposit slips, and import and export permits for Chirundu District were being filed separately in individual box files. However, after the audit, the documents were matched as per guidance from the auditors. The Controlling Officer stated that the Ministry would endeavour to conduct monitoring visits to identify weaknesses in stations such as Chirundu. The matched receipts, permits and deposit slips were available for audit verification.

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

The Committee urges the Controlling Officer to ensure that his officers, at the cited station, implement the guidance given by the auditors that general receipts should be attached to respective deposit slips and import and export permits permanently. The Controlling Officer is further urged to institute disciplinary action against the officers who caused the query and to submit all documentation to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

#### **d. Failure to Maintain Accountable Document Register**

The Controlling Officer submitted that although a designated Register of Accountable Documents was not available at the time of audit, a hard cover book was used to record accountable documents. The Register of Accountable Documents had since been put in place and was available for audit verification.

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

The Committee notes the response and recommends the matter for closure following guidance from the Office of the Auditor General that the matter was resolved during the audit process.

## MINISTRY OF LANDS AND NATURAL RESOURCES

<b>AUDIT QUERY</b>	<b>:</b>	<b>PARAGRAPH 14</b>	
<b>PROGRAMME</b>	<b>:</b>	123	Fees – Ministry of Lands and Natural Resources
		125	Interest
		129	Other Revenue
<b>ACTIVITIES</b>	<b>:</b>		Various

### Accounting and Other Irregularities

10. An examination of accounting and other records maintained at the Ministry headquarters and visits to selected stations and a review of management information systems carried out in February, 2019 revealed various irregularities, to which the Controlling Officer responded as outlined below.

#### a. Misapplication of Funds - Survey Fees Accounts - K516,617

The Controlling Officer submitted that although the activities were budgeted for, the Ministry had no resources at the time to attend to urgent international boundary reaffirmation meetings, hence the Ministry made borrowings with a view of reimbursing when funded. However, the Ministry did not get any funding for the period under review.

The Controlling Officer also submitted that the activities undertaken were time oriented and very important because they dealt with international boundary reaffirmations.

The Committee was informed that the borrowing was premised on the fact that the activities were very much related to the survey services since the Ministry did not receive any funding.

In this regard, it was felt that treating the matter as expenditure under the survey fees was ideal.

The Controlling Officer further submitted that the Ministry was granted authority to retain 10 per cent of the survey fees for administrative purposes. The Committee was informed that the Ministry in the year under review collected K8,214,933 from survey fees and 10 per cent of the amount came to K821,493.30.

### Committee's Observations and Recommendations

The Committee expresses serious concern that the Controlling Officer is justifying the misapplication of funds when he had an opportunity to seek authority from the Secretary to the Treasury to vary the funds. In this regard, the Committee sternly cautions the Controlling Officer to desist from the practice of misapplying funds, and calls on the Secretary to the Treasury to institute necessary disciplinary action against the Controlling Officer for this irregularity. The Committee also urges the Controlling Officer to ensure that the varied funds are reimbursed without undue delay and spent on the budgeted and funded activities. The Committee will await a progress report on the matter.

#### b. Failure to Collect Statutory Forest Revenue - K101,520

The Controlling Officer submitted that the Ministry had since written to the administrators of the transmitters and electricity sub-stations to honour their obligations.

The Committee was informed that ZESCO Limited had since responded that they would need more time to settle the debt while Information Handling Services (IHS), which was administering the transmitters, had not yet responded.

In addition, the Committee was informed as set out below.

- i. Kasama Sawmills and Nkole-mfumu were operated by the Forestry Department and had since ceased operations. They were not required to pay any fees since they were in-house projects.
- ii. Copperbelt Forestry Company had been paying and the receipts were available for audit verification.

The Controlling Officer further submitted that the Ministry would continue to engage the institutions and ensure that the debt was settled.

#### **Committees Observations and Recommendations**

The Committee urges the Controlling Officer to be proactive and desist from waiting for the Auditor General's findings to address the inefficiencies which have led to such queries in the Ministry. The Committee also urges the Controlling Officer to submit all supporting documentation to the Office of the Auditor General for verification and to ensure that all the outstanding fees are collected without any further delay. The Committee will await a progress report on the matter.

#### **c. Delayed Banking - K357,235**

The Controlling Officer submitted that the officer at Lusaka Survey Office had since been charged and reprimanded and that documentation was available for audit verification.

The Committee was informed that at the Mongu Provincial Office, the officer had been suspended and the conclusion of the disciplinary process was being awaited.

#### **Committees Observations and Recommendations**

The Committee urges the Controlling Officer to be proactive and desist from waiting for the Auditor General's findings to undertake any actions. The Committee also urges the Controlling Officer to avail the reported documentary evidence of the disciplinary action taken against the officer in question, to the Office of the Auditor General. The Committee will await a progress report on the matter.

#### **d. Failure to Collect Ground Rent - Chitwi South Resettlement Area –Ndola - K5,842**

The Controlling Officer submitted that the forty-six properties whose ground rents were reportedly not collected had no ownership records in ZILMIS and hence they were not billable. The Committee was informed that this was because the clients had not commenced the process of property ownership.

The Controlling Officer also submitted that the Ministry had since instructed the Provincial Office in Ndola to undertake a site visit to establish why the owners had not come forward to obtain ownership documents.

#### **Committees Observations and Recommendations**

The Committee finds it unacceptable that the Ministry has not been proactive and has not taken any corrective action on this matter until the matter was raised by the Auditor General.

The Committee is also disappointed that the Ministry did not avail information relating to this matter to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to take disciplinary action against officers who failed to provide information to the auditors. The Committee also urges the Controlling Officer to follow up the matter and submit a progress report without undue delay.

## **MINISTRY OF COMMERCE, TRADE AND INDUSTRY**

**AUDIT QUERY** : **PARAGRAPH 15**  
**ACTIVITY** : Zambia Compulsory Standards Agency (ZCSA)

### **Accounting and Other Irregularities**

11. An examination of accounting and other records maintained at the Zambia Compulsory Standards Agency (ZCSA) headquarters conducted in December, 2018 and visits to selected stations carried out in June, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### **a. Failure to Collect Debt**

The Controlling Officer submitted that the main reason for the delayed collection of the debt was that the Agency was established by transforming the Inspections Department of the then Zambia Bureau of Standards (ZABS) into ZCSA without adequately covering support functions such as finance, administration and legal. Although a few support staff got transferred from ZABS with the Inspections Department, they were inadequate. As a result, the Finance Department which had the responsibility of collecting debt, among others, had inadequate staff as shown in the table below.

<b>Finance Staff in Credit/Debt Management</b>	
<b>ZABS (2017)</b>	<b>ZCSA (2018)</b>
<b>4</b>	<b>1</b>

The staff numbers in the Debt Management Department reduced by 75 per cent from four to one. The staff could not effectively attend to the collection of debt. Further, the Agency could not recruit additional staff in 2018 due to the inadequate budgetary allocation to operationalise ZCSA.

The Controlling Officer further submitted that in order to correct the situation the Agency had implemented the measures outlined below.

#### **i. Recruitment of More Staff**

The Agency had enhanced the Debt Management Unit within the Finance Department by recruiting two additional officers that had been tasked with, among other things, the duty to ensure that all outstanding invoices were settled.

#### **ii. Development of a Debt Recovery Plan**

The Agency had developed a debt recovery plan which involved engaging clients with outstanding amounts. As part of the plan, demand notices had been sent to clients with outstanding invoices. The plan also provided for reconciliation of outstanding balances as some invoices that were deemed to be outstanding during the audit might have been paid by clients who deposited funds directly into the Government revenue transit accounts without

using the Agency sort code, and without providing proof of payment to the Agency.

The Controlling Officer stated that any debt that would still be outstanding after reconciliation and confirmation of client accounts would be pursued and non-responsive clients would be referred to the Legal Department for legal action to be taken as provided for in the recently approved Credit and Debt Management Policy.

### iii. Reconciliation of Historical Debt

The Agency had started the process of reconciling the historical debt that was transferred from ZABS amounting to K 8,937,806. This process was important as some invoices that were deemed to be outstanding during the audit might have been paid by clients during the transition period using ZABS sort codes.

The transfer of the debt was done in line with the transitional arrangements provided for in the *Compulsory Standards Act, No. 3 of 2017* which established the Agency.

With the above measures, the Agency had managed to reduce the amounts as shown in the table below.

#### Reduction in Trade Receivables

	Amount Outstanding at the Time of Audit (ZMW)	Amount Outstanding as at 30 <sup>th</sup> September, 2019 (ZMW)	Percentage Paid
ZCSA Debt	4,653,129.00	377,577.84	92
ZABS Debt	8,937,806.00	8,253,202.80	08

The Agency had reduced the debt accumulated under ZCSA by 92 per cent while historical debt inherited from ZABS had reduced by 8 percent. The historical debt had lagged behind due to the reconciliation process that the Agency had embarked on. Supporting documentation was available for verification.

### Committee's Observations and Recommendations

The Committee notes with disappointment, the response that the reconciliation of the debt inherited from ZABS only started after the audit. The Committee directs that such routine work be done on a regular basis by the concerned officers. In this vein, the Committee urges the Controlling Officer to ensure that reconciliations are concluded expeditiously, and the debt collected without fail. The Committee awaits a progress report on the matter.

### b. Unsupported Revenue Collections – K1,214,499

The Controlling Officer submitted that under the current clearance practice, the Agency had computed fees based on the verified value of goods on the Customs Declaration Form submitted by clients through the Zambia Electronic Single Window (ZESW). He further stated that the Standards (Compulsory Standards) (Fees) Regulations, 2012, Statutory Instrument No. 49 of 2012, which provided for the collection of certification fees stipulated that certification fees should be based on the value of goods. The value of goods on the Customs Declaration Form was the validated value and usually equal to the value on the commercial invoice.

The Controlling Officer explained that the Customs Declaration Forms were the supporting documents that were availed during the audit but could not be used to verify the revenue, as

guided by auditors. Under the ZESW, clients were required to submit documents, including commercial invoices, only once through the Zambia Revenue Authority (ZRA) system to reduce the duplication of each Government agency requesting for the same information. All agencies that were connected to the ZESW had access to the information in the ZRA system. Verification of the supporting documents could be done by auditors using the system as ZCSA could provide access using log in credentials provided by ZRA.

The Controlling Officer informed the Committee that the measures outlined below had been implemented as corrective action.

**i. Availability of Commercial Invoices**

The Agency, in collaboration with the ZRA, printed all commercial invoices and availed them for validation of the revenue collected during the verification process, as requested by the auditors. However, the verification process could not be completed due to the limited time allocated to the exercise before the final publication of the Report of the Auditor General on the Accounts of the Republic of Zambia for the Financial Year Ended 31<sup>st</sup> December, 2018. However, the commercial invoices were available for audit verification.

**ii. Implemented Auditors' Recommendation**

The Agency had implemented the auditors' recommendation of attaching commercial invoices to revenue. However, the recommendation meant that the ZESW would not serve the intended purpose as there would be duplication of work.

Further, requesting clients to submit commercial invoices separately to each agency defeated the whole purpose of establishing the single window meant to simplify the clearance process.

**Committee's Observations and Recommendations**

The Committee notes the Controlling Officer's response that the verification process undertaken with the Office of the Auditor General was not completed due to limited time. The Committee, therefore, recommends that the Controlling Officer follows up the issue of unsupported revenue collections with the Office of the Auditor General and ensure that the verification process is completed without further delay. The Controlling Officer should further put measures in place to ensure that the query does not recur. The Committee awaits a progress report on the matter.

**c. Testing Fees Collected without Proof of Test Results**

The Controlling Officer informed the Committee that the *Compulsory Standards Act, No. 3 of 2017* mandated the Agency to collect fees relating to the products that fell within its mandate, including testing fees.

The Controlling Officer explained that the fees were collected using a prepayment method where clients were invoiced at the point of import declaration, and in the case of locally manufactured products, prior to factory inspections. The fees were meant to be collected on a cost recovery basis to fund service provision by the Agency and were deposited directly into the Government revenue transit account.

The Controlling Officer further explained that testing of the products was done on sampling basis, depending on product risk profiles developed by the Agency. Therefore, not all fees collected for testing of products would have corresponding test results. Under the current practice, samples were collected and tested at any stage in the supply chain, either before or

after the product was placed on the market, depending on the level of risk. Some samples were retained for reference and traceability purposes, and the retention period varied, depending on the nature of the product.

The Controlling Officer stated that for low risk products, a decision could be made to allow supply based on the product risk profiles or record of compliance for previous similar or like products with a provision for a recall if the product was found non-compliant. This was supplemented by continued monitoring of compliance through periodic market surveillance as required by the *Compulsory Standards Act, No. 3 of 2017* which mandated the Agency to collect samples from products that were already on the market to ensure continued monitoring.

The Controlling Officer further stated that there were no fees collected from clients during market surveillance activities as fees would have already been paid either at importation or manufacturing stage. In addition, high risk products were not allowed on the market until the Agency was satisfied of their safety.

The Controlling Officer submitted that for the thirteen clients whose test results and reports were not seen during the audit, the Agency treated their consignments as set out below.

- i. For ten of the clients, the Agency was satisfied that their products were safe for consumption. Out of the ten, four clients who imported pneumatic tyres had their consignments physically examined prior to release and the inspection reports were available for verification. There were no facilities available for testing the tyres, therefore, no test reports were available. The other six clients had their consignments released based on their compliance history. Results of compliance history were available for verification.
- ii. For two of the clients, the products for which they were to be inspected were found to be under voluntary certification, which is a scheme under ZABS. They were therefore, referred to ZABS for inspection. However, the clients were not refunded as the money had already been paid into the Government transit revenue account.
- iii. The inspection was delayed for one of the clients despite the client paying for the service. This was due to delayed release of funding to the Agency experienced from the second quarter of 2018 to about the second quarter of 2019. The inspection was only carried out in the second quarter of 2019.

Testing of the samples could not proceed immediately after the inspection as the testing facility used in South Africa needed to reconcile the ZCSA account from 2017 (under ZABS) to date before accepting any new work from the Agency. The samples were only accepted in September 2019 and the results were being awaited.

- iv. Regarding the period of feedback for test results, the Agency did not carry out product testing but used external laboratory facilities to test products under its mandate. Most samples collected by the Agency were tested by the ZABS laboratories with which the Agency had signed a Memorandum of Understanding (MoU). The MoU and the Agency Service Delivery Charter provided guidelines regarding the period within which results should be released after testing.

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

The Committee observes that the query would have been resolved if information on the thirteen clients had been provided to the auditors during the audit process. The Committee, therefore, recommends that the Controlling Officer takes disciplinary action against the officers who failed to provide the information to auditors during the audit process. Further, the Controlling Officer should submit relevant documentation to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

### **MINISTRY OF LABOUR AND SOCIAL SECURITY**

<b>AUDIT QUERY</b>	<b>:</b>	<b>PARAGRAPH 16</b>	
<b>PROGRAMME</b>	<b>:</b>	123	Fees
<b>ACTIVITIES</b>	<b>:</b>	123005	Registration Fees
		123040	Education and Occupational Assessment Fees
		123048	Factory Fees

### **Accounting and Other Irregularities**

12. An examination of financial records and other relevant documents maintained at the Ministry headquarters revealed various irregularities, to which the Controlling Officer responded as set out below.

#### **a. Delayed Banking- K427,086**

The Controlling Officer explained that amounts totalling K290,036.78 out of K427,085.73, were cheque based receipts while the balance of K137,048.95 was in cash.

The Controlling Officer further explained that the inspectors inspected pressure vessels and lifting equipment at a fee in various institutions spread across the country. Thereafter, invoices were issued in respect of the services rendered. Accounting officers drew up a programme to collect revenue from the invoiced clients. Whilst in the field, accounting officers issued receipts upon receipt of payment. However, the officers remained in the field for a number of days, hence the time lapse between the time revenue was collected and the time it was handed over to the cashier at the headquarters for deposit.

The Controlling Officer also informed the Committee that the Ministry of Finance had since requested the Zambia National Commercial Bank (ZANACO) to arrange for customised deposit slips so that clients may deposit the funds in the account upon receipt of the invoice and proof of payment was sent before the receipt was issued. Supporting documentation on the correspondence with the Ministry of Finance and ZANACO was available for audit verification.

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

The Committee is concerned that delays in the banking of revenue have the potential to lead to misappropriation of funds by the officers responsible for collection. The Committee calls upon the Controlling Officer and his staff to adhere to Financial Regulation No. 121 and implement measures meant to stop the delayed banking of revenue once and for all. The Committee further urges the Controlling Officer to follow up and engage the Secretary to the Treasury on the request for customised deposit slips meant to allow clients to deposit funds directly in the transit account. The Committee awaits a progress report on the matter.

**b. Deposits Not Reflecting on the Bank Statements- K139,468**

The Controlling Officer informed the Committee that at the time of audit, the electronic copy of bank statements for the revenue transit account which was only accessed by Ministry of Finance was availed to the auditors. However, the auditors could not trace the deposits totalling K139, 468 due to technical challenges in filtering deposits pertaining to the Ministry of Labour and Social Security as this was a pool account where all government institutions deposited various fees.

The Controlling Officer further informed the Committee that verification of the outstanding amounts on the bank statements had been done. Hard copies of filtered bank statements reflecting the deposits totalling K139,468 were available for audit verification.

**Committee's Observations and Recommendations**

The Committee urges the Controlling Officer to ensure that officers in the Ministry adequately prepare for external auditors whenever an external audit is being conducted. The Committee further urges the Controlling Officer to submit relevant documentation to the Office of the Auditor General for verification. In addition, the Controlling Officer should take disciplinary action against the officers who failed to avail the documents at the time of audit. The Committee awaits a progress report on the matter.

**c. Uncollected Factory Fees-Occupation Safety and Health Department – K75,057**

The Controlling Officer informed the Committee that the clients had financial challenges, hence the failure to collect the fees from them. The Controlling Officer further informed the Committee that a total of K51,318 had since been collected, leaving a balance of K23,739 owed by Good Time Steel Limited.

The Controlling Officer stated that concerted efforts were being made to collect the remaining amount from Good Time Steel. However, the client was disputing the assessment. Copies of the receipts and deposit slips amounting to K51,318 and the demand letter for payment written to the client as well as the client's response were available for audit verification.

**Committee's Observations and Recommendations**

The Committee observes with dismay that it took an audit query for the Ministry to follow up on outstanding factory fees. The Committee urges the Controlling Officer to take a proactive approach and implement measures to ensure that factory fees are collected in a timely manner, henceforth. Further, the outstanding factory fees cited in the query should be collected without fail. The Committee awaits a progress report on the matter.

**MINISTRY OF WATER DEVELOPMENT, SANITATION AND ENVIRONMENTAL PROTECTION**

**AUDIT QUERY** : **PARAGRAPH 17**  
**PROGRAMME** : 122 Licences  
**ACTIVITIES** : 122071 Zambia Environmental Management Agency Collections

**Accounting and Other Irregularities**

13. An examination of financial and other records maintained at the Ministry headquarters and a visit to selected stations carried out in February, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

**a. Unaccounted for Funds - K26,000**

The Controlling Officer informed the Committee that the K26,000 in question was made up of two transactions as shown in the table below.

<b>Date</b>	<b>Name</b>	<b>Receipt #</b>	<b>Account</b>	<b>Total</b>
10.05.2018	Waddington Retail Centre	5111033	Ministry of Finance	13,000
04.05.2018	ZESCO Limited	5111334	Ministry of Finance	13,000

The Controlling Officer explained that the Waddington Retail Centre payment was accounted for and declared on the monthly return to the Ministry of Finance. The original payment by Waddington Retail Centre was by cheque number 80. The cheque was receipted and details including the cheque number were indicated on the receipt. However, when the cheque was presented for depositing the bank did not accept it due to a problem with the amount in figures. A replacement cheque number 81 was provided by the client and deposited in the transit account. Ordinarily the receipt should have been cancelled and a new one issued. Regrettably the cashier did not cancel the receipt.

In the case of the ZESCO Limited payment, the Controlling Officer submitted that the client remitted the payment on 16<sup>th</sup> April, 2018. The payment was receipted, accounted for, and declared on the monthly return to Ministry of Finance. However, due to the fact that the proof of payment was not on file, the auditors could not confirm the identity of the payee on the bank statement. Efforts to get a replacement proof of payment had failed, but the query was still an active matter.

The Controlling Officer also informed the Committee that the officer who handled the transactions had been cautioned and designated to other duties. A new cashier had been engaged and made aware of these kind of errors and omissions for immediate compliance. The bank statement from the client and an extract of the transit account statement showing the deposited cheque number 81 were available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the response with regard to the transaction involving Waddington Retail Centre. The Committee contends that if the information on what transpired was provided to the auditors, the query would have been resolved during the audit process. The

Committee urges the Controlling Officer to take disciplinary action against the officers who failed to provide this information to the auditors.

The Committee further notes the response relating to the transaction involving ZESCO Limited and urges the Controlling Officer to ensure that the missing proof of payment is availed to the Office of the Auditor General for audit verification without fail. The Committee will await a progress report on the matter.

**b. Deposits not Reflected on the Bank Statements – K277,950**

The Controlling Officer submitted that the reasons for the query were as set out below.

- i. In certain instances, especially repeat clients, remittances of funds were made in the old accounts as advised when they last interacted with the Zambia Environmental Management Agency (ZEMA). When this happened, items were immediately sent to the designated control account. However, in certain instances this process was omitted due to the number of daily transactions. This was what happened in the case of the K25,230 and the K32,820 in 2017 and 2018, respectively. The amounts were declared in the respective monthly returns and had since been remitted post audit. Deposit and remittance slips were available for verification.
- ii. The K252,720 made up of K74,850 and K177,870 from Mulonga Water and Sewerage Company and Bulk Mining Explosives, respectively, was queried due to lack of details on the bank statements provided during the audit. Despite the amounts being the same, the narration on the bank statement did not confirm the source of the funds and therefore, was not admitted. The Controlling Officer explained that the clients were requested to send proof of payments for the highlighted items, which were received post audit. Documentation was available for verification.

The Controlling Officer also submitted that as a corrective measure, ZEMA had pre-stamped the assessment forms with the designated transit bank account details and therefore, all clients were expected to use the same bank account. Further, the officer who handled the transactions had been cautioned and designated to other duties. A new cashier had been engaged and sensitised on the need to comply. In addition, in order to avoid the recurrence of similar queries an internal circular was generated instructing all cashiers in various locations to insist on proof of payment before issuing receipts.

**Committee's Observations and Recommendations**

The Committee notes the measures taken to ensure that the query does not recur and urges the Controlling Officer to submit the supporting documentation to the Office of the Auditor General for verification. With regard to the Ndola transaction, the Committee recommends that disciplinary action be instituted against the officers who failed to provide information to the auditors during the audit process. The Committee will await a progress report.

**c. Delayed Banking – K425,350 and K766,038**

The Controlling Officer submitted that the delayed banking of revenue was due to the lack of banking facilities, especially in remote areas of the country during licensing and compliance monitoring.

The Controlling Officer further submitted that a circular had been issued to all cashiers not to collect cash and cheques in all areas with banking facilities, but advise clients to deposit and present a deposit slip to the cashier for receipting.

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

The Committee is concerned about the delayed banking of revenue as it has the potential to lead to the misappropriation of revenue. The Committee urges the Controlling Officer to ensure that there are no more delays in the banking of revenue, and that accounting staff adhere to Financial Regulation No. 121(1).

The Committee recommends the matter for closure subject to presentation of the supporting documentation to the Office of the Auditor General for verification.

#### **d. Revenue Deposited in Operations Account Without Authority**

The Controlling Officer submitted that management regretted the action of depositing funds in a commercial bank. The Controlling Officer explained that ZEMA was in constant discussion with the Ministry of Finance to have the authority that was granted to the Agency in 2016 be extended in 2017 and 2018. Given that in 2016 the authority was only granted towards the end of the second quarter, the Agency was hopeful that authority would be granted and therefore, only remitted collections at the month end.

The Controlling Officer further submitted that ZEMA did not spend any money as stated in the query. Revenue totalling K372,050 was collected and remitted in full on 31<sup>st</sup> August, 2018. In addition, the commercial bank account had been closed. Supporting documentation was available for verification.

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

The Committee notes the Controlling Officer's response, in particular the indication that the bank account into which the funds were deposited and kept has been closed and that the funds had been deposited into the appropriate transit account. However, the Committee cautions the Controlling Officer to desist from disregarding the provisions of the *Public Finance Management Act, No. 1 of 2018* and instead urges him to follow the provisions of the law to the letter. Further, the Committee recommends that the Controlling Officer should take disciplinary action against the Chief Executive Officer of ZEMA for authorising the deposit of Government revenue into an operations account without authority from the Secretary to the Treasury. The Committee awaits a progress report on the matter.

#### **e. Receipt Books not Presented for Audit**

The Controlling Officer informed the Committee that the query was as a result of holding a lot of stationery at the station and the delay in sending it to other offices on time. The Controlling Officer stated that ZEMA was still searching for the missing Accounts Form 40.

The Controlling Officer further informed the Committee that the officers handling stationery had been cautioned and there was serious commitment to find the missing Form 40. In addition, stationery received on behalf of other outlying offices was dispatched immediately, leaving only enough to fit in the safe.

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

The Committee notes the action that has been taken and urges the Controlling Officer to ensure that the missing receipt books are found and presented for audit without fail. The Committee awaits a progress report on the matter.

#### **f. Retention of Environmental Impact Assessment Revenue without Authority-K27,748,027**

The Controlling Officer informed the Committee that the full amount of K27,748,027 was remitted in the months in which the revenue was collected. The Controlling Officer stated that the funds were deposited in a commercial bank account while ZEMA awaited a response from the Ministry of Finance to extend the authority that was granted to it in 2016 to 2017 and 2018. Given that in 2016 the authority was only granted in the second quarter, ZEMA was hopeful that the authority would be granted and therefore, only remitted collections at the month end. The bank account cited was closed in August, 2018. Supporting documentation pertaining to the engagement and correspondence with the Ministry of Finance was available for verification.

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

The Committee observes with great concern the trend by ZEMA, of depositing Government revenue into unauthorised bank accounts without express authority from the Secretary to the Treasury. The Committee urges the Controlling Officer to ensure that the trend is stopped forthwith. Further, the Controlling Officer should ensure that ZEMA management obtains authority prior to depositing revenue into other accounts other than the authorised transit account. In addition, disciplinary action should be taken against the Chief Executive Officer for the irregularity. The Committee awaits a progress report.

#### **g. Failure to Provide an Inventory of Environmental Impact Assessments**

The Controlling Officer informed the Committee that completeness of revenue was ascertained when submitting the third and final copy of the Environmental Impact Assessment (EIA) Report. It was at this stage that the assessment of the fees payable was determined and payment made, irrespective of the outcome of the decision.

The Controlling Officer further submitted that the inventory of the Environmental Impact Assessments was available and was provided to the auditors but could not be linked to the listing of projects considered for approval as requested by the auditors. However, efforts to physically marry the two discrete data were made except that the exercise was not concluded on time for the 122 licences due to differences in the cut off date. The Controlling Officer stated that certain projects paid for in one financial year could be concluded in the following year at times, because of the consultative process as required by the *Environmental Management Act, No. 12 of 2011*.

In other situations, the payees of the review fees differed depending on the arrangement between the environmental consultant and the developer. This posed challenges in confirming the relationship between the two sets of data. The Controlling Officer stated that in order to avoid these challenges, the EIA reports were being linked by the receipt number. The receipts were further identified by both the consultant's and developer's name in cases where a consultant was paying on behalf of a developer.

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

The Committee urges the Controlling Officer to ensure that appropriate corrective measures are put in place so that the query does not recur in future. The Committee further directs the Controlling Officer to submit all documentation pertaining to the query to the Office of the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

#### **h. Unpaid for Licences**

The Controlling Officer submitted that at the time of audit the database was not completely populated. However, management had since completed the exercise and ascertained that the three licences had in fact been paid for.

The Controlling Officer stated that in order to address the challenge of delay in populating the data base, several interns had been recruited to undertake data cleansing on the current database by verifying with current physical files and inputting missing information and segregating information in order to provide relevant data for statistical purposes. Further, the automation of the ZEMA system was underway.

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

The Committee is concerned that the failure to completely populate the data base is a sign of laxity in the performance of duties at ZEMA. The Committee contends that if it had not been for the audit, the population of the data base would still be incomplete. The Committee urges the Controlling Officer to ensure that ZEMA management takes a proactive approach in the execution of its mandate at all times instead of waiting for external auditors to point out lapses. The Committee further directs the Controlling Officer to avail all relevant documentation to the Office of the Auditor General for audit verification. In addition, the Controlling Officer should take disciplinary action against the officers who failed to provide the documents to the auditors at the time of audit. The Committee will await a progress report on the matter generally, and particularly on the automation of ZEMA licensing system.

#### **i. Expired Licences**

The Controlling Officer informed the Committee that the licences were not renewed for various reasons such as:

- i. failure to reach all clients countrywide due to inadequate financial and human resources;
- ii. limited geographical presence of the Agency as it was very sparse, thereby making the licensing process and verification costly and time consuming; and
- iii. some clients paid for one off licences to transport, export or import chemicals and some licence holders could decide not to renew a licence for various reasons such as lack of funds, temporary closure of business or change of business, and non-compliance. This distorted the database because the clients were not removed from the database as their licences could be renewed or suspensions lifted after full compliance.

The Controlling Officer submitted that in order to address the challenges, two new offices had been opened in Solwezi and Chipata so as to improve service delivery and to encourage compliance. As stated in its Strategic Plan (2018-2021), the Agency intended to open four more offices, subject to availability of resources. Further, ZEMA took advantage of the EIA review process and verification inspections to conduct some licensing inspections.

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

The Committee notes the response and urges the Controlling Officer to ensure that management at ZEMA doubles its effort in the performance of its mandate so that there is no loss of Government revenue. The Committee further urges the Controlling Officer to take disciplinary action against the officers who failed to provide information to the auditors on outstanding licence fees relating to expired licences during the audit process. The Committee resolves to await a progress report on the matter.

#### **j. Lack of Validity Period for Licences**

The Controlling Officer submitted that the data base was not fully populated to show validity of the licences at the time of audit. This was mainly due to limited human resource as there was only one licensing office inputting data for the organisation. The licensing process and the data entry process were manual and, as such, errors and omissions were regrettably inevitable.

The Controlling Officer stated that in order to address the challenges, several interns had been recruited to undertake data cleansing on the current database by verifying with the physical files and inputting missing information and segregating information in order to provide relevant data for statistical purposes. Further, the automation of the ZEMA system was underway.

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

The Committee cautions the Controlling Officer to desist from defending ZEMA's failure to perform its mandate. The Committee urges the Controlling Officer to ensure that all licences have a validity period, henceforth. Further, the Controlling Officer should take disciplinary action against the officers who failed to input the requisite data, resulting into the query. The Committee will await a progress report on the matter.

## **MINISTRY OF ENERGY**

<b>AUDIT QUERY</b>	<b>:</b>	<b>PARAGRAPH 18</b>	
<b>PROGRAMMES</b>	<b>:</b>	122	Licenses – Ministry of Energy
		129	Other Revenue
<b>ACTIVITIES</b>	<b>:</b>	122010	Energy Regulation Board (ERB)
			Licence Fees
		122200	Assessment
		129099	Misellaneous

### **Accounting and Other Irregularities**

14. An examination of financial and other records maintained at the Ministry headquarters carried out in May, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### **a. Failure to collect Outstanding ERB Fees - K156,983,292**

The Controlling Officer submitted as set out below.

##### **1. Midlands Energy Limited**

The amount of K25,907 owed by Midlands Energy had been outstanding since December, 2017. ERB continued to engage Midlands Energy with reminders to pay. Midlands Energy proposed a payment plan dated 18<sup>th</sup> September, 2018. However, no amount had been paid to

date. Demand letters dated 25<sup>th</sup> October, 2018 and 6<sup>th</sup> June, 2019 were issued to the company but did not yield any positive results.

Default proceedings had been instituted in the Subordinate Court against Midlands Energy Zambia Limited for recovery of debt. The matter was awaiting allocation and return date of hearing from the Court. The Court would issue notice of hearing when the return date was set.

#### **Committee's Observation and Recommendations**

The Committee will await a progress report on the matter.

### **2. Continental Oil Company**

Continental Oil Company had been owing amounts in license fees, totalling K1,001,816 since July, 2015. However, Continental Oil Company also owed K18,929,142.96 in unremitted Strategic Reserve Fund totalling K19,930,958.59. Continental Oil Company was placed in liquidation on 11<sup>th</sup> December, 2015 by way of a court order and a liquidator was appointed for the purpose of winding up the operations of the company. The liquidator had since settled the loan with Barclays bank Zambia plc on behalf of the company from the proceeds of disposal of certain assets.

After paying Barclays Bank, the two remaining preferential creditors were ZRA and ERB which ranking was confirmed by correspondence with the liquidator. The implication of ERB ranking as preferential creditor together with ZRA entailed that both ERB and ZRA would have the benefit of having the assets of Continental Oil Company distributed between them, in equal priority, in satisfaction of outstanding statutory liabilities owed to the two statutory bodies.

The Ministry of Energy (MOE) had been engaged for intervention as Continental Oil Company had written to the Ministry proposing to offset the debt with the Bulk Storage Depot.

The Ministry of Energy (MOE) and the Energy Regulation Board met to review the proposal from the Liquidator and the two parties were considering the proposed debt-to-asset swap by Continental Oil Company liquidator. A committee had been constituted to undertake due diligence and valuation of the facility. The team comprising ERB, MOE, Ministry of Finance, TAZAMA, Zambia Revenue Authority and the Government Valuation Department had been constituted with clear terms of reference to carry out a comprehensive physical, legal and economic due diligence. A report and recommendation would be prepared and submitted to the Permanent Secretary in the Ministry of Energy, accordingly.

#### **Committee's Observation and Recommendations**

The Committee urges the Controlling Officer to ensure that the debt-to-asset swap is expeditiously concluded after the due diligence and valuation of the facility and to provide a progress report on the matter.

### **3. ZESCO Limited**

In order to address the increase in the outstanding amount of ERB license fees, a monthly payment plan of K5.5 million was agreed upon with the ERB in February, 2018. ZESCO Limited had been consistent with payments in line with the agreed payment plan until May, 2019 and a total of K69.5 million had since been paid to the ERB. However, ZESCO Limited

discontinued the payments as a result of cash flow constraints. ZESCO Limited would resume the payments once the performance of the company improved.

Further, the Ministry had continued to engage the Treasury for a possible debt swap of the amount that Government owed ZESCO limited through Government projects against the debt that ZESCO Limited owed ERB through unpaid license fees and a response from the Treasury was being awaited. This was in an effort to reduce the debt that ZESCO Limited owed ERB to manageable levels.

The Committee was informed that ERB license fees were Government revenue which were remitted to Control 99 in line with the *Energy Regulation Act, Chapter 436 of the laws of Zambia* as amended by Act No 23 of 2003, in Section 12 part (2a), which required that all companies licensed under the said Act paid license fees of not exceeding 0.8 per cent of turnover.

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

The Committee will await a progress report on the liquidation of the debt owed by ZESCO Limited.

## **MINISTRY OF WORKS AND SUPPLY**

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 19</b>
<b>PROGRAMME</b>	:	129 Other Revenue
<b>ACTIVITIES</b>	:	129047 Weighbridge Charges
		129049 Road Tolls

### **Accounting and Other Irregularities**

15. An examination of accounting and other records maintained at National Road Fund Agency (NRFA) headquarters carried out in November, 2018 and a follow up audit to eighteen toll points in December, 2018 to January, 2019, revealed various irregularities, to which the Controlling Officer responded as set out below.

#### **a. Lack of Title Deeds**

The Controlling Officer informed the Committee that the Agency had since engaged the Ministry of Lands and Natural Resources to assist in resolving the matter. The Controlling Officer stated that progress had since been made towards obtaining the title deeds for all plazas that were not on title yet.

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

The Committee recommends that the Controlling Officer should expedite the process of obtaining title deeds for all plazas that are not on title. To realise this, the Committee urges the Controlling Officer to follow up and engage in constant discussions with the Ministry of Lands and Natural Resources. The Committee awaits a progress report on the matter.

#### **b. Inland Tolling**

##### **i. Unaccounted for Revenue – K3,340**

The Controlling Officer submitted that an investigation into the unbanked revenues, through the Road Development Agency (RDA) as the custodian of the axle load, revealed that the amounts in question were actually not collected from the transporters. This was due to a

system challenge in that the weighting platform was able to detect an overload and issue a charge while the receipting module could not detect the corresponding overloads.

The Controlling Officer further submitted that the NRFA through RDA engaged the transporters to collect the funds. The funds had since been collected and banked. Supporting documentation was available for verification.

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

In noting the submission, the Committee urges the Controlling Officer to ensure that any system challenge is rectified timely to avoid loss of Government revenue. However, the Committee recommends the matter for closure subject to presentation of the supporting documentation for verification.

#### **ii. Irregular Payment of Frequent Road User Discounts**

The Controlling Officer informed the Committee that an investigation done by the Office of the Controlling Officer through the NRFA established that the loss of revenue was due to a system error. The NRFA had engaged the system provider to reconfigure the system so that it conformed to the qualifying criteria for frequent user discount. The system had since been reconfigured and the K33,085 that was quoted as lost revenue to the Government had since been recovered from the vendor.

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

The Committee notes the action taken and the fact that the funds that were lost through the system error had been recovered. The Committee recommends the matter for closure subject to presentation of the supporting documentation for verification.

#### **iii. Failure to Collect Weighbridge Charges - K156,371**

The Controlling Officer submitted as set out below.

- i. Out of the K156,371 outstanding weighbridge fees, amounts totalling K52,201 had since been collected and accounted for, leaving a balance of K104,169.
- ii. The Ministry was pursuing the defaulting transporters to ensure that they paid the balance of K104,169 weighbridge fees.
- iii. To expedite the collection of the outstanding weighbridge fees, the Ministry, through RDA, had engaged RTSA to immobilise all vehicles of operators who had defaulted in payments. The request was to block all listed vehicles which had failed to pay from obtaining road taxes and fitness certificates. Supporting documentation was available for verification.

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

The Committee notes the submission and urges the Controlling Officer to collect the outstanding weighbridge fees without further delay. The Committee awaits a progress report on the matter.

## MINISTRY OF TOURISM AND ARTS

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 20</b>
<b>PROGRAMME</b>	:	122 Licences – Ministry of Tourism and Arts
		123 Fees
		129 Other Revenue
<b>ACTIVITIES</b>	:	Various

### Accounting and Other Irregularities

16. An examination of accounting and other records maintained at the Ministry headquarters and visits to selected stations carried out in May, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### a. Unaccounted for Revenue

##### i. South Luangwa Area Management Unit - Hunting and Park Fees - K67,209

The Controlling Officer submitted that the unaccounted for revenue at South Luangwa Area Management Unit was due to the misappropriation of funds by the Revenue Officer. The Ministry of Tourism and Arts Disciplinary Committee heard the officer and submitted a recommendation for dismissal to the Public Service Management Division (PSMD).

Supporting documentation comprising recommendation letter for dismissal and minutes of the Disciplinary Committee was available for audit verification.

##### ii. Livingstone Region Office- Miscellaneous Collections - K1,500

The Controlling Officer submitted that revenue in amounts totalling K1,500 was unaccounted for because the Revenue Officer stayed away from the office. The Ministry referred the case to the District Commissioner's office for further action as the officer had not been reporting for work from the time the officer failed to account for the funds. Disciplinary action had since commenced in line with Government disciplinary procedures. Supporting documentation comprising recommendation letter for dismissal and minutes of the Disciplinary Committee was available for audit verification.

### Committee's Observations and Recommendations

The Committee notes the action taken regarding the misappropriation of funds at South Luangwa Area Management Unit and Livingstone Regional Office. In this regard, the Committee instructs the Controlling Officer to ensure that the Office of the District Commissioner expedites the disciplinary process and refer the matter to the Office of the Permanent Secretary. Further, the Committee urges the Controlling Officer to ensure that the misappropriated funds are recovered from any accrued benefits due to the erring officers. The Committee awaits a progress report on the matter.

#### b. Delayed Banking

##### i. Chilanga - Department of National Parks and Wildlife– Hunting Fees K209,897

##### ii. Lusaka Park - Department of National Parks and Wildlife- K25,104

##### iii. Mosi-O-Tunya – Department of National Parks and Wildlife - K159,957

The Controlling Officer submitted that the delay in banking of revenue at the Chilanga, Lusaka and Mosi-O-Tunya Parks under the Department of National Parks and Wildlife

(DNPW) was due to lack of supervision by the Director of National Parks and Wildlife. A warning letter had been issued to the Director of National Parks and Wildlife. Further, vehicles had been procured to enhance efficiency in the banking of revenue. Supporting documentation comprising a warning letter was available for audit verification.

- iv. Lower Zambezi - Department of National Parks and Wildlife- K2,297**
- v. South Luangwa National Park - K241,779 and \$8,305**
- vi. North Luangwa National Park - K51,397**

The Controlling Officer submitted that the delay in banking of revenue at Lower Zambezi, South Luangwa and North Luangwa National Parks was due to long distances between revenue collection points and banking facilities. The Ministry had engaged the Ministry of Finance on the possibility of extending the regulatory deposit period to more than a week in hard-to-reach areas to avoid the recurrence of the audit query. Supporting documentation comprising a letter to Ministry of Finance was available for audit verification.

**vii. Ministry of Tourism and Arts - Livingstone - K14,070**

The Controlling Officer informed the Committee that the delay in banking of revenue was caused by an officer who deserted the office. The Ministry referred the case to the District Commissioner's office for further action as the officer had not been reporting for work from the time the officer failed to account for the funds. Disciplinary action had since commenced in line with Government disciplinary procedures. Supporting documentation comprising a charge letter was available for audit verification.

**Committee's Observations and Recommendations**

The Committee expresses disappointment at the fact that the query has recurred despite the Ministry stating in the past that it had procured vehicles to help resolve the query regarding delayed banking of revenue. The Committee reiterates its previous recommendation in the Report of the Public Accounts Committee on the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31<sup>st</sup> December, 2017 that there should be no more delays in the banking of revenue, as this had the potential to lead to the misappropriation of revenue. The Controlling Officer should, therefore, ensure that accounting staff adhere to Financial Regulation No. 121 which provides that all moneys received by an accounting officer shall be deposited not later than the next business day following the day of receipt.

The Committee resolves to await a progress report on the response from the Ministry of Finance on the possibility of extending the regulatory deposit period for more than a week in hard-to-reach areas.

**c. Amounts Owed by Tour Operators**

**i. Mosi-O-Tunya Area Management Unit - K14,223 and \$34,024**

The Controlling Officer informed the Committee that the tour operator had disputed the amount charged because he had title deeds to the properties in the national park.

The Controlling Officer further informed the Committee that a request was made for legal guidance from the Attorney General regarding the Tourism Concession Agreements in the Mosi-O-Tunya National Park. However, due to the efforts by the debt collection team from the Department of National Parks and Wildlife, \$40,149.50 and K 10,206 had been collected,

leaving a balance of K4,017. The debt collection exercise was on going. Supporting documentation was available for audit verification.

**ii. Lower Zambezi Area Management Unit - K379,292 and \$139,695**

The Controlling Officer informed the Committee that compliance levels by some tour operators were very low. As a result of the effort by the debt collection team, a number of lodges had cleared their debts. Anna Tree Lodge, Anabezi and Amanzi Camp had paid the US\$16,047 and K1,334 on GRZ receipt numbers 7208896 and 7208891, respectively. Further, eleven tour operators had made some payments. The outstanding amounts were K364,758 and \$95,098. Supporting documentation was available for audit verification

**iv. South Luangwa Area Management Unit - K92,455 and \$97,881**

The Controlling Officer informed the Committee that compliance levels by some tour operators were very low. However, US\$32,606.52 had been collected leaving a balance of K92,455 and \$65,274.48. Supporting documentation was available for audit verification.

**v. North Luangwa Area Management Unit - \$34,310**

The Controlling Officer submitted that the tour operators claimed to have paid to the then ZAWA but they never presented proof of payment to the Department of National Parks and Wildlife. Following consultations, Buffalo Camp paid US\$10,000 towards its outstanding debt, leaving a balance of \$24,310. It was resolved at a meeting between the Department of National Parks and Wildlife and Buffalo Camp that Buffalo Camp should be given more time to retrieve documentary evidence from ZANACO for the payment allegedly made to ZAWA. Supporting documentation was available for audit verification.

**vi. The Six Tour Operators**

The Controlling Officer explained that the tour operators cited were not paying concession fees. They were paying management fees for conducting activities in the national park. The operators had no running concession agreements because the current Zambia Wildlife (Licences and Fees) Regulations, 2007 excluded them from entering into such agreements. The Department of National Parks and Wildlife was awaiting the issuance of the new Statutory Instrument in order to have the Tourism Concession Agreements (TCA) signed with the tour operators. The new Statutory Instrument intended to introduce new fees in the tourism industry.

**Committee's Observations and Recommendations**

The Committee notes the action taken and implores the Controlling Officer to collect the outstanding fees without fail. The Committee further directs the Controlling Officer to submit documentary evidence of the collections to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

**d. Lack of Safes at the Revenue Collection Points**

**i. Lower Zambezi National Park**

The Controlling Officer submitted that the Lower Zambezi National Park revenue collection point did not have a safe at the time of audit because the Ministry of Finance had not supplied one. However, the Ministry of Finance supplied two safes in June, 2019 for the Lower Zambezi National Park and one had since been given to Lower Zambezi main gate. The other one for Lower Zambezi- Interior would be supplied before the end of December, 2019.

**ii. South Luangwa National Park**

The Controlling Officer submitted that South Luangwa National Park did not have a safe at the time of audit because Ministry of Finance had not supplied one. However, the Ministry of Finance supplied one safe for South Luangwa National Park and it had since been given to Chikwinda.

**Committee's Observations and Recommendations**

The Committee notes the response and will await a progress report on the supply of the remaining safe for Lower Zambezi-Interior.

**e. Failure to Collect Manager Registration Fees**

The Controlling Officer submitted that the failure to collect manager registration fees was due to the fact that accommodation establishments were spread across the country, thereby requiring adequate finances to visit all of them. However, the Ministry wrote a letter to the Secretary to the Treasury requesting for funding.

The Controlling Officer further submitted that the Ministry of Tourism and Arts was in the process of implementing the e-payment system to enhance collection of fees. The Ministry had also sent final reminders to operators before instituting punitive actions.

The Controlling Officer also explained that the failure by the 114 registered accommodation enterprises to apply for either Registration or Practicing Licences or Certificate of Exemption was caused by lack of collaboration between Ministry of Tourism and Arts and Zambia Tourism Agency.

The Controlling Officer stated that the Ministry was collaborating with the Zambia Tourism Agency to ensure that accommodation establishments' applicants for tourism enterprises were only granted licences once they had obtained a hotel manager's Registration Certificate. Seven establishments had already applied for the hotel manager registration and the remaining 107 establishments were being followed up. The Ministry would institute penalties and closure for establishments that would fail to comply.

Copies of conditional letters issued by Zambia Tourism Agency to operators requesting them to comply with hotel manager registration before the Tourism Enterprise Licence could be issued were available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the commendable efforts being made by the Ministry in the enforcement of the provisions of the *Tourism and Hospitality Act, No. 13 of 2015* relating to hotel managers. The Committee urges the Controlling Officer to follow up the remaining 107 establishments, and to ensure that they register their hotel managers without fail so that manager registration fees can be collected. The Committee awaits a progress report on the matter.

## MINISTRY OF HOME AFFAIRS

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH-21</b>	
<b>PROGRAMMES</b>	:	123	Fees – Passport Office
<b>ACTIVITIES</b>	:	123020	Passports

### Accounting and Other Irregularities

17. An examination of accounting and other records maintained at the Ministry Headquarters (Passport Office) and other visits to selected stations carried out in August, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### a. Failure to Maintain a General Revenue Cashbook

The Controlling Officer submitted that it was regrettable that in the year under review, the Passports and Citizenship Offices in Lusaka, Ndola and Livingstone did not maintain General Revenue Cashbooks contrary to Financial Regulation Number 128 (1) of 2006. The Committee was informed that this was due to the fact that the type of General Receipts (Accounts Form 40) being used by Indo Zambia Bank to collect Passport fees in Lusaka, Ndola, Livingstone, Kabwe and Chipata were continuous receipts which were issued in triplicate, leaving Passports and Citizenship Office with no copy to use in completing the General Revenue Cashbooks. The Committee was also informed that the distribution of the General Receipts which were in triplicate was as follows:

- i. original copy was issued to the client;
- ii. second copy went on the client's file that went to Passport Production Centre for the production of passport; and
- iii. the third copy (triplicate copy) was retained by Indo Zambia Bank.

In this regard, the Controlling Officer submitted that the distribution left Passport and Citizenship Office (Accounts Unit) with no copy to use in completing the General Revenue Cashbooks. The Committee was informed that this matter was brought to the attention of the Ministry of Finance - Accountant General's Office, in 2014 for consideration and guidance. The Committee was further informed that the Ministry of Home Affairs had been in touch with the Ministry of Finance over the matter.

The Controlling Officer also submitted that the matter was raised even in the 2017 Management Letter on the audit of revenue where the Office of the Auditor General kept the matter in view to allow the Ministry of Finance to give the Ministry guidance.

In this regard, the Controlling Officer submitted that the Auditor General had stated that the matter was Kept In View because the type of General Receipts (Accounts Form 40) being used for collection of Passports Fees were continuous receipts which were issued in triplicate, leaving Passports and Citizenship Office with no copy to use in completing the General Revenue Cash Books.

The Committee was further informed that the Accountant General's Office was carrying out a research regarding the matter and sooner or later new modalities of accounting for revenue collected through the dedicated counter service/internet banking would be put in place and the Office of the Auditor General would be notified.

The Controlling Officer further submitted that the incomplete revenue cash books did not hinder the production of revenue reports.

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

The Committee urges the Accountant General to expeditiously engage Indo Zambia Bank and resolve this matter, and to put in place new modalities of accounting for revenue collected through counter service or internet banking. The Committee will await a progress report on the matter.

#### **b. Unaccounted for Revenue - Solwezi Passport Office- K30,080**

The Controlling Officer submitted that the position regarding the matter was that the officer who was handling revenue paid back a total amount of K30,080 on 19<sup>th</sup> September, 2019, which was not accounted for. The Controlling Officer also submitted that the matter had since been referred to the Ministry's Disciplinary Committee for disciplinary action regarding the officer's financial misconduct.

The Committee was informed that the deposit slip together with charge letters were available for audit verification.

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

The Committee finds it unacceptable that the Controlling Officer was taking inordinately long to mete out disciplinary action against the officer who violated the financial regulations. In this regard, the Committee urges the Controlling Officer to be proactive and ensure that disciplinary action is taken against the erring officer without any further delay. The Committee will await a progress report on the matter.

#### **c. Delayed Banking- Solwezi Passport Office - K44,110**

The Controlling Officer submitted that the offence was committed by the same officer involved in the case of unaccounted for revenue. The Committee was informed that the latest position regarding the matter was that the officer who was responsible for collecting and depositing passport fees had been charged and the matter had been referred to the Ministry's Disciplinary Committee for disciplinary action.

The Controlling Officer also submitted that an attempt was made to discipline the supervising officer but the action was not supported by the Public Service Management Division (PSMD). The Committee was informed that the supervising officer had since been surrendered to PSMD.

He further submitted that the copies of charge letters were available for audit verification.

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

The Committee notes with dismay that the Ministry was unable to detect the delayed banking of revenue through internal audits. In this regard, the Committee urges the Controlling Officer to put measures in place which will ensure that the operations of the Internal Audit Department are enhanced. The Committee also urges the Controlling Officer to expeditiously dispose of the disciplinary matter involving the erring officer. The Committee further urges the PSMD to institute disciplinary action against the supervising officer for negligence of duty, without fail. The Committee will await a progress report on the matter.

**d. Missing Receipts - Solwezi Passport Office**

The Controlling Officer submitted that as a measure to get to the bottom of the matter and bring it to a logical conclusion, the Ministry decided to submit the said receipt book to the Strong Room Superintendent at the Ministry of Finance. The Committee was informed that this was done in order to allow the Printer of the receipt book carry out a critical examination and check if there was any alteration or tampering to the receipt book.

The Controlling Officer also submitted that Shorthorn Printers Limited who was the Printer of the said General Receipt Book which was assigned to the Department of National Registration Passports and Citizenship in Solwezi carried out the examination of the receipt book and confirmed that the missing receipts were omitted during production. The Committee was informed that Shorthorn Printers had since informed the Strong Room Superintendent through the Accountant General that the missing pages would be replaced before handing back the book to the Accountant General.

He further submitted that correspondence regarding the matter was available for audit verification.

**Committee's Observations and Recommendations**

The Committee urges the Controlling Officer to follow up the matter and ensure that the complete receipt book was made available to the Ministry through the Accountant General, following which all relevant documentation should be submitted to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

**e. Irregular Production of Passports Over the Weekends**

The Controlling Officer expressed regret that there was no express authority sought from the Registrar General or the Chief Passports and Citizenship Officer to print Passports over the weekend in Ndola and Livingstone. In explaining this irregularity, the Controlling Officer submitted as set out below.

**i. Ndola**

The Committee was informed that Ndola Passports Regional Office produced three Passports on Saturday in the year under review. The Committee was also informed that printing of the three Passports on Saturday was authorised by the Officer in Charge at the Regional Office, because the three Passports could not be printed on Friday due to network failure.

The Controlling Officer submitted that out of all the applications which were found to be at printing stage in the year under review, only those three applications were considered to be printed on Saturday following the emergency that was attached to the applications. The Committee was informed that the office needed to rescue the desperate situation the applicants were facing. The Committee was also informed that print outs of the three passports which were produced on Saturday were available for audit verification.

**ii. Livingstone**

The Committee was informed that Passports Regional Office in Livingstone produced 119 and thirty nine passports on Saturday and Sunday respectively, in the year under review. The Controlling Officer submitted that this happened from mid-January to late October of 2018 when the Regional Office suffered some intermittent break downs to the network connectivity between Lusaka and Livingstone. The Committee was informed that during this period, the network connection was not very stable and the Office was only processing

applications up to printing stage. The Controlling Officer submitted that this created a backlog of applications pending to be printed.

The Committee was informed that the network connection from Zamtel was not very stable between January and October of 2018. The Committee was also informed that during the time when the network connection would be stable, the Officer in Charge at Passport Regional Office would liaise with the Provincial Registrar in Choma to allow Officers to work during the weekends to clear the backlog.

The Controlling Officer also submitted that the workflow for the production of passports at the Regional Office was followed and the printing of the passports were done in the presence of the Officer in Charge.

The Committee was informed that copies of the printouts showing the work flow and names of officers who worked on those particular passports produced over the weekends were available for audit verification.

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

The Committee notes with concern that there is no documentary evidence that the Registrar General granted express permission to print passports on weekends, both in Ndola and Livingstone. In this regard, the Committee urges the Controlling Officer to take disciplinary action against officers who authorised the printing of the passports on weekends, without written authority from the Registrar General. The Committee will await a progress report on the matter.

#### **f. Loss of Revenue - Failure to Charge Express Fees - K2,686,600**

The Controlling Officer submitted that the daily work for processing of passports was segmented in three batches. The Committee was informed that when files reached the production centres, they were sorted out according to the three batches. The first batch to be worked on was express service applications where the Act stipulated that they should be processed within five working days. The second batch to be worked on was ordinary applications from provinces where the Ministry did not have production centres and Missions abroad. The third batch to be worked on was the ordinary applications from within the station. The Committee was informed that these ordinary applications, according to the Act, were supposed to be processed within fourteen working days.

The Controlling Officer submitted that in the spirit of enhancing improved service delivery to the public, express service application passports were produced within five working days, while ordinary passports were processed within fourteen working days. The Committee was informed that Passport Officers were trained to work according to those batches for each day's work and ensured the day's batches were processed before the allocation of the next day's batches. The Committee was also informed that the Department had adopted this mode to ensure the production process was systematic and in accordance with the law. The Controlling Officer submitted that this had improved the service delivery to the public and avoided the backlog of applications. He also submitted that this had also resulted into increased revenue collection. The Committee was informed that passports officers no longer took their time to process ordinary applications with fourteen days as a bench mark.

The Controlling Officer further submitted that there was no loss of revenue on account of processing ordinary passports within fourteen working days because the decision to apply for

express service did not lie with Passports and Citizenship Office but with the applicants. He, therefore, requested the Committee to close the matter.

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

The Committee urges the Controlling Officer to submit supporting documents of the expressly produced 13,433 passports to the Office of the Auditor General for verification. The Committee resolves to close the matter subject to audit verification.

#### **g. Inadequate Controls Over the Server Room**

The Controlling Officer submitted as follows:

##### **i. Non-Functional Uninterruptable Power Supply (UPS) and Electricity Generator**

The Controlling Officer submitted that contrary to the Auditor General's observation, the two UPS in the Server room were working according to the configuration. The configuration set was to have an automatic shutdown when the supply of power was not enough to support all the functions of a server so that it was protected from being damaged.

The Committee was informed that the first UPS was connected to the electricity generator which only worked when the generator was running. Its purpose was to clean power coming from the generator going to the servers. Generator power was not clean power and hence it was supposed to pass through the UPS for it to go as clean power to the server.

The Committee was also informed that the second UPS was connected to the server and its purpose was to regulate the switching on and off of the server when there was power outage. It safe guarded the server by switching on and off in a regulated manner to avoid damage to the equipment.

The Controlling Officer also submitted that with regard to the non-functional electricity generator, the latest position was that the generator would be serviced as soon as funds were received. The Committee was informed that the two generators located in Lusaka had been serviced and the next generators to be serviced were those located in Chipata, Kabwe, Ndola and Livingstone.

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

The Committee notes with displeasure that this information was not availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to provide information to the auditors. The Committee also urges the Controlling Officer to engage the Treasury to release funds to service the non-functioning electricity generators. The Committee will await a progress report on the matter.

##### **ii. Non-Functional Air Conditioning Units**

The Controlling Officer submitted that the latest position regarding the matter was that three new air conditioners had since been fitted in the server room. The acknowledgement letter from the Passports Regional Officer, informing the Acting Registrar General about the fitted air conditioners was available for audit verification.

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

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

### **iii. Unsecured Server Room**

The Controlling Officer submitted that the latest position regarding the matter was that the server room had been cleared of anything that could fuel an inferno. The Committee was informed that the blank passports booklets which were being kept in the server room had since been removed and were being kept in the office of the Officer in Charge.

However, the Controlling Officer submitted that as a measure to permanently address the storage of blank passport booklets which were being kept in the office of the Officer in Charge, the Ministry had requested for a bigger safe from the Ministry of Finance. In this regard, the Controlling Officer submitted that the Committee would be informed of the progress made once the safe was allocated and delivered to Livingstone Passports and Citizenship offices.

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

The Committee notes with dismay that the Controlling Officer only acted on the matter after the external audit was conducted. In this regard, the Committee urges the Controlling Officer to be proactive in performing his duties to avoid causing unnecessary queries. The Committee also urges the Controlling Officer to submit the information regarding the server room to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

## **MINISTRY OF HOME AFFAIRS – DEPARTMENT OF IMMIGRATION**

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 22</b>
<b>PROGRAMME</b>	:	2021 Non – Tax Revenues – Department of Immigration
<b>ACTIVITIES</b>	:	123018 Immigration Fees and Charges

### **Budget and Actual Revenue Collections**

18. The Controlling Officer submitted that an over collection of K12,499,263 was due to the introduction of online payments that captured revenues upfront at 100 per cent at application from all applicants.

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

The Committee commends the Controlling Officer for the introduction of an online payment system and closes the matter.

### **Cheque Deposits not traced to the Bank Statement - Headquarters Revenue Transit - K111,500**

The Controlling Officer informed the Committee that the issue had since been reported to the Ministry of Finance who were the account holder. The Committee was informed that the Ministry of Finance had engaged the commercial bank to normalise the transactions.

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

The Committee urges the Accountant General to expeditiously conclude the matter and submit a progress report on the normalisation of the transaction.

## MINISTRY OF HOME AFFAIRS – ZAMBIA POLICE SERVICE

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 23</b>
<b>PROGRAMME</b>	:	121 Fines – Zambia Police Service
		122 Licenses
		123 Fees
<b>ACTIVITIES</b>	:	Various

### Accounting and Other Irregularities

19. An examination of financial and other records maintained at Zambia Police Headquarters and visits to selected stations carried out in July, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### a. Failure to Collect Revenue-Road Traffic Offences (RTOs) - K163,243

The Controlling Officer highlighted the factors that caused the Zambia Police Service to fail to collect the revenue, and the corrective action taken to prevent the recurrence, as set out below.

##### 1. Headquarters

The Controlling Officer submitted that the Traffic Section of Zambia Police Headquarters issued a total of 3,575 charge sheets in the year 2018, out of which 255 were queried by auditors.

Reasons for failure to collect revenue are as indicated in the table below:

S/NO.	DETAILS	CASES	COMMENT
1.	255	17	Paid
		148	Invalid contact details
		90	Warnings
	<b>TOTAL</b>	<b>255</b>	

##### a. Paid For Cases

The Committee was informed that out of the 255 cases, seventeen offenders confirmed having deposited cash directly in the Ministry of Finance transit account but had not availed their deposit slips to the Zambia Police for them to obtain receipts and have their cases closed. In this regard, the cases would remain open until the offenders submitted the required documentation to show proof of payment.

With regard to remedial measures, the Controlling Officer submitted that the following efforts were being made:

- i. increased sensitisation to the public through the Ministry's Public Relations Office by informing members of the public to ensure that after making deposits for their fines, they should go back to the police station that issued them with the charge sheet to obtain a receipt as proof of payment; and

- ii. the Government, through Smart Zambia Institute and Ministry of Finance, was working on a project called Government Service Bus which was meant to integrate all government systems by interfacing databases, and Zambia Police was one of the Pilot institutions. This system would give the Ministry of Home Affairs on site access to the Ministry of Finance transit account to help to reconcile the deposit slips and charge sheets via Road Traffic Offence (RTO) numbers irrespective of where the deposit was made from.

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

The Committee will await a progress report on the matter.

#### **b. Invalid Motor Vehicle and Driver Contact Details**

The Controlling Officer submitted that 148 of the 255 cases cited under Headquarters Traffic Section had invalid motor vehicle or driver details.

The Committee was informed that these were situations where offenders gave false information to officers, making it difficult to make follow ups for disposal of cases. The situation was worsened by the fact that some motor vehicles were not registered with Road Transport and Safety Agency (RTSA) and this was evident when carrying out a search at RTSA.

In this regard, the Controlling Officer submitted that it was difficult to address the question of offenders who gave false information because the law allowed offenders seven days within which to pay. As a result, some offenders chose to abrogate the seven days grace period.

In order to address this challenge, the Controlling Officer submitted that the Government, through Smart Zambia Institute and the Ministry of Finance, was working on a project called Government Service Bus which was meant to integrate all government systems by interfacing databases and Zambia Police was one of the pilot institutions. This system would give the Zambia Police direct access to the RTSA database, thereby making it possible to verify and track offenders through both their vehicle registration and driver's license details in real time.

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

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

#### **c. Warnings**

The Controlling Officer submitted that ninety of the 255 cases were disposed of by warnings. The Committee was informed that there were three types of traffic offences for which officers were allowed to warn offenders. These included:

- i. defects to a motor vehicle;
- ii. over speeding but not exceeding by 8km/h above the speed limit; and
- iii. failure to produce any document relating to ownership of the vehicle, driver's license and insurance.

The Controlling Officer submitted that for the mentioned offenses, officers were authorised to use their discretion to merely warn offenders as opposed to having them charged. The Committee was informed that this was in accordance with the *Road Traffic Act, No. 11 of 2002*, sections 214 and 219. He submitted that authority was also drawn from the Zambia Police Instructions 2010 Edition Section 263 d.

The Committee was further informed that the decision to warn an offender was made by a prescribed officer on a case by case basis. The Committee was also informed that no revenue was received from charge sheets where officers warned offenders.

## **2. Kabwata Police**

### **a. Warnings**

The Controlling Officer submitted that nineteen of thirty cases cited under Kabwata Police Station were closed under Section 219 of the *Road Traffic Act, No. 11 of 2002* which allowed a prescribed officer to warn the offenders and close cases.

### **b. Withdrawn Charges due to Insufficient Evidence**

The Controlling Officer submitted that eleven of thirty cases were closed due to insufficient evidence in accordance with Section 214 of the *Road Traffic Act, No. 11 of 2002* and in accordance with the Zambia Police Instructions 2010 Edition Section 95, Sub Section 6. Therefore, no revenue was received from such charge sheets where cases were withdrawn.

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

The Committee finds it unacceptable that this information was not availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to take disciplinary action against officers who failed to provide the information. The Committee also urges the Controlling Officer to submit all relevant information to the Office of the Auditor General for verification. The Committee will await a progress report on the matters on (1c), (2a) and (2b).

## **3. Kabwe Police**

The Controlling Officer submitted that the eighteen cases cited under Kabwe Central Police as Road Traffic Offences (RTOs) were actually Road Traffic Accident (RTA) cases which were non-impoundable offenses. The Committee was informed that the offenders were given seven days grace period in which to pay in accordance with section 95 subsection 2 of the *Road Traffic Act, No. 11 of 2002*. However, this had resulted in some offenders evading payments by not availing themselves at the police stations.

The Controlling Officer also submitted that in an attempt to compel offenders to report back, the Zambia Police Service submitted a list of names and their vehicle number plates to RTSA for tracing and the list of offenders submitted to RTSA was available for verification.

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

The Committee finds it unacceptable that information was not availed to the auditors on the matter. In this regard, the Committee urges the Controlling Officer to take disciplinary action against officers who failed to provide information to the auditors at the time of audit. The Committee also urges the Controlling Officer to follow up the matter with RTSA. The Committee will await a progress report on the matter.

### **a. Failure to Collect Revenue from Road Traffic Accidents (RTAs) - K77,250**

The Controlling Officer submitted that the following were the causes and remedial action taken to correct the anomalies:

## 1. Kabwata Police

S/NO.	DETAILS	CASES	COMMENT
1.	110	21	Paid
		28	Cases charged pending court
		36	Not charged but under investigations
		25	Closed cases
	<b>TOTAL</b>	<b>110</b>	

### i. Cases Paid

The Controlling Officer submitted that twenty-one of the 110 queried cases were eventually paid for after further follow up. The Committee was informed that the Zambia Police Service failed to collect revenue in good time due to difficulties encountered when contacting the offenders.

The Controlling Officer further submitted that in order to encourage offenders to obtain receipts after making a payment, the Zambia Police Public Relations Office had embarked on sensitisation of members of the public to ensure that after making deposits for their fines, they should go back to the police station that issued them with the charge sheet to obtain a receipt as proof of payment.

He also submitted that to have a mechanism to reconcile payments made for traffic offences, the Zambia Police Service shall be part of the Government Service Bus which was meant to integrate all government system databases. The Committee was informed in this regard that the system would give Zambia Police on site access to the Ministry of Finance Transit Account to help them to reconcile the deposit slips and charge sheets via Road Traffic Offence (RTO) numbers irrespective of where the deposit was made from.

### ii. Cases Charged Pending Court Appearance

The Controlling Officer submitted that twenty-eight of the 110 cases cited under Kabwata Police Station were for offenders that were charged and were pending court appearance. He further stated that when the dockets were taken to court, Zambia Police Service had no further role to play in terms of collecting the revenue. The Controlling Officer further submitted that the cases could not be further processed due to the challenges experienced in locating offenders who failed to voluntarily avail themselves within the seven days window, hence making it difficult to enforce section 162 of the *Road Traffic Act, No. 11 of 2002*.

### iii. Not Charged But Under Investigations (Known Motor Vehicles)

The Controlling Officer submitted that thirty-six of the 100 cases were hit and run RTAs where information given by eye witnesses contradicted with the search information provided by RTSA. The Controlling Officer had, however, submitted that Zambia Police Service failed to collect revenue from the thirty-six charge sheets due to lack of evidence even after conducting a search at RTSA.

The Committee was informed that such cases remained open in the event that new information became available to help with investigations.

The Controlling Officer further submitted that the Zambia Police Service had embarked on a Safe City Project which would help in tracking and bringing the hit and run offenders to book.

**iv. Closed Cases (Unknown Motor Vehicles)**

The Controlling Officer submitted that these were hit and run RTAs involving unidentified motor vehicles. The twenty-five of the 110 cases were closed due to insufficient evidence that could help the Zambia Police Service to apprehend and charge the offenders. The Committee was informed that this led to no further police action and, therefore, no revenue would be realised.

The Controlling Officer further submitted that the Zambia Police Service had embarked on the Safe City Project which would help in tracking and bringing hit and run offenders to book.

**Committees Observations and Recommendations**

The Committee finds it unacceptable that this information was not availed to the auditors at the time of audit. In this regard, Committee urges the Controlling Officer to take disciplinary action against officers who failed to provide the information to the auditors. The Committee also urges the Controlling Officer to submit all relevant documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matters from (i) – (iv).

**2. Maxwell Sibongo Post**

S/NO.	DETAILS	CASES	COMMENT
1.	49	11	Paid
		1	Court case
		37	Closed undetected
	<b>TOTAL</b>	<b>49</b>	

**i. Paid For Cases**

The Controlling Officer submitted that eleven of the forty-nine offenders were contacted and confirmed having deposited cash directly in the Ministry of Finance Transit Account. The Committee was informed that the deposit slips were availed to the Zambia Police and Accounts Form 72 (receipts) issued.

With regard to remedial measures, the Controlling Officer submitted the following efforts were being made:

- a. increased sensitisation to the public through the Public Relations Office by informing members of the public to ensure that after making deposits for their fines, they should go back to the Police Station that issued them with the charge sheet to obtain a receipt as proof of payment; and
- b. the Government, through Smart Zambia Institute and Ministry of Finance, was working on a project called Government Service Bus which was meant to integrate all government systems by interfacing databases including Zambia Police Service system. The Committee was informed that this would provide Zambia Police with direct access

to the Ministry of Finance Transit Accounts to reconcile the deposit slips and charge sheets irrespective of where the deposit would be made.

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

The Committee is displeased that payment details were not availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to take disciplinary action against officers who failed to provide supporting documentation to the auditors. The Committee also urges the Controlling Officer to submit the documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

#### **ii. Court Case**

The Controlling Officer submitted that failure to collect revenue in the case was due to the fact that this was a fatal road traffic accident. The Committee was informed that the matter was processed further to court where the Zambia Police Service had no role in collecting the fine.

#### **iii. Closed Undetected Cases**

The Controlling Officer submitted that thirty-seven of the forty-nine cases were closed due to insufficient evidence that could lead to the apprehension and charge of the offenders in accordance with Police Instruction 2010 Edition Section 95 Sub Section 6 (d).

The Controlling Officer also submitted that the Zambia Police Service had embarked on a Safe City Project which would help in tracking and bringing hit and run offenders to book.

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

The Committee expresses displeasure that this information was not availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to take disciplinary action against officers who failed to provide the information. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matters from (ii) – (iii).

### **3. Mongu Central Police Station**

The Controlling Officer submitted that all the 164 cases under Mongu Central Police Station were paid for by offenders and documents were available for verification.

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

The Committee is displeased that payment details were not availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to take disciplinary action against officers who failed to provide relevant receipts to the auditors. The Committee also urges the Controlling Officer to avail relevant documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

#### **b. Unaccounted for Road Traffic Fines-Kabwe - K41,050**

The Controlling Officer submitted that the remedial action taken in order to prevent a recurrence of the above audit queries were as set out below.

- i. Disciplinary action was being taken against erring officers.
- ii. Continuous orientation of revenue collectors on financial regulations was being undertaken.

iii. Zambia Police Service was in the process of creating structures for accounting staff to be deployed at each and every police station.

**1. Unreceipted Road Traffic Accidents**

**a. Kabwe Traffic**

S/NO.	DETAILS	CASES	COMMENT
1.	56 Cases	42	Receipted
		14	Disciplinary action taken
	<b>Total</b>	<b>56</b>	

**i. Unreceipted Road Traffic Accident Offences Written as Paid in RTA Register - K11,775**

The Committee was informed that forty-two of the fifty-six cases amounting to K11,775 were paid for and Accounts Form 72 (receipts) were issued. The Committee was also informed that the remaining fourteen cases amounting to K3,375 remained unresolved and instructions had since been issued to the Zambia Police Service to institute disciplinary action against the officers concerned.

**Committee’s Observations and Recommendations**

The Committee urges the Controlling Officer to ensure that recoveries from the officers are instituted with regard to the fourteen cases. The Committee also urges the Controlling Officer to take disciplinary action against officers who failed to provide information on this matter to the auditors at the time of audit. The Committee will await a progress report on the matter.

**ii. Unreceipted Careless Driving Offences Closed in the RTA Book - K18,225**

The Committee was informed that eighty of the 115 cases amounting to K18,225 were paid for and Accounts Form 72 (receipts) were issued. The Committee was also informed that the remaining thirty four cases amounting to K7,625 remained unresolved and instructions had since been issued to the Zambia Police Service to institute disciplinary action against the officers concerned.

**Committee’s Observations and Recommendations**

The Committee urges the Controlling Officer to ensure that recoveries from the erring officers are effected with regard to thirty four cases. The Committee also urges the Controlling Officer to take disciplinary action against officers who failed to provide payment details to the auditors. The Committee will await a progress report on the matter.

## **EXPENDITURE**

### **MINISTRY OF HOME AFFAIRS**

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 24</b>
<b>PROGRAMMES</b>	:	Various
<b>ACTIVITIES</b>	:	Various

#### **Accounting and other Irregularities**

20. An examination of accounting and other records maintained at the Ministry Headquarters and selected provincial offices carried out from March to June, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

##### **a. Wasteful Expenditure on Interest Payment - K210,518**

The Controlling Officer submitted that the interest payment of K210,518.42 was not as a result of delays in processing of payment certificate No. 6 dated 24<sup>th</sup> May, 2018, but was on account of delays in the release of funds from the Treasury to clear Certificates No. 1 to 5.

The Controlling Officer further submitted that each time the Ministry received payment certificates, a letter was written to the Ministry of Finance requesting for funding and in most instances funding received was not only late but also inadequate to pay all the certificates. The Committee was informed that letters sent to the Ministry of Finance requesting for funding, were available for verification.

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

The Committee notes with concern that supporting documents were not availed to the auditors at the time of audit. The Committee also notes with concern that the continued delayed payment of Certificate Nos 1 to 5 would continue to attract interest. In this regard, the Committee urges the Controlling Officer to re-engage the Treasury on the matter. The Committee also urges the Controlling Officer to institute disciplinary action against officers who failed to avail documents to the auditors. The Committee will await progress report on the matter.

##### **b. Completion of Office Block for National Registration in Mongu – Lot 1 (General Works) - K399,599.12**

The Controlling Officer submitted that contrary to the Auditor General's observation, the Provincial Administration for Western Province, not the Ministry of Home Affairs, was the one that engaged Sepo Contractors and General Dealers to complete the construction of the office block.

The Committee was informed that the contractor was scheduled to undertake roofing, rehabilitation of the existing ablution block, tiling in selected offices and general external works.

The Controlling Officer submitted that the contractor had been paid a total sum of K153,029.52 on TSA document No. 5100003504 and 5100004634 dated 1<sup>st</sup> December, 2017 and 30<sup>th</sup> October, 2018 for the works done, representing 38.3 per cent of the contract sum. The Committee was informed that the Ministry of Home Affairs paid the contractor based on executed works and had no pending certificates.

The Controlling Officer submitted that it was also true that as of September, 2019, the works valued at K177,030 had not been completed.

In this regard, the Controlling Officer submitted that the latest position regarding the matter was that the Ministry wrote to the Provincial Administration on 16<sup>th</sup> August, 2019, regarding the delay to complete the remaining works by the contractor, Sepo Contractor and General Dealers. The Controlling Officer also submitted that the Ministry wrote to the Provincial Administration on 12<sup>th</sup> September, 2019, citing lack of capacity to complete the remaining works by the same contractor and recommended that the contract be terminated by the Provincial Administration since the contractor was engaged by that office.

The Controlling Officer submitted that the Committee would be informed of the progress made regarding the termination of the contract and engagement of the new contractor to complete the works.

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

The Committee is disappointed that the contract was awarded to a company which was not capable of executing the works. In this regard, the Committee urges the Controlling Officer to terminate the contract and ensure adherence to the contract termination procedures that are prescribed in the contract. The Committee also urges the Controlling Officer to ensure that the Procurement Department undertakes due diligence before awarding the next contract and all other contracts forthwith. The Committee will await a progress report on the matter.

## **MINISTRY OF HOME AFFAIRS - ZAMBIA CORRECTIONAL SERVICE**

**AUDIT QUERY** : **PARAGRAPH 25**  
**UNIT** : 01 Prisons and Reforms Unit  
**PROGRAMMES** : Various  
**ACTIVITIES** : Various

### **Accounting and Other Irregularities**

21. An examination carried out on accounting and other relevant records maintained at the Correctional Service Headquarters, regional offices and other correctional facilities in selected provinces from February to July, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### **a. Irregular Use of Imprest - K5,000**

The Controlling Officer submitted that the reason why the imprest was drawn was that some urgent needs arose to meet some operational requirements at the facility as shown in the table below.

<b>S/No.</b>	<b>Date</b>	<b>Payee</b>	<b>Details</b>	<b>Chq No</b>	<b>Imprest Issued</b>
1.	03.01.18	Phyllis Phiri	Being payment of accountable imprest to purchase salt, clutch plate, car service and fuel	330	5,000

The Controlling Officer also submitted that the amount of K5,000 was issued to one officer as indicated above and not to two officers.

The Committee was informed that the authorising officer who happened to be the Officer in-Charge had been cautioned against authorising the use of accountable imprest to procure goods and services whose price could be ascertained at the time.

The Controlling Officer further submitted that in order to permanently address this matter, the Ministry had applied for standing imprest from the Secretary to the Treasury for all the correctional facilities. The Committee was informed that this would help the correctional facilities to address day to day operational needs that were of emergency nature.

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

The Committee is disappointed and finds it unacceptable that the Controlling Officer is attempting to justify the irregular expenditure of imprest amounting to K5000. In this regard, the Committee implores the Secretary to the Treasury to impress upon the Controlling Officer the need to adhere to the provisions of the Financial Regulations at all times. The Committee further urges the Controlling Officer to take disciplinary action against the officer who authorised this payment, and also ensure that the Zambia Correctional Service adheres to the Financial Regulations, without fail. The Committee will await a progress report on the matter.

#### **b. Failure to operationalise - Hammer Mill-Muchinga - K24,239**

The Controlling Officer submitted that at the time of the purchase of the hammer mill, it was anticipated that it was going to be installed in an existing building at the Officers' Mess. However, at the point of applying for power connection at Zesco, it was discovered that the building had accumulated a huge electricity bill and as a result, it was decided that a new shelter be constructed to house it.

The Committee was informed that the hammer mill had since been installed and was fully operational.

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

The Committee urges the Controlling Officer to ensure that his submission is verified by the Office of the Auditor General, subject to which the matter should close.

#### **c. Unauthorised Fuel Drawings - Muchinga Regional Office - K20,987**

The Controlling Officer submitted that the failure to prepare the fuel requisitions was due to lack of knowledge by the Stores Officer who was a corrections officer and had no prior training in Stores Management.

In this regard, the Committee was informed that as a mitigating measure, all stores officers would be trained in January, 2020 during the Commanders' Conference and requisitions would be ordered centrally from the strong room at the Ministry of Finance to be distributed to all regions.

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

The Committee urges the Controlling Officer to take disciplinary action against the Stores Officer for failure to perform. The Committee will await a progress report on the matter.

#### **d. Failure to withhold Value Added Tax (VAT) – Central - K65,126**

The Controlling Officer submitted that the failure arose because accounting duties in some of the stations were partly carried out by corrections officers without prior training in accounting.

The Committee was informed that in order to mitigate this challenge, officers would be trained at the beginning of 2020 during the Commanders' Conference. The Committee was also informed that the Ministry had requested the Management Development Division to create positions for more accounting officers in order to resolve the problem.

The Controlling Officer also submitted that the Zambia Correctional Service was still engaging the suppliers for which VAT was not withheld to show proof of having accounted for VAT themselves with ZRA. In this regard, the Committee was informed that some suppliers had since provided receipts as proof of having remitted as tabulated in the table below. Further, for those who would fail to co-operate, they would be reported to ZRA to ensure all the VAT in question was accounted for.

Station	Number of Transactions	Amount of VAT	Number of Transactions Resolved	Amount of VAT Accounted for	Balance to be Accounted for
Headquarters	2	3,140			3,140.00
Central Region	16	11,070	16	9,202.53	1,867.47
Copperbelt Region	18	14,568	18	14,568	0
Kanfinsa	57	34,098	13	14,867.77	19,230.23
Livingstone	4	2,251			2,251.00
	<b>97</b>	<b>65,126</b>	<b>47</b>	<b>38,638.30</b>	<b>26,488.70</b>

**e. Failure to Remit Tax - K30,199**

The Controlling Officer submitted that the failure to collect and remit tax was due to correctional officers performing accounting duties without prior accounting training. The Committee was informed that the correctional officers would be trained in January, 2020 at the Commanders' Conference.

The Controlling Officer further submitted that the tax that was not withheld from officers was being recovered through the payroll.

**Committee's Observations and Recommendations**

The Committee notes with concern that the accounting functions were being undertaken by unqualified officers. In this regard, the Committee urges the Management Development Division to ensure that more accounting positions are created under Zambia Correctional Service to address the challenge. The Committee will await a progress report on the matters from (d) – (e).

**f. Unauthorised Transfer of funds to other Accounts - K54,645**

The Controlling Officer submitted that the funds which were transferred to the deposit account in question were used to facilitate payments for food rations in the correctional facilities and the expenditure documents were available for audit verification.

The Committee was informed that the Commissioner General had been directed to institute disciplinary action against the accounting officer for the Zambia Correctional Service for failing to abide by the rules. The Committee was further informed that the Zambia Correctional Service had been advised to seek authority when making transfers of funds to deposit accounts even when there was an emergency.

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

The Committee will await a progress report on the matter

#### **g. Failure to Implement a Funded Project - Drilling of Boreholes (Headquarters) - K317,744**

The Controlling Officer submitted that the delay in the implementation had been as a result of the following:

- i. the drilling rig was engaged with the drilling of boreholes for the Irrigation Development Support Project (IDSP) which had several sites, namely, Mukuyu in Kabwe, Chitwi in Luanshya and Nasanga in Serenje. These projects were prioritised as they were externally funded and time bound;
- ii. the rig was also sent to drill boreholes at the training school in Nyango –Kaoma;
- iii. the machine was also engaged with drilling of boreholes for the Ministry of Education in Luano, Serenje and Mkushi; and
- iv. the Zambia Correctional Service had already signed contracts with private clients which they had to fulfill.

The Committee was also informed that the Service had only one drilling rig and considering the above commitments, the delay could not be avoided.

However, the Controlling Officer submitted that the Zambia Correctional Service had since mobilised to the site and one borehole had been drilled.

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

The Committee urges the Controlling Officer to prioritise the Ministry's projects and ensure that the remaining boreholes are drilled and the project fully implemented in order to prevent the wastage of materials. The Committee will await a progress report on the matter.

#### **h. Congested Correctional Facilities**

The Controlling Officer submitted that the situation was due to failure by successive Governments to build new correctional facilities. As a result, there was a population of over 22,000 against a holding capacity of about 8,000 inmates. However, the Controlling Officer submitted that since 2012 the Government had been constructing modern correctional facilities. In this regard, the Committee was informed that the Luwingu, Kalabo and Monze correctional facilities were constructed and were in use.

The Controlling Officer further submitted that the construction of new facilities by Mukuyu and Saltec in Mwembeshi were ongoing and once the two facilities were completed, they would help to address the problem of congestion.

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

The Committee finds it unacceptable that the Mukobeko Maximum, Female Maximum and Mumbwa Correctional Facilities were holding in excess of 2,074 inmates, against the holding

capacity of 533. In this regard, the Committee urges the Controlling Officer to ensure that the new facilities being constructed in Mwembeshi are expeditiously completed and transfers of inmates implemented. The Committee will await a progress report on the matter.

## **MINISTRY OF LOCAL GOVERNMENT**

**AUDIT QUERY** : **PARAGRAPH 26**  
**PROGRAMME** : Various  
**ACTIVITY** : Various

### **Accounting and Other Irregularities**

22. An examination of accounting and other records maintained at the Ministry Headquarters and a physical inspection of selected projects carried out from February to May, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### **a. Construction of a Bus Station in Mpika, Muchinga Province -K7,813,146**

The Controlling Officer submitted that the observation by the Auditor General was correct. The Committee was informed that the designer was a consortium of TradeConsult and GES architects engaged by the European Union in 1996 to produce generic designs for both markets and bus stations for use by the local authorities.

The Committee was also informed that in 2013, the Ministry decided to use the generic design in order to cut down on costs, when building the bus station in Mpika. The Committee was also informed that later after the works had advanced, it was discovered that the roof was too heavy for the structure to hold.

The Controlling Officer also submitted that the shortfalls in the design were discovered long after the designer TradeConsult had closed down, almost nine years from the time the designs were initially submitted by the European Union implementation team. The Committee was, therefore, informed that it was difficult to penalise a company that no longer existed and even then the penalties could not be undertaken by the Ministry as the consortium was engaged by the European Union.

The Controlling Officer further submitted that the Ministry redesigned the roof structure which entailed additional works to be done by the contractor. Some of the works included the introduction of additional columns and changes in the steel sizes.

The Committee was informed that the Ministry would bear the additional costs as approval was given to vary the contract price.

He further submitted that as a remedial measure, the Ministry was considering engaging a consultant who would review the designs and supervise the works.

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

The Committee is saddened by the manner in which the project has been handled. The Committee notes that the project has the potential to drain more public resources than allocated before it is completed. In this regard, the Committee urges the Controlling Officer to expeditiously engage a consultant to review the designs and supervise the work so as to avoid incurring extra costs. The Committee will await a progress report on the matter.

**b. Construction of a Modern Market and Bus Station at Kamuchanga in Mufulira District - K15,766,197**

**i. Delayed Completion of the Project**

The Committee was informed that after the extension of the completion period for six months, to 29<sup>th</sup> June, 2018, the project completion delayed due to lack of funds. The Committee was informed that the contractor requested for further extension of time through Mufulira Municipal Council but the Ministry did not approve the proposal because more information was required. The Controlling Officer also submitted that the reflection in the Monitoring Report for January to February, 2019 found on file was a mere proposal to extend the completion date for a period of three months to February, 2019.

The Committee was informed that since the contract expired, the Ministry submitted a request to ZPPA for approval to direct bid the same contractor and approval was obtained. However, the Committee was informed that the Council recommended for closure of contract as efforts to engage the contractor proved futile. The Committee was further informed that consequently, procedures to formally close contract were being pursued.

**Committee's Observations and Recommendations**

The Committee notes with disappointment that the project has taken too long to be completed, thereby depriving the community of the use of these public facilities. The Committee also finds it unacceptable that this information was not availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to expeditiously address all contract issues and ensure that the project is completed. The Committee also urges the Controlling Officer to take disciplinary action against officers who failed to provide the information to the auditors. The Committee will await a progress report on the matter.

**ii. Failure to Renew the Performance Bond**

The Controlling Officer submitted that the contractor failed to renew the performance bond because it was a cost on his part due to non-payment for certificates of completed works. The Committee was, however, informed that the contractor was supposed to renew the performance bond after payment but unfortunately he neither renewed nor went back to the site after payment. The Committee was also informed that procedures to formally close the contract were being pursued.

**iii. Physical Inspection of the Site**

The Controlling Officer submitted that there were no works being carried out during physical inspection of the site due to the expiry of the contract. Procedures to formally close it were being pursued. The Committee was, however, informed that the contractor's presence on site was still evident as the contractor's security personnel were still on site.

**Committee's Observations and Recommendations**

The Committee will await a progress report on the termination of the contract and urges the Controlling Officer to ensure that all the contract termination procedures are exhausted in order to avoid litigation. For (ii) – (iii)

**c. Construction of Chinsali Bus Station - K10,864,469**

**i. Delayed Completion of Project**

The Controlling Officer submitted that the contractor was requested to submit the commitment forms and advance guarantee against which he could be paid. These were all submitted. But the Ministry did not honour the payment due to non availability of funds. The Committee was informed that as of June, 2019, the contractor had not remobilised to site and no works had been done since 2017, due to lack of funds. The Committee was also informed that after several requests of funding to Ministry of Finance, the status had remained the same and the Ministry was still waiting for funds.

**Committee's Observations and Recommendations**

The Committee urges the Secretary to the Treasury to prioritise the funding for the Chinsali Bus station construction project which has remained incomplete since 2013. The Committee will await a progress report on the matter.

**ii. Deterioration of the Structure**

The Controlling Officer submitted that the contractor would be engaged on the matter upon awarding of contract after direct bidding. The Committee was informed that all works that were not secured at the time of suspension had since deteriorated and would be redone.

**Committee's Observations and Recommendations**

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

**MINISTRY OF JUSTICE**

<b>AUDIT QUERY</b>	<b>:</b>	<b>PARAGRAPH 27</b>
<b>PROGRAMME</b>	<b>:</b>	Various
<b>ACTIVITIES</b>	<b>:</b>	Various

**Accounting and Other Irregularities**

23. An examination of accounting and other records maintained at the Ministry Headquarters carried out from January to May, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

**a. Management of Compensation and Awards Account**

**i. Loss of Public Funds through Negligence of Public Workers - K535,000**

The Controlling Officer submitted that during the period under review, a total amount of K326,000 was paid by the Ministry for cases where officers neglected, omitted or failed to follow procedure in their duty. The Controlling Officer emphasised that the erring officers were not from the Ministry of Justice but from other Government institutions. The cases were determined by the courts of law and the Office of the Attorney General represented the officers.

In this regard, the Controlling Officer submitted that the Ministry had since compiled a list of officers who caused loss of public funds due to acts, willful default or gross neglect of duty, and had written to the Secretary to the Cabinet, recommending for disciplinary action to be taken through the respective Controlling Officers.

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

The Committee expresses displeasure over the slow pace which the penalties in the *Public Finance Management Act, No.1 of 2018* are being meted out to the public officers who have been found to have caused loss of public funds. The Committee notes that the slow application of the provisions of the Act may delay the actualisation of the objectives for which it was enacted.

In this regard, the Committee urges the Secretary to the Cabinet to ensure that as a matter of urgency, all Controlling Officers who are expected to take disciplinary action against erring officers are compelled to do so without fail, in order to serve as a deterrent to would be offenders. The Committee will await a progress report on the matter.

#### **ii. Outstanding Payment of Compensation and Awards - K3,024,623,215**

The Controlling Officer submitted that the funding levels during the period under review were insufficient to clear the outstanding amounts. As acknowledged by the Auditor General, the budget was K303,363,990 against an outstanding amount of K3,024,623,215 which translated to 20 per cent of the principal amount.

In view of the foregoing, the Controlling Officer submitted that her office had been in constant engagement with the Secretary to the Treasury with a view to having the budgetary allocation for the Compensation Fund increased.

The Committee was informed that the Government was also concerned with the ever escalating debt under the Fund and had put in place the following measures to address this matter.

#### **(a) Enactment of the Public Finance Management Act No. 1 of 2018**

The Controlling Officer submitted that the *Public Finance Management Act, No. 1 of 2018* had strengthened accountability, oversight, management, and control of public funds in the public financial management framework.

She also added that the Act provided penalties for office holders who caused the loss of Government funds due to acts, willful default or gross neglect of duty. In this regard, the sanctions included suspension, surcharge equivalent to the loss incurred by the Government, demotion, termination of employment and any other penalty as prescribed under any other regulations. She further added that sanctions not only provided the necessary punishment against offenders but also acted as a deterrent against would be offenders.

#### **(b) Enactment of the Compensation Fund Act No. 43 of 2016**

The Committee was informed that the *Compensation Fund Act, No. 43 of 2016* was put in place to ensure that the Compensation Fund was administered and managed in a transparent and rational manner.

The Committee was also informed that the Act established the Compensation Fund Committee comprising eight part time members who included the following representatives of organisations outside the Government: Human Rights Commission; Law Association of Zambia and the Zambia Institute of Internal Auditors. This was done in order to enhance accountability and transparency in the manner that the Fund was being administered.

**(c) Sensitisation of Controlling Officers and Other Senior Government Officials**

The Committee was informed that the Ministry had been conducting workshops in Ministries, Provinces and Spending Agencies (MPSAs) to sensitise Controlling Officers and senior Government officials on various subjects with a view to minimising Government’s liability. The subjects covered in the workshops included the implications of MPSAs not providing timely and adequate instructions on matters before the courts; and the provisions of the relevant laws including the *Public Finance Management Act, No.1 of 2018*. Suffice to state that the Ministry of Finance had also been conducting similar workshops.

**Committee’s Observations and Recommendations**

The Committee finds it unacceptable that interest on the outstanding payments of Compensation and Awards has accumulated to K603,850,972, representing 20 per cent of the principal amount. The Committee reiterates its previous recommendation and urges the Controlling Officer to explore the option of debt swap for clients with huge outstanding claims. The Committee also urges the Ministry of Finance to provide sufficient funds to liquidate the outstanding debt. The Committee will await a progress report on the matter.

**iii. Misapplication of Funds - K156,338**

The Controlling Officer submitted that funding for the Ministry of Justice for the period under review was erratic and inadequate, and, therefore, funds meant to be used to pay the administrative expenses of managing the Compensation Fund were used to execute other critical planned activities. This was done with a view of reimbursement once funding was released by the Treasury. However, this proved futile as Recurrent Departmental Charges (RDCs) were not released from July until the end of the year. The Ministry had since been granted retrospective authority with regard to the payments in order to normalise the expenditure.

**Committee’s Observations and Recommendations**

The Committee notes with concern that even if retrospective authority was granted, the Ministry should not be seen to impede the smooth operations and management of the Compensation Fund by diverting funds from the Fund. The Committee, therefore, urges the Controlling Officer to desist from this practice. The Committee also urges the Secretary to the Treasury to desist from appearing to support misapplication of funds, but to always endeavour to promote good financial management practices. The Committee resolves to close the matter subject to audit verification.

**MINISTRY OF COMMUNITY DEVELOPMENT AND SOCIAL SERVICES**

<b>AUDIT QUERY</b>	<b>:</b>	<b>PARAGRAPH 28</b>
<b>PROGRAMME</b>	<b>:</b>	Various
<b>ACTIVITES</b>	<b>:</b>	Various

**Accounting and Other Irregularities**

24. An examination of accounting and other records maintained at the Ministry headquarters carried out during the period from January to June, 2019 revealed the following irregularity, to which the Controlling Officer responded as set out below.

### **Unsupported Payments - K12,200**

The Controlling Officer submitted that the supporting documents had been traced and were available for audit verification.

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

The Committee calls on the Controlling Officer to ensure that relevant documents relating to payments are secured and availed for audit whenever they are required. The Committee further recommends that disciplinary action be taken against the erring officers for failing to ensure that payments were supported with the relevant documents and to avail the documents at the time of audit, as the query would have been resolved at that stage. The Committee awaits a progress report on the matter.

## **MINISTRY OF COMMUNITY DEVELOPMENT AND SOCIAL SERVICES**

<b>AUDIT QUERY</b>	<b>:</b>	<b>PARAGRAPH 29</b>	
<b>PROGRAMME</b>	<b>:</b>	5005	Grants to Institutions - Operational
<b>ACTIVITES</b>	<b>:</b>	143	Monze Community College

25. An examination of accounting and other records maintained at Monze Development Staff College revealed various irregularities, to which the Controlling Officer responded as set out below.

### **a. Officers Employed Without Authority**

The Controlling Officer informed the Committee that the recruitment was based on authority issued by the then Controlling Officer. The Ministry acknowledged the anomaly and had continued to engage the Public Service Management Division (PSMD) to unfreeze positions so that engagement of staff on permanent and pensionable basis could be done. The Controlling Officer stated that the institution could not operate without the services of the workers cited. The Controlling Officer further stated that the officer responsible had been cautioned to desist from such acts. The old authority which was used to employ was available for audit verification.

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

The Committee resolves to close the matter following guidance from the Office of the Auditor General that the matter was resolved.

### **b. Unaccounted for Stores - K3,088**

The Controlling Officer informed the Committee that the documents had since been attached and were available for audit verification.

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

The Committee reiterates the need to secure relevant documents and urges the Controlling Officer to ensure that receipt and disposal details are secured and availed for audit when required. The Committee further recommends that disciplinary action be taken against the erring officers for their failure to avail the documents to the auditors at the time of audit. The Committee awaits a progress report on the matter.

### **c. Failure to Inscribe Assets**

The Controlling Officer informed the Committee that Monze Community College wrote to the Ministry of Works and Supply requesting for their services to inscribe the assets. The

response from Ministry of Works and Supply was that the exercise would cost K6, 726.12. However, due to financial challenges, the assets were yet to be inscribed. Management would in future, endeavour to secure the funds required for the activity.

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

The Committee observes that the non-inscription of the assets makes them susceptible to theft and therefore, recommends that the Ministry does everything possible to have the assets inscribed. Further, the College should ensure that the inscription of assets is provided for in its annual budgets henceforth. The Committee awaits a progress report on the matter.

#### **d. Irregular Payment of Extra Duty Allowance - K4,000**

The Controlling Officer submitted that the officers affected by the irregular payment were notified and deductions were made for officers who received wages, while a letter was written to Director - PMEC to effect deductions for officers on the civil servants' payroll.

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

The Committee notes the action taken and urges the Controlling Officer to ensure that her officers abide by the Terms and Conditions of Service for the Public Service at all times when paying any administrative allowance. The Committee further recommends that the Controlling Officer metes out disciplinary action on the officer who approved the irregular payment. In addition, the Controlling Officer should ensure that the funds are recovered from the officers who were paid forthwith. The Committee awaits a progress report on the matter.

#### **e. Failure to Utilise Purchased Materials**

The Controlling Officer explained that the situation was due to the fact that funds were not available to start the work of paving using the purchased pavers. However, 90 per cent of the work had thus far been done. A letter of certification of the works done issued by an engineer from the Buildings Department was available for audit verification.

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

The Committee notes the response and awaits a progress report on the completion of the remaining works.

#### **f. Outstanding Obligations – K8,765**

The Controlling Officer explained that the delay in settling the bills was due to the non-availability of funds. However, the College had continued liquidating the bills as and when grants were received from the Treasury. The bills had since been fully settled.

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

The Committee notes the response and recommends the matter for closure subject to presentation of the supporting documentation to the Office of the Auditor General for verification.

#### **g. Weakness in the Management of Revenue**

#### **i. Failure to Collect Revenue-School Fees - K36,585**

The Controlling Officer submitted that the failure to collect school fees was because the College enrolled students from vulnerable families and charged minimal fees. However, the students had been written to, reminding them of their obligation to pay the balances. The Controlling Officer stated that, going forward, the College had put in stringent measures to

ensure that fees did not remain outstanding for a long time. In this regard, returning students should pay 75 per cent of the fees before being allowed to attend class, while new entrants should pay fees in full upon admission to the College. Supporting documentation was available for audit verification.

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

The Committee welcomes the measures the College has put in place to address the issue of outstanding school fees. The Committee calls upon the Controlling Officer to ensure that the outstanding school fees are collected without fail as the funds are needed for service delivery. The Committee awaits a progress report on the matter.

#### **ii. Failure to Collect Revenue- Rentals - K16,140**

The Controlling Officer submitted that efforts had been made by the College management to collect the rentals, but all had proved futile. The College had since written letters of reminders to all the tenants to pay the outstanding rentals as soon as possible, and management had constituted a Housing Committee which would, among other things, be responsible for the enforcement of payments and recommendations for evictions of defaulting tenants. Supporting documentation was available for verification.

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

The Committee, once again calls upon the Controlling Officer to ensure that the outstanding rentals are collected without fail. Further, the Controlling Officer is urged to ensure that the henceforth, tenancy agreements are signed with every tenant and adhered to. The Committee awaits a progress report on the matter.

#### **h. Failure to Maintain Properties**

The Controlling Officer submitted that the infrastructure at the College was quite old, as most of the buildings had outlived their life span. However, the College tried its best to renovate the buildings as an ongoing activity.

The Controlling Officer further submitted that the failure to maintain the houses was due to the lack of funds. Management had continued to engage the Government for funds so that the properties could be maintained to the required minimum standard.

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

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

## MINISTRY OF HEALTH

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 30</b>
<b>DEPARTMENT</b>	:	Various
<b>PROGRAMME</b>	:	Various
<b>ACTIVITIES</b>	:	Various

### Accounting and Other Irregularities

26. An examination of financial and other records maintained at the Ministry headquarters carried out from January to March, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### a. Irregular Payment of Salaries- K1,512,540

The Controlling Officer informed the Committee that the officers who were paid the salaries were under the internship programme of the Ministry, except for Dr Peter Julius who was employed as a medical doctor. The irregular payment of salaries was caused by a weakness in the management of the payroll for internship positions as it was centrally managed for all internship sites located countrywide.

The Controlling Officer explained that upon completion of their internship programme, interns would then be deployed to their final stations where their payroll was supposed to be transferred. The system had an inherent weakness in monitoring the movement of staff upon placement. This resulted in the cited officers to continue drawing salaries although they had not reported at their new stations.

The Controlling Officer submitted that the payroll for interns had since been decentralised to the provinces in order to strengthen internal controls to mitigate the highlighted weaknesses. Further, the Senior Medical Superintendents for the University Teaching Hospitals – Adult, Levy Mwanawasa and Solwezi General Hospitals had since been charged for poor supervision in line with the Disciplinary Code for Handling Offences in the Public Service.

The Controlling Officer further submitted that all the ten officers had been removed from the payroll and a sum of K1,230,175.81 out of the adjusted amount of K1,337,208.98.40 recovered from their leave terminal benefits through the payroll. The balance was K107,740.22 as per the table below:

S/No.	Name	Amount Queried	Adjustments	Recoveries	Balance
1.	Dr. Howard Mushisha	57,470.90		57,470.90	-
2.	Mr. Perry Nyawali	133,753.80	(117,406.11)	16,347.69	-
3.	Dr. John Sianono	46,895.17	(12,633.67)	34,261.50	-
4.	Mr. Chibeta Monze	53,573.43		53,573.43	-
5.	Mr. Jonathan Sinkala	133,753.80	(44,584.60)	89,169.20	-

6.	Mr. Martin Nyambe	72,449.98		72,449.98	-
7.	Dr. Mwamba Chilufya	662,389.00		662,389.00	-
8.	Ms. Chimbwe Muntanuka	7,165.38		7,165.38	-
9.	Dr. Peter Julius	310,459.05		202,718.83	107,740.22
10	Dr Karthika Pillai	34,629.90		34,629.90	-
		<b>1,512,540.41</b>	<b>(174,624.38)</b>	<b>1,230,175.81</b>	<b>107,740.22</b>

The Controlling Officer also informed the Committee that further scrutiny of the records necessitated the adjustments outlined below.

- i. Mr Perry Nyawali was only overpaid by K16,347.69 and not the reported K133,753.80 as the officer resigned on 16<sup>th</sup> November, 2018. The officer's last pay was on 31<sup>st</sup> December, 2018.
- ii. Dr John Sianono resigned on 14<sup>th</sup> February, 2019 while his last pay was for 31<sup>st</sup> March, 2019. The overpayment was, therefore, K34,261.50 instead of the reported K46,895.17.
- iii. Mr Jonathan Sinkala resigned on 1<sup>st</sup> November, 2018 and was removed from the payroll in June 2019, hence the overpayment amounted to K89,169.20 and not the K133.753.80 reported.
- iv. Dr Peter Julius had entered into a payment plan to liquidate the outstanding amount of K107,740.22.

Supporting documentation was available for audit verification.

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

The Committee notes the action taken and urges the Controlling Officer to ensure that the irregularly paid salaries are recovered in full without undue delay. The Committee will await a progress report on the matter.

#### **b. Irregular Payment of Salaries to an Officer Who Deserted the Office - K274,092**

The Controlling Officer informed the Committee that the delay to remove the officer from the payroll was an administrative lapse. In this regard, the Senior Medical Superintendent, University Teaching Hospitals - Adult had been charged for poor supervision in line with the Disciplinary Code for Handling Offences in the Public Service. Further, the cited officer had since been dismissed from the Public Service and his contract terminated. In addition, all salaries paid had been recovered from his terminal benefits and gratuity. Supporting documentation was available for audit verification.

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

The Committee notes the action taken and closes the matter subject to presentation of the supporting documents to the Office of the Auditor General for verification.

#### **c. Failure to Recover Tuition Advances - K62,000**

The Controlling Officer informed the Committee that the delay to recover the advance was attributed to the officers' pay being below the 40 per cent threshold.

The Controlling Officer further informed the Committee that one of the officers contracted a subsequent advance from a micro financing institution before the recoveries could be effected on her salary. Out of the total amount of K40,000 issued to the officer, a sum of K10,000 had since been recovered through cash settlements. The balance would be recovered within the stipulated period.

The Controlling Officer explained that the other officer had wrong double deductions on her salary input by the Ministry of General Education, where she previously worked. The anomaly on the officer's salary was rectified and recoveries against the K30,000 had been effected through the payroll.

The Controlling Officer stated that the officers had since been charged for failure to adhere to administrative procedures in line with the Disciplinary Code of Conduct for the Public Service. The charge letters, exculpatory statements, receipts for cash payment and copy of the pay slip were available for audit verification.

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

The Committee notes the response and instructs that the Controlling Officer sensitises the cited officers on the requirement that an officer's pay should not fall below the 40 per cent threshold. In addition, the Committee recommends that the Controlling Officer should ensure that the money is recovered without fail. The Committee awaits a progress report on the matter.

#### **d. Poor Storage of Medical Supplies - Levy Mwanawasa Hospital**

The Controlling Officer explained that the cited storage room was a designated pharmacy and the piping was part of the structural design of the building. The pipes were sealed with heavy duty waterproofing materials secure enough to prevent possible leakages.

The Controlling Officer informed the Committee that a permanent and more conducive storage room was under construction and was expected to be completed by the second quarter of 2020. As a stop gap measure, the commodities were being kept in a temporary storage, free from the risk of water damage. The Controlling Officer explained that no medicines and other supplies were damaged as a result of the reported finding during the period under review.

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

The Committee notes the response and awaits a progress report on the completion of the construction of a more conducive storage room.

#### **e. Outstanding Debt on Insurance Premiums - K5,698,759**

The Controlling Officer informed the Committee that management included a sufficient provision amounting to K6, 485,487 in the 2019 approved budget to cater for the outstanding bills as well as current year premiums. However, it was awaiting the release of funds by the Treasury. The Controlling Officer further informed the Committee that management had had several engagements with the Treasury on the release of funds to settle the debt.

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

The Committee notes the response and calls upon the Secretary to the Treasury to release the funds meant for payment of premiums in order that the Ministry's vehicles can be insured

and be guaranteed of compensation in the event of an accident or theft. The Committee awaits a progress report on the matter.

## MINISTRY OF HEALTH

**AUDIT QUERY** : **PARAGRAPH 31**  
**PROGRAMME** : Personal Emoluments  
**ACTIVITIES** : Various

27. An examination of accounting and other records maintained at the provincial medical offices, selected hospitals and district medical offices carried out during the period from January to June, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

a. **Payment of Salaries to an Officer who Resigned - K64,932**

The Controlling Officer informed the Committee that the irregularity was caused by an officer who diverted the salary of the officer who had resigned and deposited it into his personal account instead of terminating the officer from the payroll. The irregularity was detected and reported to the Drug Enforcement Commission (DEC), prior to the commencement of the audit. The suspect was arrested and the matter was still under investigation. The officer who resigned had since been terminated from the payroll. Supporting documentation was available for audit verification.

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

The Committee notes the action taken and resolves to await a progress report on the matter.

b. **Unknown Officer Drawing Salaries- K62,239**

The Controlling Officer informed the Committee that the reportedly unknown officer was introduced on the payroll during the mass recruitment of nurses in 2017. However, the salary was not activated as the officer did not report to Katete District Health Office and, therefore, the salaries reported to have been drawn were not paid. The Controlling Officer stated that the salary bounced into the suspense account at PMEC. Supporting documentation was available for audit verification.

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

The Committee notes the action taken and resolves to close the matter subject to presentation of the supporting documents to the Office of the Auditor General for verification.

c. **Unauthorised Staff Additions to the Payroll**

The Controlling Officer explained that due to the sensitivity of the health sector as well as the overarching need to enhance the delivery of quality health services countrywide, the Ministry was occasionally granted authority to make provisional appointments of health workers. The appointments would then be normalised in due course.

The Controlling Officer informed the Committee that the Civil Service Commission had regularised the appointment of all the twenty-three officers. The appointment letters from PSMD and recommendations were available for audit verification.

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

The Committee appreciates the sensitivity of the health sector and the high demand for health services. However, the Committee is of the view that the situation still does not warrant the blatant violation of the Terms and Conditions of Service for the Public Service. In fact, the Committee is shocked to learn that this practice is being perpetrated by the Ministry. In the opinion of the Committee, this practice is not only unlawful, but also poses a serious risk to quality health service delivery. In this vein, the Committee calls upon the Secretary to the Cabinet to take stern disciplinary action against the Controlling Officer for this serious breach of the law. Further, the Committee emphasises the need for the Controlling Officer to ensure that the Ministry obtains express authority to make provisional appointments while awaiting formalisation with PSMD, when the need arises. The Committee will await a progress report on the matter.

#### **d. Irregular Payment of Rural Hardship Allowance -K9,575**

The Controlling Officer explained that the anomaly arose after the cited officer was transferred from Chembe District Health Office to a non-qualifying station. There was an administrative lapse in deleting the allowance on the payroll, hence the Provincial Health Director for Luapula Province had been charged for poor supervision.

The Controlling Officer stated that the Rural Hardship Allowance paid to the officer had since been recovered from the officer's Settling-in Allowance which was owed to him. Supporting documentation as proof of recovery was available for audit verification.

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

The Committee notes the action taken and recommends the matter for closure subject to presentation of the supporting documentation to the Office of the Auditor General for verification.

#### **e. Irregular Payment of Salaries to Officers on Unpaid Leave- K183,262**

##### **Katete District Health Office**

The Committee was informed that the cited officer had actually resigned from the public service and was not therefore, on unpaid leave. However, due to an administrative lapse, the officer was not terminated from the payroll. The Provincial Health Director for Eastern Province had since been charged with poor supervision in accordance with the Disciplinary Code for Handling Offences in the Public Service.

The Controlling Officer submitted that out of the queried amount of K31,281, an amount of K7,922.22 was recovered from the officer's terminal benefits, while the balance of K23,358.78 was paid back in cash.

##### **Luanshya District Health Office**

The Committee was informed that the cited amount of K151,981 was purportedly fraudulently obtained by the same officer referred to earlier, who diverted the salary for the officer who had resigned into his personal account at Luanshya District Health Office. The matter was reported to DEC and investigations were underway. Supporting documentation was available for audit verification.

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

The Committee notes the action taken with regard to Katete District Health Office and resolves to await a progress report on the outcome of the investigations relating to the officer at Luanshya District Health Office.

#### **f. Irregular Payment of Salaries to Officers Absent from Duty Without Leave – Arthur Davison Children's Hospital-K33,095**

The Controlling Officer informed the Committee that the irregularity was an administrative lapse by the responsible officer. The Senior Medical Superintendent for Arthur Davison Children's Hospital had been charged for poor supervision in line with the Disciplinary Code for Handling Offences in the Public Service. In addition, management had embarked on the re-orientation of responsible officers in human resource and payroll management to mitigate the recurrence of the irregularity.

The Controlling Officer further informed the Committee that one officer had been dismissed on account of being absent without leave and salaries paid recovered from the terminal benefits, while the other had been recommended to PSMD for dismissal.

The Controlling Officer stated that the third officer was entitled to draw a salary as he was not absent but was redirected to Ilondola Mission Rural Health Centre in Chinsali District. At the time of the audit the officer had moved to Chinsali District but drawing his salary from Arthur Davison Children's Hospital.

The Casualty Form evidencing the recovery of salaries from the officer who had been dismissed, dismissal letter, recommendation for dismissal to PSMD, letter redirecting the officer, and charge letter were available for audit verification.

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

The Committee notes the response and awaits a progress report on the regularisation of the situation concerning the officer who was redirected to Ilondola Mission Hospital and on the recoveries of irregularly paid salaries from the officer who was recommended for dismissal

#### **g. Failure to Conclude Staff Disciplinary Case - Roan Antelope General Hospital**

The Controlling Officer submitted that the recommendation for the officer's dismissal was submitted on 14<sup>th</sup> March, 2012 to the Copperbelt Provincial Administration for processing and onward transmission to PSMD. However, there was no feedback received from PSMD, hence the resubmission of the recommendation.

The Provincial Health Director for Copperbelt Province had since been charged for poor supervision and inefficiency in line with the Disciplinary Code for Handling Offences in the Public Service.

The Controlling Officer submitted that the officer had been on half pay since commencement of his suspension as per the Terms and Conditions of Service at the time. A charge letter to the Provincial Health Director and recommendation to PSMD for the officer's dismissal were available for audit verification.

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

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

**h. Employees with Duplicate Bank Account Numbers**

The Controlling Officer submitted that the erring officer referred to earlier who diverted the salary of an officer who had resigned into his personal account at Luanshya District Health Office was once again suspected to have fraudulently diverted salaries for four officers into his personal bank account. The suspect was arrested and the matter was under investigation by the Drug Enforcement Commission. Supporting documentation was available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the action taken and awaits a progress report on the outcome of the investigations.

**MINISTRY OF HEALTH**

<b>AUDIT QUERY</b>	<b>:</b>	<b>PARAGRAPH 32</b>
<b>PROGRAMME</b>	<b>:</b>	Various
<b>ACTIVITIES</b>	<b>:</b>	Various

**Accounting and Other Irregularities**

28. An examination of accounting and other records maintained at the ten provincial health offices, selected district health offices, hospitals and nursing training schools carried out between March and June, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

**a. Unsupported Payments – K94,553**

The Controlling Officer informed the Committee that poor document management led to the questioned payments being inadequately supported at the cited institutions. The Controlling Officer further informed the Committee that the concerned officers had been severely cautioned and document management systems had been strengthened to mitigate the incidence of the reported matter.

The Controlling Officer stated that the Ministry had implemented the Navision Dynamics aimed at strengthening the financial management system, including document management. The protocols in Navision demanded that supporting documentation was uploaded in the system before payments were processed. This ensured that digital copies were always available to support payments. The Controlling Officer stated that the questioned payments had been supported with the necessary documentation and the documentation was available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the action taken and urges the Controlling Officer to ensure that the measures taken to improve document management are implemented expeditiously, and that there should be no instance of unsupported payments in future. The Committee further urges the Controlling Officer to mete out disciplinary action against the officers who were responsible for the poor document management at the cited institutions. In addition, the Committee directs the Controlling Officer to submit the supporting documentation to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

**b. Failure to Produce Expenditure Returns**

The Controlling Officer submitted that the delay to submit returns was caused by poor records management. The Controlling Officer further submitted that the expenditure returns had since been submitted and were available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the response and reiterates that the Controlling Officer should ensure that the measures taken to improve document management are implemented expeditiously. The Committee further recommends that the Controlling Officer institutes disciplinary action against the erring officers who failed to submit the expenditure returns to the Provincial Health Director in time, and ultimately to the auditors at the time of the audit. The Committee awaits a progress report on the matter.

**c. Irregular Payment of Transport Refunds – Lusaka Province - K323,577**

The Controlling Officer informed the Committee that the failure to adhere to the provisions of Cabinet Circular B11 of 2013 led to the reported anomaly. The Controlling Officer stated that a scrutiny of the schedule of transport refunds had revealed that two payment vouchers were overcast by K5,402, reducing the queried amount to K318,175. Further, the refunds paid to the cited imprest holders were actually issued out to 105 beneficiaries from various health facilities within Lusaka District and not thirty three as reported by the Auditor General.

The Controlling Officer further informed the Committee that a total sum of K318,402 had since been recovered from all the concerned officers through the payroll. The Provincial Health Director for Lusaka Province had since been charged for poor supervision and given a formal warning in line with the Disciplinary Code for Handling Offences in the Public Service. Supporting documentation was available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the action taken and recommends the matter for closure subject to presentation of the supporting documentation to the Office of the Auditor General for verification.

**d. Irregularities in Management and Accounting for Imprest**

**i. Over Payment to a Lodge – Lusaka Provincial Health Office - K8,855**

The Controlling Officer submitted that the attendance registers were availed to the auditors during the audit as proof that the activity was held over a period of three days. However, the Ministry had taken a further step to retrieve the daily bills to further support the explanation. The attendance registers, invoices and daily bills to account for the extra two days were available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the action taken and urges the Controlling Officer to submit the documentary evidence to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

**ii. Failure to Avail Activity Reports - Lusaka and Chongwe District Health Offices**

The Controlling Officer submitted that the activity reports were not availed during the audit as they had not been attached to the retirement documents. However, the activity reports had

since been retrieved and the Provincial Health Director for Lusaka Province charged for poor supervision.

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

The Committee notes the action taken on the matter, particularly the charging of the Provincial Health Director. However, the Committee recommends that the Controlling Officer also metes out disciplinary action against the erring officers who failed to submit the activity reports timely. The Committee awaits a progress report on the matter.

#### **iii. Irregular Use of Imprest to Procure Goods and Services - Lusaka District Health Office - K44,840**

The Controlling Officer informed the Committee that the funds and the procured goods and services had all been fully accounted for. The Provincial Health Director for Lusaka Province had since been given a recorded warning and directed to follow procurement procedures in line with the *Zambia Public Procurement Act, No. 12 of 2008*, at all times.

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

The Committee notes the action taken and urges the Controlling Officer to sensitise her officers, particularly at the cited institutions, on the requirement to comply with Financial Regulation No. 86(c). However, the Committee recommends the matter for closure subject to audit verification.

#### **e. Unacquitted Allowances – Lusaka Province– K44,172**

The Controlling Officer submitted that the acquittal sheets amounting to K44,172 were not availed at the time of the audit due to poor record keeping. However, the acquittal sheets had since been retrieved and the Provincial Health Director for Lusaka Province had been charged for poor supervision. Supporting documentation was available for audit verification.

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

The Committee notes the action taken and urges the Controlling Officer to sensitise her officers, particularly at the cited institutions, on the requirement to comply with Financial Regulation No. 45. Further, the Controlling Officer should ensure that disciplinary action is taken against the officers who failed to avail the acquittal sheets to the auditors at the time of audit. The Committee will await a progress report on the matter.

#### **f. Management of Stores and Assets**

##### **i. Unaccounted for Stores- K274,581**

The Controlling Officer submitted that the documentation could not be availed at the time of the audit due to poor document management. The Controlling Officer further submitted that Goods Received Notes and Stock issuance reports had since been retrieved and the concerned officers were given verbal warning to prevent the recurrence of the matter. Supporting documentation was available for audit verification.

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

The Committee notes the action taken and recommends the matter for closure subject to presentation of the supporting documentation to the Office of the Auditor General for verification.

**ii Questionable Fuel Drawings – Lusaka District Health Office**

The Controlling Officer submitted that the vehicles in question that drew the fuel were used to undertake activities by health workers who worked in twenty four hour shifts during the 2017/2018 cholera outbreak, hence the high frequency of fuel drawings. The Controlling Officer further submitted that the cited vehicles were being used for field work at the time of the audit. The Controlling Officer stated that the vehicles had been borrowed from other institutions to mitigate inadequate transport, hence the delay in retrieving log books. The log books had been retrieved and were available for audit verification.

**Committee’s Observations and Recommendations**

The Committee notes the response and recommends that disciplinary action be instituted against the officers who failed to provide information relating to the query at the time of audit. The Committee, further, directs the Controlling Officer to present supporting documents to the Office of the Auditors General for verification. The Committee will await a progress report on the matter.

**g. Failure to Report Missing Laptop to Police - Kaoma District Health Office**

The Controlling Officer informed the Committee that locating the laptop in question had proved challenging as the cited officer died in a road traffic accident. The cost of the laptop had since been recovered from the deceased’s terminal benefits and supporting documentation was available for audit verification.

**Committee’s Observations and Recommendations**

The Committee notes the action taken on the matter. The Committee recommends that the due process be followed and ensure that the loss arising from the missing laptop be charged to public funds. The Committee resolves to await a progress report on the matter.

**h. Failure to Settle Insurance Premiums – Eastern Province- K236,222**

The Controlling Officer informed the Committee that the delay to settle the outstanding premiums was due to inadequate releases from the Treasury over the previous years, leading to an accumulation of debt. The Ministry had continued to engage the Treasury requesting them to release the funding timely. Further, the outstanding bills had since been submitted to Ministry of Finance for possible settlement.

The Controlling Officer further informed the Committee that the outstanding premiums totalling K15,665 on the vehicle which was involved in an accident had since been settled in full and the insurer had indicated that the indemnity for the damages sustained during the accident would be paid as soon as its cash flow improved.

**Committee’s Observations and Recommendations**

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

**i. Failure to Inscribe Government Assets**

The Controlling Officer informed the Committee that the delay was as a result of inadequate funding releases from the Treasury and, therefore, the officers from the Ministry of Works and Supply were unable to travel to the cited locations to undertake the marking of assets.

The Controlling Officer submitted that the Ministry of Health continued to proactively engage the Treasury on the release of adequate and frequent funding to prevent the recurrence

of the matter. Further, all the assets had been inscribed with government identification serial numbers.

#### **Committee’s Observations and Recommendations**

The Committee notes the action taken and recommends the matter for closure subject to presentation of the supporting documents to the Office of the Auditor General for verification.

#### **j. Failure to Collect Revenue- K2,023,696**

The Controlling Officer informed the Committee that most of the concerned clients were Government ministries and departments as well as quasi-government institutions which depended on grants from the Treasury, and hence they were affected by the lack of adequate and regular funding. To curb the growing debt, some debtors had entered into debt payment plans while others’ accounts had since been suspended.

The Controlling Officer stated that out of the questioned amount of K2,023,696, a sum of K373,552.30 had been collected, with the balance being actively followed up as tabulated below.

<b>Province</b>	<b>Station</b>	<b>Amount Queried (K)</b>	<b>Collections (K)</b>	<b>Balance (K)</b>
Copperbelt	Arthur Davison Children Hospital	428,385	14,057.72	414,777.28
	Roan Antelope General Hospital	550,075	199,461.98	350,613.02
North Western	Solwezi General Hospital	487,732	150,032.60	357,965.41
Luapula	Mansa General Hospital	557,054	10,000	547,054
	<b>Total</b>	<b>2,023,969</b>	<b>373,552.30</b>	<b>1,650,143.70</b>

The Controlling Officer explained that an administrative lapse caused the delay to renew the contracts for some of the high cost corporate clients at Solwezi General Hospital. However, most of the contracts had since been renewed. Supporting documentation was available for audit verification.

#### **Committee’s Observations and Recommendations**

The Committee notes the action taken and urges the Controlling Officer to ensure that there are no administrative lapses with regard to the renewal of contracts as that has the potential to deny the hospitals revenue meant for improved health service delivery. The Committee further urges the Controlling Officer to ensure that the revenue is collected without fail. The Committee awaits a progress report on the matter.

**k. Delayed Banking- K641,557**

The Controlling Officer submitted that the delays in banking revenue at both Solwezi General and Mkushi District Hospitals were mainly due to weak supervision and lapses in the internal control systems. Consequently, the Provincial Health Directors for North Western and Central Provinces had since been charged for poor supervision and given formal warnings in line with the Disciplinary Code for Handling Offences in the Public Service. In addition, the officers who caused the irregularity had been moved to non-cashiering duties while internal controls over revenue management had been strengthened through segregation of duties as well as direct supervision by responsible accountants. The accountants had been tasked to reconcile receipts to banked amounts on a daily basis.

The Controlling Officer further submitted that management had engaged banking institutions on the possibility of setting up agencies at the two facilities to minimise the risk of cash handling. The charge letters and staff rotation letters were available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the action taken and urges the Controlling Officer to ensure that delayed banking of revenue is stopped completely in line with Financial Regulation No. 121 as it has the potential to lead to misappropriation of the revenue. However, the Committee recommends the matter for closure subject to presentation of the supporting documents to the Office of the Auditor General for verification.

**l. Failure to Recover Loans and Salary Advances- K23,000**

The Controlling Officer informed the Committee that recoveries for the cited K3,000 under Western Province had been effected while cash amounting to K5,000 had already been recovered against the K20,000 under Lusaka Provincial Health Office. The officer had formally committed to paying back the balance of K15,000 in three equal instalments.

The Controlling Officer submitted that the officer under Lusaka Provincial Health Office had since been charged with dishonesty as obtaining another loan from a micro finance institution resulted in the salary falling below the 40 per cent threshold, thereby posing a challenge to effect deductions.

Further, the Provincial Health Director for Lusaka Province had since been charged for poor supervision and given a formal warning in line with the Disciplinary Code for Handling Offences in the Public Service. Supporting documentation was available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the action taken and urges the Controlling Officer to ensure that the funds are recovered without fail. The Committee awaits a progress report on the matter.

**m. Undelivered Drugs and Medical Supplies**

The Controlling Officer informed the Committee that a thorough scrutiny of documents relating to findings by the Auditor General revealed that the drugs and medical supplies cited as undelivered were in some instances due to the non availability of stocks at Medical Stores Limited (MSL) despite facilities placing orders for the commodities. Dispatch notes issued by MSL clearly indicated quantities ordered, supplied and those not delivered. In other circumstances, only reconciliation of records between receiving facilities and MSL was

required to ascertain actual deliveries at the time of the audit. The specific explanations pertaining to each province are set out below.

#### **Western Province**

Out of a total of K499,890 worth of drugs and medical supplies cited as undelivered, drugs and medical supplies worth K427,933.90 were actually delivered and records had since been reconciled. The balance of K71,956.06 was ordered but not delivered due to non availability of stock.

#### **Muchinga Province**

Out of a total amount of K2,859,797.67 worth of drugs and medical supplies cited as undelivered, drugs and medical supplies worth K652,679.22 were actually delivered while the balance of K2,207,118.45 was ordered but not issued by MSL due to non-availability of stock.

#### **Eastern Province**

Out of the K60,545 worth of commodities cited as undelivered medicines and medical supplies, commodities worth K59,529 were not supplied due to the non availability of stock at MSL. Further, items worth K1,016 were delivered but returned to MSL because the facility could not use the consumables as the relevant equipment was not functional at the time.

#### **Copperbelt Province**

The drugs and medical supplies cited under Copperbelt Province amounting to K27,497 were not delivered due to non availability of stock.

#### **Luapula Province**

The matter was resolved as per status report on the management letter for the Province, which was issued by the Office of the Auditor General on 5<sup>th</sup> September, 2019.

#### **North Western Province**

The drugs and medical supplies queried under North Western Province totalling K363,831.04 were confirmed as delivered following the reconciliation of records.

#### **Lusaka Province**

A further scrutiny of the records revealed that drugs and medical supplies amounting to K305,607 under Lusaka District Health Office were delivered.

#### **Central Province**

A reconciliation of the records had revealed that commodities totalling K120,084.59 queried under Central Province as undelivered were ordered but not delivered due to the non availability of stock.

The Controlling Officer stated that the Ministry attached great importance to the management of the entire supply chain of medicines and medical supplies. Management had continued to implement interventions and measures aimed at streamlining and strengthening the operations of MSL so as to realise efficiencies and accountability in the supply chain as a whole. The situation was yet to reach an optimum level. Supporting documentation was available for audit verification.

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

The Committee notes the responses and expresses serious concern that the record keeping was poor and reconciliations were not undertaken regularly so as to update the relevant records. Consequently, the records were not available at the time of audit, hence the query. In this regard, the Committee recommends that the Controlling Officer institutes disciplinary action against all officers who were responsible for these lapses in each province. Further, the Committee requests the Controlling Officer to avail the relevant documentary evidence to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

#### **n. Unaccounted for Drugs and Medical Supplies- K1,776,561**

The Controlling Officer informed the Committee that the commodities in question had since been accounted for in full. In addition, the Provincial Health Directors for North Western, Lusaka and Central Provinces had since been charged for poor supervision and given formal warnings in line with the Disciplinary Code for Handling Offences in the Public Service.

Further, the Ministry had embarked on an undertaking to roll out facility level edition of an Electronic Logistics Management Information System (eLMIS) to enhance stores and inventory management for medicines and other medical supplies at health facilities countrywide. Stock control cards indicating how the commodities were accounted for were available for audit verification.

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

The Committee notes the response and urges the Controlling Officer to ensure that measures are implemented to stem the query permanently and prevent its recurrence. However, the Committee recommends the matter for closure subject to presentation of the supporting documents to the Office of the Auditor General for verification.

#### **o. Drugs Delivered but not Ordered**

The Controlling Officer explained that most of the cited items were allocated to facilities as opposed to routine ordering to ensure that each facility had a share from the limited emergency consignment the Ministry had received. In other circumstances, commodities with short remaining shelf life were redistributed to high consumption health facilities to avoid wastage through expiries. The Controlling Officer submitted that the drugs delivered were in fact dispensed and there were no expiries in relation to the supplied items.

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

The Committee notes that if the information provided to the Committee was availed to the auditors at the time of audit, the query could have been resolved at that stage. The Committee, therefore, recommends that the Controlling Officer should take disciplinary action against the officers who failed to avail the relevant information to the auditors at the time of audit. Further, the Committee urges the Controlling Officer to submit all relevant documentation to the Office of the Auditor General for verification. The Committee awaits a progress report on the matter.

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

The Committee observes with concern that all the charge letters presented as supporting documents do not bear the names of the office holders being charged. The Committee further observes that the audit queries relating to Lusaka Provincial Health Office are an indication that the internal controls are weak.

In this regard, the Committee urges the Controlling Officer to put measures in place which will ensure that the internal controls are enhanced. The Committee further urges the Controlling Officer to ensure that the names of the charged office holders are indicated on the charge letters at all times. The Committee will await a progress report on the matter.

## **MINISTRY OF YOUTH, SPORT AND CHILD DEVELOPMENT**

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 33</b>
<b>PROGRAMMES</b>	:	Various
<b>ACTIVITIES</b>	:	Various

### **Accounting and Other Irregularities**

29. An examination of accounting and other records maintained at the Ministry Headquarters and a physical inspection of selected projects carried out from January to June, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### **a. Procurement of Information and Communication Technology (ICT) equipment**

##### **1. Non-repayment of the loans - K3,920,000**

The Controlling Officer submitted that there were various factors contributing to the poor repayment rates of the loans, some of which are as set out below.

- i. The risk assessment associated with the provision of equipment as loans to the groups was not undertaken prior to the implementation of the programme. Thus, the Group Loan Empowerment Scheme was a high risk investment.
- ii. Negative mindset towards Government empowerment initiatives. This had been compounded by the general poor credit and saving culture among Zambians, especially the youth.
- iii. The Ministry lacked dedicated and appropriately trained personnel to manage the loan facilities. Hence systematic follow up on defaulting youth groups was not effective, leading to high default rates. In addition, the Ministry did not have personnel at district level who should have been monitoring and mentoring the youth beneficiaries on a daily basis.
- iv. Resources provided for day to day management of the youth empowerment projects were not adequate to ensure effective follow up on beneficiaries. This had made it difficult for provincial staff to effectively monitor programmes, recover the debt, track progress and measure the impact of the empowerment projects.

In light of the above, the Controlling Officer submitted that his Ministry had put in place corrective measures as set out below.

##### **a. Issuance of Demand Notices**

The Committee was informed that in May, 2019, the Ministry issued demand notices to all defaulting beneficiary youth groups. This had resulted in some improvement in the repayments from K22,100 as at 30<sup>th</sup> June, 2019 to K62,085 as at 31<sup>st</sup> October, 2019.

b. *Issuance of Seizure Notices*

The Committee was informed that on 26<sup>th</sup> May, 2019, the Ministry had issued seizure notices to all defaulting beneficiary youth groups. For the beneficiaries that had not responded favourably to the demand notices, the Ministry had started the process of repossessing the ICT equipment.

The Committee was also informed that the repossessed equipment would be re-allocated to the graduates in Information and Communication Technology from the Youth Resource Centres. These were being targeted as they were trained by institutions owned by the Ministry. In addition, the Youth Resource Centres had been directed to identify the youths to benefit from the repossessed equipment, and to put in place a monitoring mechanism.

The Committee was further informed that the graduates from these Youth Resource Centres were traceable, and would be provided with technical backstopping by staff of the Centres.

c. *Remedial Measures to Avoid Future Recurrence*

The Committee was informed that the Government had recognised the problem of low loan repayments by various individuals, groups and institutions. To this end, the Secretary to Cabinet had directed that the implementation of all empowerment funds be reviewed with a view of harmonising the implementation, and ensure achievement of the intended objectives.

The Controlling Officer also submitted that the matter of harmonising all youth empowerment funds projects implementation was before Cabinet for consideration.

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

The Committee finds it unacceptable that funds and equipment were availed to youth groups despite the high risk involved, and that the Ministry lacked dedicated and well trained personnel to manage the loan facilities. In this regard, the Committee urges the Controlling Officer to put measures in place which will ensure that the funds and equipment are fully recovered through the issued demand and seizure notices, without fail. In the long term, the Committee seeks an update on the harmonisation of the implementation of empowerment funds as directed by the Secretary to the Cabinet. The Committee will await a progress report on these matters.

### **2. Missing Information and Communication Technology (ICT) Equipment**

The Controlling Officer submitted that after the issuance of seizure and demand notices, the Ministry instructed the Provincial Youth Development Coordinators on 31<sup>st</sup> October, 2018 to commence the seizure of equipment from the defaulting beneficiaries. The Committee was informed that some ICT equipment had been seized from the following:

- i. Chikonkomene Rail Side Youth Cooperative of Chisamba District;
- ii. Bolc Internet Café and General Dealers of Mongu District of Western Province; and
- iii. Gibs and Arts General Dealers of Mwense District of Luapula Province.

The Controlling Officer further submitted that the seizure of equipment from the defaulting groups was an on-going exercise, and the Ministry was engaging the provincial and district administrations to assist in implementing the exercise.

In this regard, the Committee was informed that some provinces had indicated that they were encountering a number of challenges in effecting the seizure of equipment. Some of the challenges included the ones set out below.

- i. Interference from district administrations who were of the view that an additional grace period should be given to the beneficiaries.
- ii. Lack of funds for the provincial youth development coordinators to effect the seizures.

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

The Committee notes with dismay that due diligence was not taken when identifying the beneficiary of the ICT equipment. In this regard, the Committee urges the Controlling Officer to always undertake risk assessment before the ICT equipment is handed over. The Committee also urges the Controlling Officer to put measures in place which will ensure that the equipment is recovered through seizure notices, without fail. The Committee will await a progress report on the matter.

#### **a. Failure to Pay Loans for Tricycle- K3,755,520**

The Controlling Officer submitted that the Ministry had instructed the provincial youth development coordinators to seize the tricycles from the defaulting beneficiaries. The Committee was informed that while the seizure had commenced, the numbers of equipment seized still remained low. For instance, only two tricycles had been seized thus far, from the following defaulting groups:

- i. Alliance Youth Multi - purpose Cooperative of Limulunga District of Western Province; and
- ii. Youth Trust in God's Care Foundation of Kaoma District of Western Province.  
The Controlling Officer also submitted that the seizure of tricycles from the defaulting groups was an on-going exercise, and that the Ministry was engaging the provincial and district administrations to assist in implementing the exercise.

In this regard, the Committee was informed that some provinces had indicated that they were encountering a number of challenges in effecting the seizure of equipment. The challenges include the ones set out below.

- i. Interference from district administrations who were of the view that an additional grace period should be given to the beneficiaries.
- ii. Lack of funds for the provincial youth development coordinators to effect the seizures.

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

The Committee finds it unacceptable that the Ministry did not undertake due diligence before the tricycles were distributed to targeted beneficiaries. In this regard, the Committee urges the Controlling Officer to always undertake risk assessment before the tricycles are handed over. The Committee also urges the Controlling Officer to put measures in place that will ensure that all the tricycles are seized from the defaulting groups, without fail. The Committee will await a progress report on the matter.

## MINISTRY OF DEFENCE

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 34</b>
<b>PROGRAMME</b>	:	Various
<b>ACTIVITIES</b>	:	Various

### **Accounting and Other Irregularities**

30. An examination of financial and other records maintained at the Ministry Headquarters, Defence Services Commands, Maina Soko Military Hospital, Staff College and Northern Command Military Hospital (NCMH) and physical inspections of selected projects carried out from April to June, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### **a. Failure to Report for Duty - Transferred Staff - K592,968**

The Controlling Officer submitted that all the 373 officers had reported to the Zambia National Service. However, the fifteen officers who were alleged not to have reported for duty at the Zambia National Service had returned to their various provincial administrations and continued working from there as they could not fit in the structure at the Zambia National Service.

The Controlling Officer further submitted that the Ministry conducted a headcount to identify personnel to remain at the Zambia National Service as per Presidential directive, and those to be surrendered to the Public Service Management Division for deployment within the mainstream civil service.

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

The Committee notes with displeasure that this information was not submitted to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to avail the information to the auditors. The Committee also urges the Controlling Officer to submit information with regard to the fifteen officers, to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

#### **b. Unaccounted for Phones - K131,720,400**

The Controlling Officer submitted that the Ministry had directed the Zambia Army to provide disposal details on the 120 phones in question and that documentary evidence was available for verification.

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

The Committee finds it unacceptable that supporting documents could not be availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to avail disposal details to the auditors at the time of audit. The Committee also urges the Controlling Officer to submit the documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

**c. Supply, Delivery, Installation and Commissioning of Oxygen Plant – Maina Soko Hospital - K1,450,400**

The Controlling Officer submitted as set out below.

**i. Failure to Deliver Oxygen Plant**

The Controlling Officer submitted that the perceived failure by the supplier to deliver the oxygen plant was due to the fact that the Ministry of Defence through the Ministry of Finance had not yet issued a Letter of Credit in favour of the supplier.

The Committee was, however, informed that the Ministry of Defence had continued to engage the Ministry of Finance to issue a Letter of Credit. The Committee was also informed that one of the terms of the contract was that upon issuance of the Letter of Credit, the supplier would deliver the oxygen plant.

In that regard, the Committee was informed that supporting documents were available for verification.

**Committee’s Observations and Recommendations**

The Committee is disappointed that this information was not availed to the auditors at the time of audit. In this vein, the Committee urges the Controlling Officer to mete out stern disciplinary action against the officers responsible for this lapse. The Committee further urges the Secretary to the Treasury to ensure that the said Letter of Credit is issued in favour of the contractor to ensure that the oxygen plant is supplied and installed in line with the contract. The Committee will await a progress report on the matter.

**ii. Failure to Issue Performance Bond**

The Controlling Officer submitted that upon issuance of the Letter of Credit, the supplier shall be engaged to renew the Performance Bond.

**Committee’s Observations and Recommendations**

The Committee will await a progress report on the matter

**d. Construction of a Guard’s Quarter and Electric Fence at L85 Borehole Site in Lusaka West - K2,205,664**

The Controlling Officer submitted that the delayed completion of works was due to lack of funding by the Treasury in order to pay for the outstanding certificates.

The Committee was informed that the contractor was awarded an extension of time up to 30<sup>th</sup> November, 2019. The Committee was also informed that the contractor had attained 80 per cent progress against the 43 per cent payments made thus far. The Controlling Officer further submitted that the Ministry had continued to engage the Treasury for funding.

**Committee’s Observations and Recommendations**

The Committee urges the Secretary to the Treasury to support the requisite funding to ensure conclusion of the Project. The Committee will await a progress report on the matter.

**e. Contract for Paving of the Cenotaph at the Parade Square - K238,956**

The Controlling Officer submitted that the contractor had been engaged to rectify the defects, and a meeting was convened with the contractor to resolve the issues surrounding the contract.

The Committee was informed that the defects liability period expired on 11<sup>th</sup> November, 2019, and that the Ministry intended to extend the defects liability period for six months to cover the rainy season so as to identify the collection points.

The Committee was, however, informed that the design and construction allowed water to naturally drain through the joints of the pavers. The Committee learnt that compaction of the sub - base was below 90 per cent and no membrane was laid under the pavers.

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

The Committee urges the Controlling Officer to ensure that the defects on the Cenotaph at the parade square are addressed without any further delay. The Committee will await a progress report on the matter.

### **f. Operations at Northern Command Military Hospital (NCMH) – Ndola**

#### **1. Failure to follow Procurement Procedures - Contract for Upgrading of the Roof Top - K486,000**

The Controlling Officer submitted that the commandant had since been reprimanded and cautioned to strictly follow contract terms in all future procurements.

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

The Committee expresses disappointment that payments were made to the contractor in the absence of payment guarantees. In this regard, the Committee urges the Controlling Officer to ensure that payment guarantees are obtained from the contractor and submitted to the Office of the Auditor General for verification without fail. The Committee further recommends that disciplinary action be taken against the officer responsible for this irregularity. The Committee will await a progress report on the matter.

#### **2. Repair of a CT Scan Machine - K393,000**

The Controlling Officer submitted as set out below.

##### **a. Failure to Follow Procurement Procedures**

The Controlling Officer submitted that the commandant had since been reprimanded and cautioned to strictly follow contract terms in all future procurements.

The Controlling Officer submitted that the Voltage Stabiliser was repaired and working well while the Computed Tomography (CT) Scan machine housing the Gantry (High Voltage Generator) was defective and required urgent replacement costing USD 60,000. The Committee was also informed that the Ministry had engaged the Treasury for possible funding.

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

The Committee urges the Controlling Officer to mete out disciplinary action against the officer who failed to follow procurement procedures. The Committee further urges the Controlling Officer to re-engage the Treasury on the matter, and ensure that the defective High Voltage Generator is replaced without any further delay. The Committee will await a progress report on the matter.

## MINISTRY OF GENERAL EDUCATION

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 35</b>
<b>PROGRAMME</b>	:	Various
<b>ACTIVITIES</b>	:	Various

### **Accounting and Other Irregularities**

31. An examination of accounting and other records at the Ministry headquarters and selected provinces and a physical inspection of some projects carried out from January to August, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### **a. Lack of Strategic Plan**

The Controlling Officer informed the Committee that the Ministry did not have a strategic plan in place but was in the process of developing one in collaboration with the Management Development Division (MDD). The Controlling Officer stated that the Ministry had operated using the National Implementation Framework (NIF) in the past.

The Controlling Officer stated that the Ministry had developed the Education Skills Sector Plan (ESSP) for the period 2017 to 2021. The ESSP provided a compelling road map for attaining the aspirations expounded in the Seventh National Development Plan (7NDP) and the global agenda represented by Sustainable Development Goal (SDG) No. 4, particularly with regard to accessing education services. Supporting documentation was available for audit verification.

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

The Committee recognises the important role that the Ministry plays in the education system of the country. Further, the Committee is of the view that by virtue of its mandate and size, the Ministry requires a clear strategic direction in its operations. The Committee, therefore, recommends that the Ministry should expedite the process of developing the strategic plan, and ensure that the process is completed without further delay to avoid the query recurring in the next Auditor General's Report. The Committee awaits a progress report on the matter.

#### **b. Lack of Information Communication Technology Policy**

The Controlling Officer submitted that the Ministry had an Information Communication Technology (ICT) Policy document of 2006, which was misfiled at the time of audit. However, the document had since been retrieved and it was available for audit verification.

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

The Committee notes the response and recommends that the Ministry should revise its 2006 ICT Policy in order to take on board emerging issues in the provision of services in the education sector. The Committee further requests that the revision of the Policy should be undertaken without further delay to ensure that the query does not recur in the next Auditor General's Report. In addition, the Committee recommends that the Controlling Officer metes out disciplinary action against the officers who failed to provide information on the availability of the 2006 ICT Policy, and to avail the said document to the auditors at the time of audit. The Committee awaits a progress report on the matter.

### **c. Comingling of Funds**

#### **i. Questionable Borrowings and Reimbursements of Funds - K2,281,639**

The Controlling Officer informed the Committee that authority for the reimbursement of K5,009,834 for the Keeping Girls in School (KGS) Programme and K2,073,740 for the National Implementation Framework (NIF) was obtained from the Treasury. Therefore, the refund of the borrowed funds cited was done under the authority that was sought to reimburse the funds relating to KGS and NIF. Supporting documentation was available for audit verification.

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

The Committee is of the view that borrowing funds without prior Treasury Authority goes against Financial Regulation No. 31 and is potentially a recipe for rampant misapplication of public funds. The Committee is further seriously disappointed that the Treasury is purporting to grant retrospective authority when there is no provision for such a procedure in the law. The Committee is concerned that by engaging in this practice, the Treasury risks opening the flood gates of questionable borrowings and various other abuses of public funds. The Committee, therefore, urges the Secretary to the Treasury to desist from the practice forthwith, but instead enforce the law to its fullest extent so as to stamp out incidences of unauthorised borrowings and any other irregularities in the management of public funds. The Committee awaits a progress report on the matter.

#### **ii. Misapplication of Funds- K34,593,167**

The Controlling Officer informed the Committee that an amount of K5,776,550 was expenditure incurred on the procurement of the first tranche of motor vehicles and other related expenses paid from the infrastructure line payment while the Ministry was processing a separate designated account for the Zambia Education Enhancement Project Account. The Infrastructure Vote was merely used for transit purposes to remit the funds towards purchase of motor vehicles at the time.

The Controlling Officer further informed the Committee that the Ministry wrote to the Secretary to the Treasury for variation authority with regard to the amount of K9,605,145 in order to meet the costs of marking and administration of examinations. The other amount related to the payment of K1,904,868 from the Infrastructure budget line to facilitate the supply of early grade reading tools in the seven local languages.

The Ministry had guided the District Education Board Offices for the misapplication of K4,896,250 which was disbursed for early childhood grants and primary education to ensure that prior authority was obtained. The Ministry was also granted authority of K7,083,575 by the Treasury to reimburse the funds borrowed from the project account, which were paid from the budget lines that had resources.

The Controlling Officer stated that the Ministry had written to the Secretary to the Treasury for retrospective authority to vary the funds that were applied on activities not related to the purpose for which the funds were appropriated. Supporting documentation was available for audit verification.

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

The Committee notes with disappointment that misapplication of funds at the Ministry has been allowed to go on with impunity. The Committee is concerned that the Ministry

continues to misapply funds and only requests retrospective authority from the Treasury to reimburse the funds. The Committee reiterates its earlier concern that the Secretary to the Treasury is purporting to grant retrospective authority when there is no provision for such a procedure in the law or the Financial Regulations. The Committee is concerned that by engaging in this practice, the Treasury is effectively acquiescing to the misapplications and runs the risk of opening the flood gates of questionable borrowings and various other abuses of public funds. The Committee, therefore, re-emphasises that the Secretary to the Treasury should desist from purporting to grant retrospective approval for misapplication of funds henceforth, but instead enforce the law to its fullest extent in order to stamp out irregularities such as misapplication of public funds. In other words, the Committee insists that public funds must always be spent on the activities for which they were appropriated by Parliament and any variations must have the prior approval of the Secretary to the Treasury. In addition, the Committee urges the Controlling Officer to take disciplinary action against the erring officers who failed to provide information to the auditors at the time of audit on the issue of expenditure relating to procurement of motor vehicles. The Committee awaits a progress report on the matter.

**d. Weaknesses in Recurrent Departmental Charges Expenditure**

**i. Unsupported Treasury Single Account Payments – K2,663,452**

The Controlling Officer submitted that the supporting documents were misplaced at the time of audit due to filing errors and the nature of the transactions. However, source documents such as open items reports and authorities for customer payments in amounts totaling K1,363,318 had since been retrieved leaving a balance of K1,300,132.

The Controlling Officer stated that the Ministry was making efforts to ensure that open item reports and authorities relating to the outstanding amount were retrieved. Further, the Ministry of General Education had engaged the Ministry of Finance for supporting documentation such as open items reports. The correspondence to the Ministry of Finance was available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the response and cautions the Controlling Officer for the poor records management at the Ministry. The Committee further directs that the documents that have been retrieved be submitted to the Office of the Auditor General for verification. In addition, the Controlling Officer should take disciplinary action against the officers responsible for the misplacement of the documents, and the failure to avail them to the auditors at the time of audit. The Committee awaits a progress report on the matter.

**ii. Unretired Accountable Imprest- K73,850**

**iii. Failure to Avail Acquittal Sheets – K474,026**

The Controlling Officer informed the Committee that the unretired imprest amount of K73,850 and the unacquitted amount of K474,026 were attributed to dismissed officers. The Ministry had written to the Public Service Pensions Fund to recover the funds from the officers' terminal benefits. Supporting documentation was available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the response and urges the Controlling Officer to constantly engage the Public Service Pensions Fund on the matter, and to ensure that the unretired imprest and

unacquitted funds are recovered from the officers' terminal benefits without fail. The Committee further recommends that disciplinary action be taken against the officers who failed to provide this information to the auditors at the time of audit. The Committee will await a progress report on the matter.

**iv. Unaccounted for Fuel -K42,063**

The Controlling Officer informed the Committee that details relating to the fuel in amounts totalling K42,063 reported as procured had since been reconciled. The funds totalling K42,063 were found to have been in a suspense account and were therefore, not paid by the close of the financial year. However, the Ministry had written to the Ministry of Finance to follow up the unreconciled differences for the payment to be effected in favour of the filling station. Supporting documentation was available for audit verification.

**Committee's Observations and Recommendations**

The Committee is disappointed that routine reconciliations were not undertaken prior to the audit and calls for disciplinary action to be taken against all officers responsible for this lapse. Additionally, the Committee recommends that the Controlling Officer submits documentary evidence to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

**e. Weaknesses in Management of Grants to Lower Level Institutions**

**i. Irregular Contributions by Schools**

The Controlling Officer informed the Committee that the District Education Board Secretaries through the Provincial Education Offices had been directed to desist from practices such as requesting financial contributions for co-curricular activities, Teachers' Day celebrations and annual selection of pupils to grades 8 and 10. Supporting documentation was available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the action taken and urges the Controlling Officer to caution the DEBS to desist from requesting funds from schools without the authority of the Controlling Officer. The Committee, however, recommends the matter for closure subject to the verification of the supporting documents by the Office of the Auditor General.

**ii. Delayed Clearance of Grants Funding Commitments**

The Controlling Officer explained that the delays were attributed to some errors in accounting details from the lower level institutions. The Ministry conducted a validation exercise to clear up the bank accounting details from the lower level institutions in order to reduce delays in the disbursement of funding commitments relating to grants. Supporting documentation was available for audit verification.

**Committee's Observations and Recommendations**

The Committee cautions the Controlling Officer for this omission as it has the negative effect of delaying the implementation of funded programmes and activities. The Committee further urges the Controlling Officer to ensure that grants to lower level institutions are remitted timely, and that the query does not recur in future Reports of the Auditor General. The Committee resolves to close the matter subject to audit verification.

**iii. Delays in Disbursing Grants by Districts**

The Controlling Officer submitted that the districts through the Provincial Education Officers had been directed to disburse the funds to primary schools upon receipt of the grants. Supporting documentation was available for audit verification.

**Committee's Observations and Recommendations**

The Committee is concerned that the irregularity of delaying the disbursement of funds has the potential to negatively affect service delivery in schools. The Committee urges the Controlling Officer to put measures in place to ensure that grants are remitted to schools timely. The Controlling Officer should further mete out disciplinary action against the erring DEBS who were involved in delaying the disbursement of grants to schools. The Committee awaits a progress report on the matter.

**iv. Lack of Communication between Ministry Headquarters and Lower Level Institutions**

The Controlling Officer submitted that the Provincial Education Offices were using output based budgets. However, with regard to the execution of the budget the provinces and districts needed to be on the IFMIS and change from Activity Based budgeting (ABB) to Output Based Budgeting (OBB). The Controlling Officer stated that the Ministry was in the process of implementing IFMIS in all the provinces and the pilot exercise was undertaken with Eastern Province.

The Controlling Officer also submitted that the Ministry had since formalised the communication channels with the lower level institutions. Supporting documentation was available for audit verification.

**Committee's Observations and Recommendations**

The Committee recommends that the Controlling Officer engages the Ministry of Finance to ensure that the implementation of IFMIS in all the provinces is completed expeditiously, and the DEBS offices start using Output Based Budgeting (OBB) codes. The Committee awaits a progress report on the matter.

**v. Failure to Disburse Grants to Schools by District Education Board Secretaries - K4,896,250**

The Controlling Officer informed the Committee that the districts had been directed, through the Provincial Education Officers, to stop the practice of utilising grants meant for schools.

The Controlling Officer further informed the Committee that from the unremitted amounts totalling K4,896,250, funds amounting to K1,163,444 had since been disbursed to schools and the balance amounting to K3,732,806 would be disbursed to schools once the DEBS received operational grants. Supporting documentation was available for audit verification.

**Committee's Observations and Recommendations**

The Committee is greatly disappointed that this query has recurred in three consecutive Reports of the Auditor General, these being the Reports on the Accounts of the Republic for the Financial Years Ended 2016, 2017 and 2018. The Committee wonders why the irregularity has been allowed to continue with impunity. The Committee reiterates its previous recommendation that the Controlling Officer should institute stern disciplinary action against the erring PEOs and DEBS who delayed in disbursing grants to schools and

ensure that the outstanding grants are disbursed to the intended beneficiary schools without further delay. The Committee will await a progress report on the matter.

**vi. Misapplication of Funds – Kitwe District Education Board Office**

The Controlling Officer informed the Committee that the Ministry had directed the Copperbelt Provincial Education Office to desist from applying funds on unapproved programmes and activities without prior authority. Supporting documentation was available for audit verification.

**Committee’s Observations and Recommendations**

The Committee is disappointed that the Controlling Officer condoned the misapplication of funds, contrary to Financial Regulation No. 31 and, therefore, urges the Controlling Officer to take stern disciplinary action against the Kitwe DEBS for causing the misapplication. The Controlling Officer should further sensitise the cited DEBS that variation of funds should only be done with prior Treasury Authority obtained through the Office of the Controlling Officer. In addition, the Controlling Officer should ensure that the misapplied funds are reimbursed without fail. The Committee awaits a progress report on the matter.

**f. Failure to Distribute Equipment**

The Controlling Officer informed the Committee that the Ministry had since distributed 90 percent of the textbooks that were procured for various grades. The few that had remained were currently being distributed using transportation from the DEBS and provincial offices as and when they came to the Ministry headquarters on official business.

The Controlling Officer further informed the Committee that the few remaining books would be fully distributed before the end of the first quarter of 2020. The failure to distribute books on time was attributed to the untimely release of funds by the Treasury. Records were available for audit verification.

**Committee’s Observations and Recommendations**

The Committee notes with dismay the casual response to the query by the Controlling Officer as he has only addressed one component of the query relating to books leaving out the issue of equipment. The Committee cautions the Controlling Officer for this omission and directs that a full response be submitted. The Committee is concerned that the failure to distribute the equipment may lead to damage or theft of the equipment. The Committee recommends that the Controlling Officer investigates the matter to ascertain the status of the equipment. Further, the Controlling Officer should ensure that the remaining books are distributed without fail. The Committee awaits a progress report on the matter.

**g. Over Payment to a Supplier of Musical Equipment**

The Controlling Officer informed the Committee that the Ministry of General Education had engaged the Office of the Attorney General on the matter. The matter was before the High Court and that the supplier was claiming an amount of K67 million for the supply of musical equipment. Supporting documentation was available for audit verification.

**Committee’s Observations and Recommendations**

The Committee notes the response and resolves to await the outcome of the court process.

## **h. Procurement of Grades 3, 7 and 12 Text Books**

### **i. Failure to Procure all Grade 3 Books**

The Controlling Officer informed the Committee that there were no offers from publishers for the lots involving Luvale and Kikaonde text books because of the small print runs which made it unprofitable for them. However, the Curriculum Development Centre (CDC) would develop the titles once the finances were made available. Supporting documentation was available for audit verification.

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

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

### **ii. Weaknesses in Grades 3, 7 and 12 Text Books Distribution**

#### **• Haphazard Distribution of Text Books**

The Controlling Officer informed the Committee that the haphazard distribution of text books was attributed to the lack of a verification exercise. However, the Ministry was in the process of carrying out the verification exercise with a view to reconciling the records.

In addition, the Ministry, through the World Bank funded Zambia Enhancement Education Project (ZEEP) was developing a system of book distribution and tracking. Relevant documentation was available for audit verification.

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

The Committee is concerned that the Controlling Officer has not taken quick corrective action on this matter, given that the haphazard distribution of text books could lead to loss or theft of text books as evidenced by the variances between the allocated and the dispatched quantities. The Committee strongly cautions the Controlling Officer against taking such a casual approach to such an important matter as it has a bearing on the quality of service delivered to learners. The Committee, therefore, recommends that the Controlling Officer takes book distribution seriously and further should ensure that the development of a system of book distribution and tracking is completed without any further delay. The Committee awaits a progress report on the matter.

#### **• Failure to Distribute Text Books Countrywide**

The Controlling Officer submitted that the Ministry had since engaged the Treasury seeking funding to enable the commencement of countrywide distribution of books. The records were available for audit verification.

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

The Committee bemoans the failure to distribute the books and urges the Secretary to the Treasury to prioritise funding of the countrywide distribution of books which are meant for the use by the learners and should not be gathering dust in warehouses. The Committee awaits a progress report on the matter.

#### **• Failure to Reconcile Inventory Records**

The Controlling Officer explained that the unreconciled information was due to inadequate record keeping. The Ministry had since put in place measures to ensure that books distributed to the districts were reconciled timely with the inventory records at the warehouse. In addition, the Internal Audit Unit had been instructed to carry out an audit in all the districts where books were distributed.

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

The Committee continues to bemoan the poor record keeping at the Ministry. The Committee urges the Controlling Officer to ensure that records management in the Ministry is improved forthwith. The Committee further recommends that disciplinary action be taken against the officers responsible for the poor record keeping. The Committee awaits a progress report on the matter.

- **Unaccounted for Books**

The Controlling Officer informed the Committee that the Ministry had since engaged the three cited DEB offices with the view to carrying out an independent physical verification to ascertain the anomaly.

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

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

#### **iii. Failure to Pay Suppliers**

The Controlling Officer submitted that the Ministry had engaged the Ministry of Finance to release funding for suppliers of educational materials and equipment in the Ministry but had to date not been paid the executed contract sum. The Ministry received funding from the United States Agency for International Development (USAID), from which some suppliers had been paid.

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

The Committee is disturbed over the failure by the Treasury to release funding for this important activity and requests the Secretary to the Treasury to provide a progress report on the release of funding for suppliers of educational materials and equipment.

#### **i. Failure to Supply Early Grade Reading Tools in the Seven Local Languages**

The Controlling Officer informed the Committee that the supplier had requested an extension of the delivery period, and it was granted by the Ministry's Procurement Committee. The supplier had since advised that the books would be delivered by 22<sup>nd</sup> December, 2019.

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

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

#### **j. Secondary School Infrastructure**

##### **i. Unpaid Interim Payment Certificates – K392,675,850**

The Controlling Officer submitted that the Ministry had engaged the Ministry of Finance to ensure that funding was released so that the outstanding Interim Payment Certificates (IPCs) could be settled.

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

The Committee requests the Secretary to the Treasury to provide a progress report on the settling of outstanding IPCs.

##### **ii. Misapplication of Funds - Kitwe District Education Board Office – K50,000**

The Controlling Officer informed the Committee that the Copperbelt Provincial Education Office had since been cautioned to desist from applying funds on unapproved programmes and activities without prior authority.

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

The Committee recommends that stern disciplinary action be taken against the PEO and the DEBS. Further, the Controlling Officer should ensure that the funds are reimbursed without delay. The Committee awaits a progress report on the matter.

#### **k. Misapplication of Funds - K12,367,573**

The Controlling Officer explained that the amount of K4,781,028 was expenditure incurred on the procurement of motor vehicles and other related expenses paid from the infrastructure line while the Ministry was in the process of opening a separate designated account for ZEEP account. The Controlling Officer stated that the infrastructure vote was merely used for transit purposes to remit the funds towards purchase of motor vehicles at the time. The other amount related to the payment of K1,904,868 from the infrastructure budget line to facilitate the supply of early grade reading tools in the seven local languages. The Ministry was also granted authority by the Treasury to reimburse the Project account by an amount totalling K4,478,350 which was paid from the budget lines that had resources.

The Ministry had written to the Secretary to the Treasury for retrospective authority to vary the funds that were applied on activities not related to the purpose for which the funds were appropriated.

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

The Committee expresses disappointment at the blatant disregard of the law and the Financial Regulations exhibited by the Controlling Officer. The Committee reiterates that there is no law or regulation that empowers the Secretary to the Treasury to grant retrospective authority for any misapplication of funds. The Committee further implores the Secretary to the Treasury to institute disciplinary action against the Controlling Officer for this serious breach, pursuant to the provisions of the *Public Finance Management Act, No. 1 of 2018*. The Committee further emphasises that the Controlling Officer should, henceforth, desist from breaching Financial Regulation No. 31 and ensure that Treasury Authority is obtained prior to any variation of funds. In addition, the Committee recommends that the Controlling Officer equally takes disciplinary action against the erring officers for their failure to provide information to the auditors at the time of audit on the issue of expenditure relating to procurement of motor vehicles. The Committee awaits a progress report on the matter.

#### **l. Failure to Provide Copies of Insurance Cover Certificates**

The Controlling Officer submitted that the failure to insure the motor vehicles was due to inadequate resources at the time. However, the Ministry had managed to insure five vehicles, mainly for senior management in the Ministry.

The rest of the movable assets would be insured during the last quarter of 2019. The insurance certificates were available for audit verification.

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

The Committee urges the Controlling Officer to ensure that the motor vehicles are insured without fail at all times, as insurance covers the cost of repairing or replacing a motor vehicle as well as compensating a third party in the event of an accident. The Controlling Officer is further urged to ensure that the cost of insuring the vehicles is included in the Ministry's annual budgets. The Committee awaits a progress report on the matter.

## MINISTRY OF GENERAL EDUCATION

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 36</b>
<b>PROGRAMME</b>	:	Various
<b>ACTIVITIES</b>	:	Various
<b>DEPARTMENT</b>	:	Regional Headquarters, District Education Offices, Secondary Schools and Primary Schools

### **Accounting and Other Irregularities**

32. An examination of accounting and other records maintained at the Provincial Education Offices (PEOs), District Education Board (DEB) offices, colleges and schools carried out from January to July, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### **a. Use of Revenue at Source**

The Controlling Officer submitted that management at Kyawama Secondary School in North Western Province had taken the necessary steps to ensure that church rentals were receipted and deposited before any expenditure was incurred.

With regard to Linda Secondary School tuck shop, the Controlling Officer stated that the manager had decided to use the money before banking it in order not to delay the procurement of supplies for the tuck shop.

The Controlling Officer stated that the Ministry had since put in place supervisory measures to ensure that the anomaly did not recur in future by making sure that all collections were deposited on the day following the receipt of the funds.

The Controlling Officer further stated that the head teachers for the two schools had been cautioned through the Provincial Education Officers to ensure that stipulated guidelines on the banking of revenue were adhered to.

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

The Committee is saddened that the head teachers blatantly ignored Financial Regulation No.121 which provides for all revenue to be deposited not later than the next business day following the day of receipt. In this vein, the Committee urges the Controlling Officer to mete out disciplinary action against the erring head teachers in order to deter other would be offenders and to sensitise the cited head teachers on the need to comply with the Financial Regulations and other applicable laws on the management of public finances. The Committee directs that all relevant documents be presented to the Office of the Auditor General for verification, and will await a progress report on the matter.

#### **b. Delayed Banking of User Fees -Linda Secondary School – K27,847**

The Controlling Officer informed the Committee that all user fees were deposited by parents and guardians directly into the school bank account.

The Controlling Officer further submitted that the Ministry had cautioned the Provincial Education Officer to desist from delaying banking of user fees beyond the stipulated period without prior authority from the Ministry.

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

The Committee recommends that the Controlling Officer metes out disciplinary action against the officers responsible for the delayed banking of the user fees, contrary to Financial Regulation No. 121. The Committee resolves to await a progress report on the matter.

#### **c. Missing Payment Vouchers – K18,524**

The Controlling Officer submitted that the payment vouchers that were misplaced at the time of audit had since been retrieved and were available for audit verification.

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

The Committee notes with dismay the perennial problem of misplacement of documents in the Ministry. The Committee reiterates its earlier recommendation that the Controlling Officer should ensure that records management is improved in the Ministry, and particularly at the cited schools. Further, the Committee recommends that the Controlling Officer takes disciplinary action against the officers responsible for the query. The Controlling Officer is further directed to avail the retrieved documents to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

#### **d. Unsupported Payments- K312,438**

The Controlling Officer explained that out of the K312,438, a total of K101,720 had since been supported with the relevant supporting documents, leaving a balance of K210,718. The Ministry was making effort to ensure that the outstanding supporting documentation was retrieved.

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

The Committee urges the Controlling Officer to locate the documentation to support the outstanding K210,718 payments without fail, and to mete out disciplinary action against the erring officers responsible for the query. Further, the Controlling Officer should ensure that the officers at the cited schools comply with Financial Regulations No. 45 and 52, which requires that all payments are vouched appropriately and the vouchers are supported by an official order and the supplier's invoices, respectively. The Committee awaits a progress report on the matter.

#### **e. Misapplication of Funds – K4,346,566**

The Controlling Officer informed the Committee that the cited Provincial Education Officers had been cautioned and directed to desist from applying funds on unapproved programmes and activities without authority. The Provincial Education Officers had further been directed to ensure that the funds which were applied on recurrent departmental charges without prior authority are reimbursed from the last quarter funding for 2019.

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

The Committee bemoans the rampant misapplication of funds by the Provincial Education Offices and District Education Boards and calls for stern disciplinary action to be taken against the officers responsible for this irregularity. The Committee urges the Controlling Officer to ensure that Provincial Education Officers and District Education Board Secretaries henceforth comply with Financial Regulation No. 31(1) by seeking prior authority to vary funds should the need arise. The Committee awaits a progress report on the matter.

**f. Failure to Deduct Tax- K478,073**

The Controlling Officer submitted that the outstanding Pay As You Earn Tax (PAYE) from the Provincial Education Offices in the Copperbelt and North Western Provinces would be recovered from the last quarter funding of recurrent departmental charges in December, 2019. The Provincial Education Officers for Western and Copperbelt Provinces had since been directed accordingly to comply with the stipulated tax laws and ensure that third party contributions were remitted without fail.

**Committee's Observations and Recommendations**

The Committee notes with great disappointment the failure by the Ministry to comply with the tax laws of the country. The Committee urges the Controlling Officer to regularise the situation by ensuring that the tax is remitted without further delay, in order to avoid incurring penalties and accumulation of interest for non-payment of tax. The Controlling Officer is further urged to institute disciplinary action against the officers responsible for causing the query. The Committee awaits a progress report on the matter.

**g. Failure to Remit Tax - K186,130 and National Pension Scheme Authority Contributions – K267,283**

The Controlling Officer explained that from a total sum of K453,413 due for PAYE and National Pension Scheme Authority (NAPSA), Western Province Provincial Education Office had since made part payment of K9,180. The Ministry was making efforts to ensure that the unremitted third party contributions were cleared in the last quarter of 2019. Records and supporting documentation were available for audit verification.

**Committee's Observations and Recommendations**

The Committee emphasises once again that the Ministry risks incurring penalties and accumulation of interest for non payment of tax and therefore, urges the Controlling Officer to ensure that the tax due is remitted without further delay. With regard to NAPSA contributions, the Controlling Officer is being reminded that the *National Pension Scheme Act, Chapter 256 of the Laws of Zambia*, requires an employer to pay pension contributions to NAPSA in respect of the employer's employees, and failure to do so is an offence for which an employer risks prosecution. The Committee recommends that the Controlling Officer should ensure that all the cited institutions remit the NAPSA contributions without further delay. Further, disciplinary action should be taken against the officers responsible for this lapse. The Committee awaits a progress report on the matter.

**h. Claims Without Obtaining Prior Authority**

The Controlling Officer informed the Committee that the North Western Provincial Education Office had been directed to desist from approving claims without obtaining prior authority and ensure that all refunds which were applied on recurrent departmental charges without prior authority such as payment of subsistence allowances and transport refunds were reimbursed from the last quarter funding for 2019 recurrent departmental charges grants.

However, the affected institutions had since managed to locate some of the documents which indicated that authority was granted for claims made by officers and the documents were available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the action taken on the matter and recommends that the Controlling Officer metes out disciplinary action against the Provincial Education Officer for approving

the claims without prior authority. The Controlling Officer should further ensure that the funds used to pay the claims are reimbursed without fail. Further, the Committee urges the Controlling Officer to provide documentary evidence that there was prior authority to pay claims to the Office of the Auditor General for verification. The Committee awaits a progress report on the matter.

**i. Irregular Payment of Subsistence and Meal Allowances – K49,914**

The Controlling Officer submitted that the Ministry had stopped the practice of paying subsistence and meal allowances to officers for activities undertaken within the district boundaries. The three Provincial Education Officers for Lusaka, Western and North Western Provinces had since been directed to effect recoveries from the officers concerned.

The Controlling Officer further submitted that the North Western Provincial Education Office would be dealt with in accordance with the stipulated guidelines such as those contained in Cabinet Office Circular Minute of 2015.

The Controlling Officer also informed the Committee that the Lusaka DEBS through Kabulonga Girls Secondary School and the Lukulu DEBS had effected recoveries in amounts totalling K45,369 against all officers who were paid the allowances. Further, the Ministry had written to the Secretary to the Treasury, requesting a waiver to pay allowances to officers on duty within the district boundary as many of the schools were in far flung areas in Western Province. This made it difficult for officers to access the schools and return to their station on the same day.

**Committee's Observations and Recommendations**

The Committee notes the corrective measures taken and recommends that disciplinary action be taken against the officers responsible for approving the irregular payment of the subsistence and meal allowances, contrary to the provisions of Cabinet Circular Minute of 2015. The Committee further notes that even if the Secretary to the Treasury granted the application for a waiver, such a waiver would not apply retrospectively but would apply going forward. In this regard, the Controlling Officer should ensure that all the irregularly paid allowances are recovered without delay. The Committee awaits a progress report on the matter.

**j. Unacquitted Funds – Lusaka Provincial Education Office – K12,713**

The Controlling Officer informed the Committee that the acquittal sheets had since been retrieved and were available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the response and urges the Controlling Officer to submit the acquittal sheets to the Office of the Auditor General for audit verification. The Committee further recommends that the Controlling Officer takes disciplinary action against the officers who failed to avail the acquittal sheets to the auditors at the time of audit. The Committee awaits a progress report on the matter.

**k. Unretired Accountable Imprest- K264,986**

The Controlling Officer submitted that the retirement documentation pertaining to K264,986 was misfiled at the time of audit but had since been retrieved. The records were available for audit verification.

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

The Committee urges the Controlling Officer to direct his officers to comply with Financial Regulation No. 96 which requires that imprest be retired within forty-eight hours after the purpose for which it is issued has been fulfilled. The Committee further urges the Controlling Officer to mete out disciplinary action against the officers who failed to retire the imprest within the stipulated time, and the responsible officer who did not instruct the salaries section to deduct the outstanding imprest from the imprest holders upon their failure to retire the imprest timely. Additionally, the Ministry should submit the retrieved documents to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

#### **l. Failure to Produce Activity Reports – Kenneth Kaunda Secondary School**

The Controlling Officer informed the Committee that the activity reports had been retrieved and were available for audit verification.

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

The Committee wonders why the reports were not availed to the auditors at the time of audit and therefore, doubts their authenticity. However, the Committee urges the Controlling Officer to avail the documents to the Office of the Auditor General for audit verification. The Committee further urges the Controlling Officer to mete out disciplinary action against the officers who failed to avail the activity reports to the auditors at the time of audit. The Committee awaits a progress report on the matter.

#### **m. Irregular Procurement of Goods and Services Using Imprest**

The Controlling Officer informed the Committee that the Provincial Education Officers had been directed to stop the trend of procuring goods and services using accountable imprest. The Controlling Officer submitted that the Ministry, through the Muchinga Provincial Education Office, effected recoveries and the pay slips were available for audit verification.

The Controlling Officer further submitted that the Northern Province Provincial Education Office, through the Luwingu District Education Board office, reimbursed the school. The receipt and copies of the bank statement and deposit slips were available for audit verification.

The goods received vouchers had been retired accordingly while the goods procured had been recorded in the stores ledger and disposed to the beneficiaries. The goods in respect of Western Province were procured from various suppliers in small quantities that meant issuing cheques in small amounts such as K20.

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

The Committee bemoans the level of impunity exhibited by the cited institutions in the abuse of accountable imprest. The Committee recommends that the Controlling Officer sensitises these institutions to stop abusing accountable imprest and instead comply with Financial Regulation No. 86 (c) and utilise accountable imprest only to facilitate the purchase of goods and services whose value cannot be ascertained at the time. The Committee further recommends that the Controlling Officer institutes disciplinary action against the erring officers who approved the irregular procurements using accountable imprest and submit all relevant documents to the Auditor General for verification. The Committee awaits a progress report on the matter.

**n. Unaccounted for Stores - K490,176**

The Controlling Officer informed the Committee that the stores documents were misfiled at the time of audit but had since been retrieved and were available for audit scrutiny.

The Controlling Officer further informed the Committee that the receipt and disposal details in respect of Eastern Province Provincial Education Office were collected by the law enforcement agency.

**Committee's Observations and Recommendations**

The Committee recommends that the Controlling Officer metes out disciplinary action against the officers who misfiled the documents in the cited institutions and avails the retrieved documents to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

**o. Fuel Drawn by Motor Vehicles Not on Institutional Fleet -Chibombo District Education Board**

The Controlling Officer informed the Committee that management from the filling station had indicated that the vehicles in question were wrongly captured and had since been reversed. The Controlling Officer explained that Chibombo DEBS was dependent on other Government departments for transport especially during the period of key national programmes such as conducting examinations.

**Committee's Observations and Recommendations**

The Committee notes the response and requests the Controlling Officer to avail all documentary evidence to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

**p. Failure to Insure Motor Vehicles**

The Controlling Officer informed the Committee that the Ministry planned to insure the motor vehicles once funds were made available in the last quarter of 2019. However, a part payment of K10,000 had been made by Lusaka Provincial Education Office under Munali Boys Secondary School and Muchinga Province Provincial Education Office under Mpika Boys Secondary School to Goldman Insurance Limited. The Ministry was making effort to ensure that the remainder of the twenty-two vehicles were comprehensively insured.

**Committee's Observations and Recommendations**

The Committee realises the importance of insuring motor vehicles as insurance takes care of costs for repair or replacement and compensation of third parties in the event of an accident. The Committee urges the Controlling officer to ensure that the remaining uninsured motor vehicles are insured without fail. The Committee awaits a progress report on the matter.

**q. Failure to Inscribe Government Assets**

The Controlling Officer informed the Committee that the assets for the Copperbelt and Muchinga Provinces Provincial Education Offices had since been inscribed. North Western and Eastern Provinces were yet to inscribe the assets. Supporting documentation was available for audit verification.

**Committee's Observations and Recommendations**

The Committee is disappointed that not all the Government assets have been inscribed and urges the Controlling Officer to expedite the process in line with good management of public

resources. The Committee further notes the effort made to inscribe some assets and urges the Controlling Officer to ensure that all Government assets in the cited institutions are inscribed. The Committee awaits a progress report on the matter.

**r. Outstanding Bills - K95,180,129**

The Controlling Officer informed the Committee that the delay in dismantling the arrears in amounts totalling K95,180,129 was attributed to the failure by the Treasury to release funding to the Ministry for payment of outstanding bills.

**Committee's Observations and Recommendations**

The Committee notes the response and recommends that the Secretary to the Treasury intervenes and agrees with the Ministry on an implementable payment plan to ensure that the outstanding bills were dismantled. The Committee awaits a progress report on the matter.

**s. Failure to Recover Salary Advances – K72,372**

The Controlling Officer submitted that recoveries had since been effected and the payroll inputs and payslips were available for audit verification.

**Committee's Observations and Recommendations**

The Committee is disappointed that the salary advances were not recovered until after the audit. The Committee urges the Controlling Officer to sensitise the officers in the cited institutions on the need to adhere to the Terms and Conditions of Service for the Public Service No. 92 which requires that a salary advance be repaid within six months. The Committee further recommends that the Controlling Officer takes disciplinary action against the officers who failed to effect recoveries within the time frame provided in the Terms and Conditions of Service. The Committee awaits a progress report on the matter.

**t. Failure to Reimburse Borrowed Funds - K40,420**

The Controlling Officer submitted that the omission was noted and that in future authority would be sought to vary funds prior to use where need shall arise.

**Committee's Observations and Recommendations**

The Committee notes the submission and recommends that the Controlling Officer metes out disciplinary action against the officers who misapplied the funds. The Committee emphasises that the requirement to seek Treasury Authority prior to undertaking any variation of funds is mandatory and not optional. The Controlling Officer should further ensure that the funds are reimbursed without fail. The Committee awaits a progress report on the matter.

**u. Unauthorised Transfer of Funds between Accounts - K772,638**

The Controlling Officer informed the Committee that the officers were cautioned to desist from the practice. Further, the Lusaka Province Education Office had refunded a total sum of K168,969 leaving a balance of K45,031 to be paid in the last quarter of 2019.

**Committee's Observations and Recommendations**

The Committee recommends that the Controlling Officer should ensure that his officers do not breach the provisions of the *Public Finance Management Act, No. 1 of 2018* as it prohibits the transfer of public money between accounts without written approval of the Secretary to the Treasury. Further, the Committee directs that the funds should be transferred back to their original accounts. The Committee further recommends that the Controlling

Officer takes disciplinary action against the erring officers responsible for the unauthorised bank transfers. The Committee awaits a progress report on the matter.

**v. Payments above Prescribed Threshold**

The Controlling Officer submitted that the Provincial Education Officers for North Western and Copperbelt Provinces had been cautioned to avoid the recurrence of this query in future and to comply with the Procurement Regulations when procuring goods and services above the authorised limits.

**Committee's Observations and Recommendations**

The Committee notes the response and calls for disciplinary action to be taken against the officers responsible for this irregularity. The Committee will await a progress report on the matter.

**w. Issuance of Cheques on Insufficiently Funded Bank Accounts–Mongu College of Education**

The Controlling Officer submitted that the Principal of Mongu College of Education had been cautioned and the Provincial Education Officer had been directed to sensitise the College on the importance of complying with the *National Payment Systems Act, No. 1 of 2007*.

**Committee's Observations and Recommendations**

The Committee urges the Controlling Officer to institute disciplinary measures against the officers involved and ensure that the officers at the cited institution comply with the provisions in the *National Payment Systems Act, No. 1 of 2007* in future. The Committee also recommends that all relevant documentation be presented to the Auditor General for verification and awaits a progress report on the matter.

**x. Irregular Engagement of Suppliers**

The Controlling Officer explained that there was an oversight on the part of management and the Provincial Education Officers for Muchinga and Southern Provinces had been directed to sensitise the respective DEBS and Secondary School head teachers on the importance of complying with the Public Procurement Guidelines and the *Zambia Public Procurement Act of 2008*.

**Committee's Observations and Recommendations**

The Committee commends the Ministry for undertaking to sensitise the institutions cited on the requirement to comply with the Zambia Public Procurement Act and all relevant Guidelines and Regulations. The Committee urges the Controlling Officer to institute disciplinary action against the erring officers who failed to adhere to Public Procurement Regulation No. 155 (1). The Committee awaits a progress report on the matter.

**y. Misappropriation of Funds – Linda Secondary School, Livingstone - K61,354**

The Controlling Officer informed the Committee that the matter was reported to the Zambia Police Service and the two officers were charged, suspended and had since been recommended for dismissal.

The Controlling Officer stated that the Ministry had put in place the internal controls set out below.

- i. The school accountant under the close supervision of the school manager shall ensure that monthly bank reconciliations are done by every second week of the following month. The measure shall help to reveal any irregular transactions that could have taken place in the previous month.
- ii. The school has started using internet banking. The service is also helping to monitor the inflow and outflow of cash from the account.

Supporting documentation was available for audit verification.

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

The Committee urges the Controlling Officer to ensure that the misappropriated funds are recovered. The Committee will await a progress report on the matter.

#### **z. Failure to Provide Contract for the MTN Tower – Linda Secondary School, Livingstone**

The Controlling Officer informed the Committee that the Provincial Education Officer had been directed to formulate a tenancy agreement for the school in order to provide for legal backing and accountability.

The Controlling Officer further informed the Committee that the original contract was misplaced. However, the school management was making frantic efforts to ensure that the network provider was engaged on the possibility of the network provider availing a copy of the contract to the school. Supporting documentation was available for audit verification.

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

The Committee emphasises that the misplacement and misfiling of documents in the Ministry is rampant and unacceptable and, therefore, calls on the Controlling Officer to implement stiff measures to improve records management at the cited institution. The Controlling Officer should further institute disciplinary action against the relevant officer responsible for the misplacement of the contract. Additionally, the Controlling Officer should ensure that the contract is retrieved and submitted to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

#### **aa. Procurement of Second-Hand Bus without Authority– Linda Secondary School**

The Controlling Officer informed the Committee that the Ministry had written to Cabinet Office requesting for retroactive Plant, Vehicle and Equipment Committee (PVEC) authority to purchase a second-hand motor vehicle. Further, the Provincial Education Officer for Southern Province had since been cautioned to comply with the Procurement Regulations when procuring movable and non-movable assets.

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

The Committee is dismayed by the behaviour of the Ministry of General Education management on the matter. The Committee cautions the Controlling Officer for the lapse and urges him to ensure that Linda Secondary School management adheres to procurement regulations and seek authority for any activity that requires prior authority to be undertaken. The Committee further recommends that the Controlling Officer metes out disciplinary action against the PEO, the head teacher and other officers responsible for the lapse. The Committee awaits a progress report on the matter.

**bb. Overcharging of Centre Fees – Kasempa Boarding Secondary School**

The Controlling Officer informed the Committee that the Ministry had cautioned the Provincial Education Officer for North Western Province to desist from overcharging centre fees and ensure that excess user fees charged on the pupils were spread to the rest of the school terms. For the non-returning pupils the fees should be refunded in the month of November, 2019.

**Committee’s Observations and Recommendations**

The Committee condemns in the strongest terms the overcharging of unsuspecting pupils in terms of centre fees. The Committee is specifically concerned that, in the absence of an audit, the irregularity would have continued. The Committee, therefore, recommends that the Controlling Officer metes out stern disciplinary action against the head teacher at Kasempa Boarding Secondary School in order to serve as a deterrent to others. The Committee further calls on the Controlling Officer to ensure that the pupils concerned are refunded, without fail. The Committee will await a progress report on the matter.

**cc. Failure to use Accounts Form 40**

The Controlling Officer submitted that the officers had been cautioned for the failure to comply with the stipulated Financial Regulations and recoveries had since been effected.

**Committee’s Observations and Recommendations**

The Committee notes the action taken and requests the Ministry to avail all documentary evidence to the Office of the Auditor General for audit verification. Further, disciplinary action should be meted out against all officers who were responsible for this lapse. The Committee will await a progress report on the matter.

**dd. Failure to Avail Lease Agreements – Kasempa Boys Secondary School**

The Controlling Officer informed the Committee that the Provincial Education Officer for North Western Province had been directed to formulate tenancy agreements for the properties that the school had leased out in order to provide for legal backing and accountability.

**Committee’s Observations and Recommendations**

The Committee is concerned that revenue from the leased properties can be misappropriated in the absence of lease agreements. The Committee urges the Controlling Officer to ensure that the formulation of the lease agreements is completed expeditiously. The Committee will await a progress report on the matter.

**ee. Under Deduction of Tax - Kasempa Boys Secondary School**

The Controlling Officer informed the Committee that the erring officers had been cautioned for the failure to comply with the Terms and Conditions of Service. Recoveries had since been effected and the Ministry would remit the PAYE to ZRA in the month of December, 2019 once the Ministry of Finance released the grants.

**Committee’s Observations and Recommendations**

The Committee notes the action taken and awaits a progress report on the matter.

**ff. Irregular Settlement of Officer’s Meals and Accommodation – K2,040 -Kasempa Boys Secondary School**

The Controlling Officer submitted that the officer had since reimbursed the money paid to him and the deposit slips were available for audit verification.

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

The Committee notes the response and recommends that the Controlling Officer metes out disciplinary action against the responsible officer who authorised the irregular settlement of the head teacher's meals and accommodation bills. The Committee further requests the Controlling Officer to submit documentary evidence to the Office of the Auditor General, that the head teacher had reimbursed the money, for audit verification. The Committee awaits a progress report on the matter.

#### **gg. Unreceived Funds – K277,737**

The Controlling Officer informed the Committee that the funding slips regarding the amounts released to seven institutions were not availed to the Department by the auditors. The Ministry received a block amount of funding to the schools and not for specific schools. The Controlling Officer explained that the distribution of the funding to schools was done by the Ministry in accordance with the size of the school, grade and population size. However, the Ministry would be grateful to conduct a reconciliation of the said funding by the auditors during audit verification.

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

The Committee notes the response and urges the Controlling Officer to submit relevant documentation to the Office of the Auditor General for a reconciliation to ascertain the outstanding funds that were yet to be received by the respective institutions. The Committee awaits a progress report on the matter.

#### **hh. Irregular Payment of Household Loans –Provincial Education Officer – K334,792**

The Controlling Officer informed the Committee that recoveries had been effected from the officers concerned and the pay slips were available for verification. Further, the Provincial Education Officer had been directed to desist from paying loans, contrary to the Public Service Management Division Circular No. B.12 of 2012.

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

The Committee notes the response and recommends that the Controlling Officer takes disciplinary action against the erring officers who authorised the irregular payment of Household Loans. The Committee further instructs the Controlling Officer to ensure that Ministry officials comply with the provisions of Public Service Management Division Circular No.B.12 of 2012 without fail, and the funds are recovered. The Committee awaits a progress report on the matter.

#### **ii. Delay in Utilising Infrastructure Funds Lusaka DEB**

The Controlling Officer informed the Committee that when funds were sent to Lusaka DEBS the Provincial Education Officer engaged the Ministry on the possibility of transferring the funds to more pressing needs than Chitukuko Community and Chawama Nkoloma Schools.

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

The Committee reiterates that all variations can only be undertaken with prior authority given by the Secretary to the Treasury. In this regard, the Committee requests the Controlling Officer to avail documentary evidence pertaining to the engagement with the Ministry of Finance to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

**jj. Failure to Collect Rental Income – Kabulonga Girls’ Secondary School**

The Controlling Officer informed the Committee that MTN Zambia Limited had since paid the outstanding rent it was owing for the communication towers.

**Committee’s Observations and Recommendations**

The Committee notes the response and recommends the matter for closure subject to presentation of the supporting documents to the Office of the Auditor General for verification.

**MINISTRY OF GENERAL EDUCATION**

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 37</b>
<b>PROGRAMME</b>	:	Personal Emoluments
<b>ACTIVITY</b>	:	Various

**Accounting and Other Irregularities**

33. An examination of accounting and other records maintained at the Ministry headquarters, Provincial Education Offices (PEOs), District Education Offices (DEOs), colleges and high schools carried out from March to May, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

**a. Misplacement of Payroll Area**

The Controlling Officer informed the Committee that the demand for education services had increased over the years such that some teachers were sent to schools that did not yet have establishments. The Controlling Officer stated that the other challenge the Ministry was facing was that teachers were being transferred to schools that had been gazetted but not yet funded while their pay points remained at the old schools.

The Controlling Officer further informed the Committee that the cited officers under Central Province Education Office were at Malcom Moffat College of Education where their services were needed. However, the payroll had not yet been upgraded. It was planned that once the officers were upgraded, they would be moved to the right payroll. The situation where the officers were drawing salaries from the DEB offices was as a result of schools which had been upgraded to secondary school status but not yet upgraded on the payroll. The officers would be placed in the right payroll areas once the payroll was upgraded.

With regard to the twelve employees drawing salaries on the Northern Province Education Office payroll, the Controlling Officer submitted that the situation was as a result of transfers to other provinces and districts where positions on the payroll were not available. Payroll transfers would be effected as soon as positions were made available on the payroll.

Concerning the eighty-one employees at Mbala District Education Board Office who were transferred from the Northern Province to other provinces and districts but still drawing salaries on Mbala District payroll, the Controlling Officer explained that this was due to lack of payroll positions at the stations they had been transferred to. However, management was committed to ensuring that corrections were made.

The Controlling Officer clarified that seventy six and not 787 employees in Luwingu District drew salaries at stations where they were paid from, when in fact not serving at those stations. This was due to transfers of some teachers to newly opened schools without positions on the

payroll and transfers to other provinces and districts. The rest of the employees drew salaries from stations where they were serving.

The Controlling Officer stated that management was making frantic efforts to ensure that positions were found for the officers who had moved to other stations but drawing salaries from Luapula Province Education Office. The Controlling Officer explained that five of the officers were Heads of Department, whose payrolls would normalise upon vacancies being created. The Controlling Officer stated that the various schools they were operating from had partial staff establishments which had positions for Head teacher, Deputy Head teacher and some teachers.

With regard to the case of the Vice Principal by appointment, the Controlling Officer stated that the officer was transferred to Kasama College of Education in Northern Province in 2018, but the pay point had not yet been transferred to Northern Province. The pay point would be transferred once the vacancy was created at Kasama College of Education.

The Controlling Officer also explained that the other category of senior lecturers by appointment and the lecturers were transferred to Malcom Moffat College in Central Province in 2016 but their pay points had not yet been transferred to Central Province. However, the officers' payroll would only be transferred when the positions were created.

The Provincial Education Office for Luapula Province had another case of a matron by appointment who was transferred to Mwense DEB as Human Resources Management Officer upon her successful completion of a Diploma in Human Resources Management. The officer could not be recommended for appointment as the position had remained frozen for some time. Any recommendation to such positions could only happen once the vacancies were created.

The Controlling Officer submitted that a letter of redirection from one school to another for one officer, and the supporting arrival advice and payment of salary form were the only supporting documentation available for audit verification.

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

The Committee bemoans the chaos surrounding the issue of payroll areas in the Ministry of General Education. The Committee is concerned that this confusion negatively affects learners and citizens in the affected districts. This is because the offices where officers drew salaries from despite them having been transferred to other places could not get replacement staff. The Committee calls upon the Secretary to the Treasury to ensure that the misplacement of payroll areas is resolved as a matter of urgency in the Ministry of General Education. Further, the Controlling Officer should provide timelines within which activities meant to normalise the misplacement of the payroll area will be completed. The Committee awaits a progress report on the matter.

#### **b. Irregular Payment of Housing Allowances - K3,357,503**

The Controlling Officer submitted that the Ministry had stopped paying Housing Allowance to officers not entitled and the Provincial Education Officers for the cited provinces had since effected recoveries. Supporting documentation was available for audit verification.

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

The Committee notes the action taken and recommends that disciplinary action be taken against the officers who authorised the irregular payment of Housing Allowances, contrary to

Cabinet Office Circular No. B2 of 2010 (2) (b). The Controlling Officer should further ensure that the officers at the cited stations comply with the circular, henceforth, and the funds are recovered in full without fail. In addition, the Controlling Officer should present all relevant documentation to the Auditor General for verification. The Committee awaits a progress report on the matter.

**c. Irregular Payment of Rural and Remote Hardship Allowances - K3,337,166**

The Controlling Officer informed the Committee that the Ministry had stopped the practice of paying Rural and Remote Hardship Allowances to officers not entitled and recoveries had since been effected. The payslips were available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the action taken and recommends that disciplinary action be taken against the officers who authorised the irregular payment of Housing Allowances, contrary to the Terms and Conditions of Service for the Public Service No. 166. The Controlling Officer should further ensure that the officers at the cited stations comply with the Terms and Conditions of Service, henceforth, and the funds are recovered in full without fail. The Controlling Officer is further directed to submit all relevant documentation to the Auditor General for verification. The Committee awaits a progress report on the matter.

**d. Irregular Payment of Responsibility Allowance - K92,111**

The Controlling Officer informed the Committee that the Ministry had since guided on the matter and stopped the practice of paying Responsibility Allowance to ineligible officers. The Controlling Officer further submitted that recoveries had since been effected. Supporting documentation was available for audit verification.

**Committee's Observations and Recommendations**

The Committee is dismayed with the non-adherence to the provisions of the Collective Agreement of 3<sup>rd</sup> April, 2013, between the Government of the Republic of Zambia and Secondary School Teachers Union of Zambia (SESTUZ). The Committee recommends that disciplinary action be taken against the erring officers who authorised the irregular payment of Responsibility Allowance. The Controlling Officer should further ensure that the funds paid irregularly are recovered without fail and that all relevant documentation is submitted to the Auditor General for verification. The Committee awaits a progress report on the matter.

**e. Irregular Payment of Double Class Allowance to Secondary School Teachers - K41,810**

The Controlling Officer informed the Committee that the Ministry had since guided on the matter and stopped the practice of paying Double Class Allowances to ineligible officers. The Provincial Education Officers for Southern and Western Provinces had since effected recoveries from the concerned officers. Supporting documentation was available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the response and recommends that the Controlling Officer takes disciplinary action against the officer who approved the irregular payment of Double Class Allowance, contrary to the Terms and Conditions of Service for the Public Service No. 167 (k) which provides for payment of Double Class Allowance to teachers required to teach double classes at primary school level. The Controlling Officer should further ensure that the irregularly paid funds are recovered in full without fail and that all relevant documentation is

submitted to the auditor General for verification. The Committee awaits a progress report on the matter.

**f. Irregular Payment of Allowances without Authority – Chinsali DEB - K1,181,030**

The Controlling Officer informed the Committee that authority had since been granted and supporting documentation was available for audit verification.

**Committee’s Observations and Recommendations**

The Committee notes the response and recommends that the Controlling Officer takes disciplinary action against the officer who approved the payment of allowances without authority from the responsible officers. The Committee further calls upon the Controlling Officer to ensure that the lapse does not happen again at the cited station and to submit documentary evidence to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

**g. Irregular Payment of Salaries to Officers that Resigned from the Civil Service - K91,861**

The Controlling Officer informed the Committee that the Ministry wrote to Kalulushi Town Council where one officer was working as Chief Human Resources Management Officer. The Controlling Officer further informed the Committee that the Kaoma District Education Board office where the other officer was originally based had written confirming that the funds paid to the officer would be recovered. Supporting documentation was available for audit verification.

With regard to the officer from Eastern Province, the Controlling Officer submitted that the officer was introduced on the payroll in September, 2018 and the Provincial Education Officer was only availed the resignation letter on the 4<sup>th</sup> of August, 2019, the day the officer was removed from the payroll. The Controlling Officer stated that the Ministry, through the PEO, had written to the Teaching Service Commission to help with the recovery of the irregular salaries that were drawn before being removed from the payroll.

**Committee’s Observations and Recommendations**

The Committee notes the response and urges the Controlling Officer to ensure that the funds irregularly paid to the officers are recovered. Further, the Controlling Officer should institute disciplinary action against the officers responsible for the lapse and all relevant documentation should be submitted to the Auditor General for verification. The Committee awaits a progress report on the matter.

**h. Failure to Terminate Convicted Officers from the Payroll**

The Controlling Officer informed the Committee that the District Education Board office had submitted recommendations for dismissal to the Teaching Service Commission. However, feedback had delayed and the officers could not be terminated from the payroll. Further, the Lukulu DEBS had the officer’s salary blocked pending authority for dismissal and had also made arrangements to have the funds paid to the officer recovered from his terminal benefits.

In addition, the Provincial Education Officer for Southern Province had been directed to terminate the officer from the payroll. Supporting documentation was available for audit verification.

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

The Committee bemoans the loss of public funds through the Ministry's failure to adhere to the provisions of the Disciplinary Code and Procedures for Handling Offences in the Public Service. The Committee recommends that the Controlling Officer should institute disciplinary action against all officers responsible for this lapse and ensure that the cited stations comply with the Disciplinary Code and Procedures for Handling Offences. The Controlling Officer should further follow up the matter and ensure that the funds irregularly paid as salaries are recovered without fail. The Committee awaits a progress report on the matter.

#### **i. Failure to Recommend Retirement on Medical Grounds**

The Controlling Officer informed the Committee that the Ministry had since written to the Ministry of Health to constitute medical boards for the affected officers.

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

The Committee is concerned with the laxity of the Ministry regarding the matter. The Committee cautions the Controlling Officer for the lapse and further urges the Controlling Officer to follow up the matter with the Ministry of Health. The Committee resolves to await a progress report on the matter.

#### **j. Introduction of Officers on Payroll without Authority – Northern Province**

The Controlling Officer informed the Committee that all the appointment letters had been retrieved and were available for audit verification.

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

The Committee notes the response and recommends that the Controlling Officer metes out disciplinary action against the officers who authorised the introduction of the officers on the payroll with authority, and those who failed to provide the appointment letters to the auditors at the time of audit. The Controlling Officer is further requested to submit the retrieved documents to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

#### **k. Officers with Net Pay below 40 Per cent of Basic Pay – Central Province**

The Controlling Officer informed the Committee that the Ministry had since guided the Central Province Education Office to comply with the Terms and Conditions of Service pertaining to the repayment of loans and salary advances.

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

The Committee notes the response and urges the Controlling Officer to ensure that the officers at the cited station comply with Public Service Management Division Circular No. B.19 of 2007 which provides that an officer's net pay after deductions should not be less than 40 percent of the basic pay. The Committee further recommends that the Controlling Officer metes out disciplinary action against the erring officers who failed to comply with the circular. The Committee awaits a progress report on the matter.

#### **l. Employees with Duplicate Bank Account Numbers – Eastern Province**

The Controlling Officer explained that the situation arose as a result of officers maintaining joint accounts as couples, and in some cases, some nuns in the Province drew salaries from one pool account.

The Controlling Officer stated that the Provincial Education Officer had been directed to sensitise the officers concerned on the importance of maintaining individual bank accounts. The marriage certificates were available for audit verification.

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

The Committee notes the response and urges the Controlling Officer to regularise the situation. Further, all relevant documentation should be submitted to the Auditor General for verification. The Committee will await a progress report on the matter.

#### **m. Failure to Remove Deceased Officer from Payroll – Southern Province**

The Controlling Officer informed the Committee that at the time of audit a cook based at David Livingstone College of Education was not transferred to the legacy payroll. The cook was deceased and the Provincial Education Office had written to the Director PMEC to move the deceased officer to a separate payroll or the legacy payroll since he qualified for posthumous retirement. The records were available for audit verification.

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

The Committee notes the response and recommends that the Controlling Officer metes out disciplinary action against the officers who failed to provide information on the status of the deceased to the auditors at the time of audit. The Committee awaits a progress report on the matter.

#### **n. Delay to Effect Action on Teachers Recommended for Dismissal and Demotions – Western Province**

The Controlling Officer informed the Committee that the Ministry was still awaiting feedback from the Teaching Service Commission.

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

The Committee will await a progress report on the matter.

#### **o. Questionable Payment of Salary – Muchinga Province - K51,465.**

The Controlling Officer informed the Committee that the investigations done with PMEC revealed that the officer was put on the payroll. However, bank details were not entered, and as a result the officer did not get the money in question.

The Controlling Officer further submitted that the school in question where the officer was alleged to be serving existed in Isoka District and it had thirty-four officers on the payroll.

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

The Committee notes the response and directs the Controlling Officer to avail documentary evidence on the matter to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

#### **p. Irregular Payment of Salaries to Officer Absent from Duty without Leave - Copperbelt Province - K107,016**

The Controlling Officer informed the Committee that the Ministry had since directed the Provincial Education Officer to stop the payment of salaries to the teacher and to effect recoveries.

The Controlling Officer stated that the officer had been removed from the payroll effective 1<sup>st</sup> August, 2019 and recoveries would be made from terminal benefits. Further, disciplinary procedures had commenced to dismiss the officer from the civil service.

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

The Committee notes the action taken and recommends that disciplinary action be taken against the erring officers responsible for the lapse. The Controlling Officer should further ensure that the funds paid in form of salaries are recovered without fail. The Committee awaits a progress report on the matter.

#### **q. Irregular Payment of Salaries to an Officer That Resigned From the Service – Southern Province - K25,389**

The Controlling Officer informed the Committee that a former class teacher at Monze Secondary School under payroll area Chikuni Girls' Secondary School was appointed to the Local Government Service Commission as District AIDS Coordination Advisor at Petauke Town Council as per minute dated 28<sup>th</sup> May, 2018.

However, the officer did not inform the office of the DEBS when he was placed on the payroll under Local Government and it took the office of the DEB time to find out whether he was on the Local Government Payroll. The letter and other supporting documentation were available for audit verification.

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

The Committee is of the view that the immediate supervisor should have known that the officer had not been reporting for work and advised the relevant officers to investigate the matter further. The Committee recommends that the Controlling Officer metes out disciplinary action against the immediate supervisor for failing to report the absence of the officer for purposes of terminating the officer from the payroll. Further, the Controlling Officer should ensure that the salaries paid irregularly are recovered without fail and submit all relevant documentation to the Auditor General for verification. The Committee awaits a progress report on the matter.

#### **r. Irregular Payment of Fuel and Transport Allowances – North Western Province - K18,862**

The Controlling Officer submitted that the Ministry had since directed the Provincial Education Officer to stop the irregular payment of Fuel and Transport Allowances and to effect recoveries from the officer concerned.

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

The Committee is of the view that the cited officer was aware that he was not eligible to claim Fuel Allowance. The Committee, therefore, recommends that the Controlling Officer metes out disciplinary action against the cited officer for claiming Fuel Allowance, contrary to Cabinet Office Circular No. B13 of 2012, which states that an officer who is entitled to Transport Allowance shall not be entitled to Fuel Allowance. The Controlling Officer should further mete out disciplinary action against the officers who authorised the payment of Fuel Allowance, and ensure that the irregularly paid Fuel Allowance is recovered. Additionally, all relevant documentation should be submitted to the Auditor General for verification. The Committee awaits a progress report on the matter.

**s. Irregular Payment of Salaries to a Seconded Officer – Southern Province - K40,058**

The Controlling Officer informed the Committee that the Ministry had since directed the Provincial Education Officer to effect recoveries from the officer concerned.

**Committee's Observations and Recommendations**

The Committee notes the response and cautions the Controlling Officer to desist from disregarding the Terms and Conditions of Service No. 34 (d), which states that a seconded officer shall not receive a salary from the public service during the period of secondment as payment of his or her salary shall be the responsibility of the organisation he or she is seconded to. The Committee further recommends that the Controlling Officer should ensure that the irregularly paid salaries are recovered and that disciplinary action is taken against both the officer for failing to report the irregularity and the officer who authorised the payments. The Committee awaits a progress report on the matter.

**t. Officer Drawing Double Salaries – Muchinga Province - K53,861.**

The Controlling Officer informed the Committee that Zambia National Commercial Bank (ZANACO) Plc had since remitted back the funds from the cited officer to PMEC and the DEBS had since been cautioned to desist from flouting Financial Regulations governing the management of the payroll. Supporting documentation was available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the response and recommends that the Controlling Officer takes disciplinary action against the erring officers for the irregularity. The Committee further requests the Controlling Officer to avail documentary evidence to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

**u. Salaries Paid to Unknown Officers– Western Province - K84, 843**

The Controlling Officer informed the Committee that the allegedly unknown officers who were appearing on the Lukulu DEB payroll were appointed by the Ministry of General Education and were based at Kitwe College of Education. The arrival advice form 81 and re – direction letters were available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes the response and recommends that the Controlling Officer takes disciplinary action against the erring officers who failed to provide information to the auditors at the time of audit. The Committee further urges the Controlling Officer to avail documentary evidence to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

## MINISTRY OF GENERAL EDUCATION

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 38</b>
<b>PROGRAMMES</b>	:	Various
<b>ACTIVITIES</b>	:	Various

### **Accounting and Other Irregularities**

34. An examination of accounting and other records maintained at the Ministry headquarters and carried out from January to August, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### **a. Unsupported Payments- K457,293**

The Controlling Officer informed the Committee that out of the K457,293, an amount of K113,424 had since been retrieved leaving a balance of K343,869. The Ministry was making efforts to ensure that the outstanding payments were adequately supported with relevant documentation. The retrieved supporting documentation was available for audit verification.

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

The Committee notes the response and urges the Controlling Officer to ensure that the outstanding payments are supported with relevant documents in compliance with Financial Regulations Nos. 45(2) and 52(1). The Committee further recommends that the Controlling Officer takes disciplinary action against the officers who misplaced the supporting documents. The Committee awaits a progress report on the matter.

#### **b. Unremitted Value Added Tax – K83,071**

The Controlling Officer submitted that the Ministry would remit the tax to ZRA once the Treasury released funding which was mopped up following the closure of the dormant account MOE – National Implementation Framework (III) number 0011000700141.

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

The Committee reminds the Controlling Officer that tax is a major source of Government revenue and therefore, it must be remitted without fail. The Committee cautions the Controlling Officer to desist from failing to remit the withheld tax as that deprived the Government of the much needed revenue. The Committee urges the Controlling Officer to ensure that the withheld tax is remitted without fail. The Committee awaits a progress report on the matter.

#### **c. Unaccounted for Stores - K60,030**

The Controlling Officer informed the Committee that out of the K60,030 an amount of K20,625 had since been supported with receipt and disposal details. The Ministry was making efforts to ensure that the balance of K42,155 was adequately supported with receipt and disposal details.

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

The Committee notes the response and recommends that the Controlling Officer takes disciplinary action against the erring officers for failure to avail the relevant documents to the auditors at the time of audit. The Committee further urges the Controlling Officer to ensure that the Ministry complies with Stores Regulation No. 16 which requires that stores items procured are supported with receipt and disposal details such as receipts and delivery notes. The Controlling Officer should therefore, ensure that the outstanding balance of K42,155 is

adequately supported with relevant documentation without fail. In addition, the retrieved documents should be submitted to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

**d. An Unexplained Reversal of Funds**

The Controlling Officer submitted that after analysing the bank statements, it was noted that the funds were not deposited in the Investrust Bank Account No. 18010110235563015 due to wrong bank account details. The account indicated on the bank statement dated 19<sup>th</sup> January, 2017 was 18010110235563015 instead of 180110235563015. The funds were therefore, kept in the suspense account at Bank of Zambia and credited back later.

The Controlling Officer explained that the funds were meant to facilitate the review of submissions from the Provincial Consultative Meeting on the 1996 Education Policy Review.

**Committee's Observations and Recommendations**

The Committee notes the response and requests the Controlling Officer to submit documentary evidence to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

**e. Failure to Reimburse Borrowed Funds - National Science Centre (NSC)**

The Controlling Officer informed the Committee that the Ministry had prioritised to pay the National Science Centre once the Treasury released funding which was mopped up following the closure of the dormant account Ministry of Education National Implementation Framework (III) number 0011000700141.

**Committee's Observations and Recommendations**

The Committee notes the response and cautions the Controlling Officer for the lapse. The Committee urges the Controlling Officer to ensure that prior authority is sought from the Secretary to the Treasury for any borrowing of funds to be undertaken. The Committee further recommends that the Controlling Officer should ensure that the funds are reimbursed. The Committee awaits a progress report on the matter.

**MINISTRY OF LANDS AND NATURAL RESOURCES**

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 39</b>
<b>PROGRAMMES</b>	:	Various
<b>ACTIVITIES</b>	:	Various

**Accounting and other Irregularities**

35. An examination of accounting and other records maintained at Headquarters and selected provinces carried out from January to June, 2018 revealed various irregularities, to which the Controlling Officer responded as outlined below.

**a. Fuel Drawn by Motor Vehicles Not Appearing on the Fleet - K17,705**

The Controlling Officer submitted that three of the vehicles (ABG 4094, ABJ 463 and ABT 2434) were project vehicles under the United Nations Development Programme (UNDP) and the formalities to hand them over were yet to be concluded. The Committee was informed that the vehicles with a private registration number ALB 67 belonged to the Survey Department and was also registered as GRZ 227 CK.

The Controlling Officer also submitted that the other two vehicles with registration numbers GRZ 870 CJ and GRZ 440 CP, which the Report of the Auditor General captured as GRZ 444 CP, were from Lusaka Provincial Survey Office, and were being used on headquarters activities.

The Committee was informed that to this effect, supporting documents were available for audit verification.

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

The Committee finds it unacceptable that this information was not availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against the officers who failed to submit supporting documents to the auditors. The Committee also urges the Controlling Officer to submit the documents to the Office of the Auditor General for verification without fail. The Committee will await a progress report on the matter.

#### **b. Misapplication of Land Development Funds - K6,738,834.31**

The Controlling Officer submitted that the matter regarding the misapplication of funds was closed by the auditors following the submission by the Ministry of Treasury Authority to spend the funds amounting to K5,859,864.33 and evidence of the balance amounting to K878,969.98, reimbursed by the various departments.

The Controlling Officer also submitted that some of the applications for funding by the local authorities were not approved for technical reasons such as lack of preparedness or capacity.

The Committee was informed that the Land Development Funds were not received at once. In this regard, the Controlling Officer submitted that the balance was only received in December, 2018 and was subsequently disbursed in the following year.

The Committee was informed that supporting documents were available for audit verification, on the matter.

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

The Committee urges the Controlling Officer to submit all relevant documentation to the Auditor General for verification, subject to which the matter should close.

#### **c. Engagement of Casual Workers without Authority – Zambia Forestry College - K100,862**

The Controlling Officer submitted that the Ministry had since received PSMD authority for the engagement of the casual workers.

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

The Committee finds it unacceptable that this information was not availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against the officers who failed to provide the information to the auditors. The Committee is also disappointed that authority was only obtained after the fact. The Committee sternly warns the Controlling Officer against this practice and urges the Secretary to the Treasury to take measures to ensure that this does not recur. The Committee also urges the Controlling Officer to submit the relevant documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

**d. Failure to Avail a Signed Memorandum of Understanding (MoU) – Chongwe Town Council - K3,020,802.40**

The Controlling Officer submitted that the Ministry had since instructed the Chongwe Town Council to immediately execute the contract and that supporting documents to that effect were available for audit verification.

**Committee’s Observations and Recommendations**

The Committee urges the Controlling Officer to submit all relevant documentation to the Auditor General for verification, subject to which the matter should close.

**MINISTRY OF AGRICULTURE**

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 40</b>
<b>DEPARTMENT</b>	:	Agribusiness and Marketing Department
<b>UNIT</b>	:	4 Agriculture Finance and Credit Management
<b>PROGRAMME</b>	:	Farmer Input Support Programme (FISP)
<b>ACTIVITIES</b>	:	Various

**Accounting and Other Irregularities**

36. An examination of accounting and other records maintained at the Ministry headquarters, ten Provincial Agricultural Coordinating Offices (PACOs), twenty four District Agricultural Coordinating Offices (DACOs) and selected farmers’ cooperatives carried out from January to June, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

**a. Non-Issuance of Authority to Collect (ATC)**

The Controlling Officer submitted that Ndola and Kalulushi Districts were using the e-voucher cardless system. At the time the letter of instruction was written to use the ATC, the Zambia Integrated Agriculture Management Information System (ZIAMIS) had not been configured to track input issuance by volumes of fertilisers, which was the case with fertilisers that were issued by Nyimba Investments. However, ZIAMIS was later enhanced to track issuance of inputs by volume under the e-voucher system. Therefore, the districts did not redeem using the manual ATC system, instead they used the ZIAMIS system.

**Committee’s Observations and Recommendations**

The Committee notes the response and wonders why the information being provided to the Committee was not provided to the auditors during the audit process. The Committee urges the Controlling Officer to take disciplinary action against the officers who failed to provide relevant information and documentation to the auditors at the time of audit. Further, seeing that there is no documentary evidence to prove that the 878 farmers concerned collected the inputs as is being claimed, the Controlling Officer is urged to submit documentary evidence to the Office of the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

**b. Irregular Engagement of Agro-Dealers Without Relevant Licence and Physical Presence - Kapiri Mposhi District– Central Province**

The Controlling Officer submitted that the Ministry considered the necessity of issuing inputs to farmers timely. As a result, all agro-dealers who had receipts showing proof of payment to ZEMA for certificates were approved even before the actual issuance of the certificates as long as all the other relevant documents such as the *Patents and Companies Registration*

Agency (PACRA) certificate, seed seller's licence, bank statement, certificate of registration and other relevant business documents were valid and a receipt had been issued by ZEMA. This was in view of the long period ZEMA took to issue the certificate. However, some agro-dealers had since received the ZEMA certificates and the certificates were available for audit verification.

On the requirement for agro-dealers to have a physical presence in a district, the Controlling Officer submitted that during the redeeming season, it was observed that the limitation to use only agro-dealers with physical presence had a negative bearing to the farmers as a number of agro-dealers other than those mostly in Lusaka, Kabwe, Kitwe and Ndola did not have enough stocks to issue to the farmers. After this realisation, a circular was issued to allow agro-dealers with adequate stock and willing to transport to areas nearest to the farmers to do so as long as they were registered on ZIAMIS. However, it was still mandatory for the agro-dealers to be approved by the respective District Agriculture Coordinators in each district and some of the agro-dealers had since provided evidence of their physical presence in the Kapiri Mposhi District.

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

The Committee rejects the explanation by the Controlling Officer and sternly cautions him to desist from defending his officers' lapses. The Committee urges the Controlling Officer to ensure that the officers comply with the FISP Guidelines Annex 8(e) that require agro-dealers to have a relevant licence for handling agricultural inputs.

The Committee further recommends that the Controlling Officer should ensure that the officers in the cited district comply with the FISP Guidelines on the engagement of agro-dealers who have a physical presence in a district. The Controlling Officer should also take disciplinary action against the officers responsible for causing the query, and those who failed to provide information to the auditors at the time of audit pertaining to the authorisation of agro-dealers without physical presence in a district to supply inputs. The Committee will await a progress report on the matter.

#### **c. Failure to Issue Inputs**

The Controlling Officer informed the Committee that the Ministry had deducted an equivalent value from the invoices owed to the agro dealers in question. The Controlling Officer stated that all the farmers affected would be given seed and fertilisers from the carry over inputs. Further, in the 2019/2020 farming season, ZIAMIS had been enhanced to allow District Agriculture Co-ordinators approve agro-dealers' invoices after they verified farmers who had redeemed inputs before any payment could be made.

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

The Committee is saddened that agro-dealers obtained public funds but failed to provide the required services, thereby affecting the farmers negatively. The Committee is of the view that the Ministry does not assess the capacity of the agro dealers who are engaged, hence the problem of failure to issue inputs. The Committee urges the Controlling Officer to take disciplinary action against the cited District Agriculture Coordinators who failed to supervise and monitor the agro-dealers. The Committee further urges the Controlling Officer to submit documentary evidence that the Ministry deducted an equivalent value from the invoices owed to the agro-dealers in question, to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

**d. Unqualified Farmer Groups/Co-operatives – Chongwe District Agriculture Coordinator**

The Controlling Officer informed the Committee that at the time of audit, certificates of registration were not availed to the auditors. This was because after the splitting of ministries, cooperatives were moved from the Ministry of Agriculture to the Ministry of Commerce, Trade and Industry. Therefore, some of the certificates were taken to Ministry of Commerce, Trade and Industry. However, the Ministry of Agriculture had retrieved all the certificates and they were available for verification.

**Committee's Observations and Recommendations**

The Committee continues to bemoan the Ministry's failure to comply with the FISP Guidelines with impunity. The Committee recommends that the Controlling Officer takes disciplinary action against the officers who caused the query and those who failed to provide the relevant documents during the audit process. The Controlling Officer should further ensure that the DACO at Chongwe complies with the FISP Guidelines by ensuring that participating farmer groups meet the requirements to participate in FISP so that the query does not recur. Additionally, all relevant documents should be submitted to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

**e. Non Delivery of Inputs**

The Controlling Officer informed the Committee that the companies contracted did not deliver legume seed varieties and quantities as contracted due to challenges they faced in sourcing legume and sorghum seed during the season. The Controlling Officer stated that the legume and sorghum seed was complimentary to the maize seed that each farmer received and all beneficiary farmers accessed their maize pack. However, some farmers did not access their complimentary legume and sorghum seed pack.

The Controlling Officer also submitted that suppliers wrote to the Ministry explaining that there was inadequate time to import and distribute to various districts because some of the varieties of seed needed to be imported from outside the country. In this regard, they did not invoice the Ministry and consequently, the Ministry did not pay the suppliers for the undelivered seeds.

The Controlling Officer submitted that in order to address the matter, the Ministry expedited the awarding of contracts for the 2019/2020 farming season, to give adequate time to the suppliers to import the seed.

**Committee's Observations and Recommendations**

The Committee recommends that the Ministry should ensure that only suppliers with capacity to perform the contract are awarded contracts to supply inputs to the Ministry to avoid inconveniencing farmers. Further, the Ministry should pay the suppliers in time for inputs already supplied. The Committee recommends the matter for closure subject to presentation of the supporting documents to the Office of the Auditor General for verification.

**f. Non Distribution of Inputs**

The Controlling Officer submitted that during the 2018/2019 farming season, Chongwe, Namwala and Sinazongwe Districts were allocated a total of 33,603 beneficiaries. Unfortunately, not all farmers paid the required deposit of K400 and as a result, the districts remained with some bags of maize seed and fertiliser.

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

The Committee finds it disheartening that the Ministry failed to distribute inputs costing K4,994,515 when farmers are in need of the inputs. The Committee notes that the Controlling Officer has not provided evidence that some farmers in the cited districts failed to pay the required deposit of K400. The Committee recommends that the Controlling Officer should take disciplinary action against the officers who failed to ensure that all the inputs were distributed in the cited districts. The Committee awaits a progress report on the matter.

#### **g. Undelivered Farming Inputs -Chipata District**

The Controlling Officer submitted that farming inputs in Chipata District amounting to K111,619 meant for three farmer groups were stolen. The Controlling Officer further submitted that the farmer groups in question reported the case before the DACO's office and the DACO instructed the groups to report the case to the Zambia Police Service. The DACO's office issued the ATCs to the affected farmer groups. The reported theft occurred at the warehouse where the suspects managed to collect the inputs fraudulently.

The Controlling Officer stated that the matter was before the courts of law. The Ministry was working with all stakeholders such as the Provincial Administration Offices and investigative wings to frequently monitor the issuance of farming inputs.

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

The Committee notes the response and will await the outcome of the court process.

#### **h. Supply and Distribution of Dead Groundnuts Seed - Chipata District**

The Controlling Officer submitted that the Ministry had requested the supplier of the seed to replace the non-viable seed that failed to germinate. The Controlling Officer further submitted that the matter was under investigation to establish exactly what caused the failure of the seed to germinate. The findings would enable the Ministry to put measures in place to avoid the recurrence of such a problem.

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

The Committee contends that the supplier had a contractual obligation to supply viable seed. However, the Committee has not been furnished with any documentary evidence that the supplier was requested to replace the non-viable seed. The Committee instructs the Controlling Officer to follow up the matter and ensure that the supplier replaces the non-viable seed without fail. The Committee will await a progress report on the matter.

#### **i. Unacquitted Inputs, Namwala, Southern Province**

The Controlling Officer submitted that the farmers were followed up and had all acquitted the inputs.

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

The Committee is very concerned that the inputs might have gone to unintended beneficiaries and further doubts the authenticity of the signatures of the 46,995 farmers that were allegedly followed up. The Committee recommends that the Controlling Officer takes disciplinary action against the officer who issued inputs without making the farmers sign for them. The Committee awaits a progress report on the matter.

**j. Civil Servants who Benefited from FISP**

The Controlling Officer informed the Committee that the Ministry had instructed the Provincial Agriculture Coordinating Officers (PACOs) to start the process of identifying the concerned officers. The Controlling Officer stated that the erring officers would be charged for failure to follow FISP Guidelines which prohibited civil servants from participating in FISP. The Controlling Officer further stated that Smart Zambia had been requested to enhance the system in order to detect civil servants at registration stage.

**Committee's Observations and Recommendations**

The Committee calls on the Controlling Officer to expedite the process of identifying the erring civil servants and ensure that appropriate disciplinary action is instituted against them in order to serve as a deterrent. The Committee further urges Smart Zambia Institute to expedite the enhancement of the system in order to ensure that civil servants are identified and blocked from participating in FISP as beneficiaries. The Committee awaits a progress report on the matter.

**k. Failure to Replace Damaged Seed, Sinazongwe, Southern Province**

The Controlling Officer submitted that the damaged inputs were in the warehouse managed by the supplier. The supplier was written to and had since replaced the damaged inputs and handed them over to the DACO. Supporting documentation was available for audit verification.

**Committee's Observations and Recommendations**

The Committee recommends the matter for closure subject to presentation of the supporting documents for verification.

**l. Unaccounted for Inputs – Sinazongwe, Southern Province**

The Controlling Officer submitted that at the time of audit, the ATDs and ATCs that contained the details of farmers and inputs were taken by the Zambia Police as exhibits since the matter was under investigation. The case was still before the courts of law.

**Committee's Observations and Recommendations**

The Committee recommends that the Controlling Officer takes disciplinary action against the officer who failed to provide information to the auditors during the audit process that ATDs and ATCs that contained the details of farmers and inputs had been taken by the Zambia Police Service as exhibits. The Committee will await a progress report on the matter.

## MINISTRY OF AGRICULTURE

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 41</b>
<b>PROGRAMME</b>	:	Various
<b>ACTIVITIES</b>	:	Various

### **Accounting and Other Irregularities**

37. An examination of accounting and other records maintained at the Zambia College of Agriculture (ZCA) carried out in June, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### **a. Failure to Collect Revenue**

The Controlling Officer explained that the revenue queried related to student fees for first, second and third year students in the certificate, diploma and Open Distance Learning (ODL) programmes at Monze College of Agriculture. The collection of the outstanding fees was ongoing. As at 29<sup>th</sup> September, 2019, the College had collected K30,300.

The Controlling Officer further submitted that the College withheld either results or certificates for students who did not clear the fees in a respective academic year or at graduation as a way of compelling students to settle their balances. However, some of the students were Government sponsored staff under the Ministry of Agriculture and the Ministry had not been paying their fees in the recent past due to inadequate funding. The Ministry had written to the Ministry of Finance requesting for funds for capacity building. Further, vulnerable students were engaged to work on piece work basis at the College farm and their wages were deducted to go towards liquidating the outstanding school fees.

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

The Committee recommends that the College should only enroll students who pay a specified percentage of the fees at enrollment and on condition that the balance would be paid at the time the College deems fit before the end of an academic year or semester, as the case may be. The Committee further urges the Controlling Officer to ensure that the outstanding fees are collected without fail. The Committee awaits a progress report on the matter.

#### **b. Weaknesses in Payment of Allowances**

##### **i. Irregular Payment of Out-of-Pocket Allowances**

The Controlling Officer submitted that the payments were made in respect of activities done outside the regular programme. The activities involved were marking and academic policy review meetings. The Controlling Officer explained that the term "Out-of-Pocket" was erroneously used instead of "Marking Allowance". The Controlling Officer stated that the Open and Distance Learning Programme was a scheme offered outside regular training programmes. Most academic activities in relation to ODL were therefore, additional responsibilities that were remunerated. The Controlling Officer further explained that teachers and support staff were remunerated from the generated funds. Treasury Authority to permit the College to retain 100 per cent of the income generated was available for verification.

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

The Committee recommends that the Controlling Officer and the College Principal should familiarise themselves with the provisions of Cabinet Office Circular No. 1 of 2010 on the

payment of Out- of- Pocket Allowance. The Controlling Officer should further ensure that the College seeks guidance on the payment of Marking Allowance to avoid the recurrence of the query. In addition, the Controlling Officer should take disciplinary action against the College Principal for his failure to comply with the provisions of Cabinet Office Circular No. 1 of 2010. The Committee awaits a progress report on the matter.

**ii. Irregular Payment of General Allowances**

The Controlling Officer informed the Committee that the allowances were paid to teaching and support staff from the internally generated funds under the Open and Distance Learning Programme, which was a scheme offered outside regular training programmes. The Controlling Officer stated that the non-regular programmes generated funds that were also used to facilitate and finance the regular programmes as a way of supplementing Government funding for the planned administrative obligations.

**Committee's Observations and Recommendations**

The Committee cautions the Controlling Officer for this irregularity and urges him to sensitise the officers at the College on the provisions of Cabinet Office Circular No.11 of 2013. The Committee recommends that the Controlling Officer institutes disciplinary action against the officers who authorised the irregular payments. The Committee awaits a progress report on the matter.

**c. Failure to Deduct Tax- K 105,558.75**

The Controlling Officer submitted that the College had undertaken to dismantle, in installments, the arrears owed to ZRA amounting to K105,558.75. A letter had been written to ZRA requesting to open an account to deposit the tax deducted.

**Committee's Observations and Recommendations**

The Committee reminds the Controlling Officer that the requirement to pay tax is law and tax is one of the major sources of Government revenue. The Controlling Officer is further reminded that failure to pay tax may attract penalties and interest pursuant to the *Income Tax Act, Chapter 323 of the Laws of Zambia*. The Committee, therefore, recommends that the outstanding tax be remitted to ZRA without fail. The Controlling Officer should further take disciplinary action against the officers responsible for the lapse. The Committee resolves to await a progress report on the matter.

**d. Weaknesses in the Management of Assets**

**i. Failure to Secure Public Properties (Title Deeds)**

The Controlling Officer informed the Committee that the process of obtaining title deeds had started through the Ministry's Technical Service Branch Surveyors. Supporting documentation was available for verification.

**Committees Observations and Recommendations**

The Committee urges the Controlling Officer to expedite the process of securing the title deeds for the College and will await a progress report on the matter.

**ii. Failure to Inscribe Government Assets**

The Controlling Officer submitted that the College wrote to Ministry of Works and Supply to have the furniture inscribed and the property and the furniture had since been inscribed.

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

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

#### **iii. Failure to Insure Livestock**

The Controlling Officer submitted that the livestock was not insured due to inadequate funding from the Treasury. However, all the animals were branded for ease identification in case of theft. The Controlling Officer stated that the College had engaged African Grey Insurance Company on the possibility of insuring the animals against diseases. The College ensured that administering medication, dipping and spraying was ongoing in order to prevent diseases. The Committee was informed that the Ministry had written to the Ministry of Finance to request for funding for the insurance of animals.

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

The Committee is concerned that in the event of loss of the animals, there may be no compensation as the animals are not insured. The Committee contends that the sale of some of the livestock could be a source of the funds required to insure the livestock instead of waiting for funding from the Treasury. The Committee therefore, recommends that the College considers selling some of the animals to raise the funds required to insure the animals instead of waiting for funding from the Treasury. The Committee awaits a progress report on the matter.

#### **e. Outstanding Staff Obligations**

The Controlling Officer submitted that the Ministry depended on funding from the Treasury and efforts were being made to dismantle the outstanding amounts. The Treasury was yet to release funds towards the dismantling of staff obligations.

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

The Committee urges the Controlling Officer to ensure that outstanding staff obligations are paid without further delay in order to avoid demotivating the affected staff. The Committee awaits a progress report on the matter.

## **OFFICE OF THE PRESIDENT – LUSAKA PROVINCE**

<b>AUDIT QUERY</b>	<b>:</b>	<b>PARAGRAPH 42</b>
<b>PROGRAMME</b>	<b>:</b>	Various
<b>ACTIVITY</b>	<b>:</b>	Various

### **Accounting and Other Irregularities**

38. An examination of financial and other records maintained at the Provincial Administration and a visit to selected districts carried out from March to June, 2019 revealed various irregularities, to which the Controlling Officer responded as outlined below.

#### **a. Personal Emoluments**

##### **i. Misplacement of Payroll Area**

The Controlling Officer submitted that there were twenty-seven officers on the schedule and not twenty-nine as captured in the Report. Out of the twenty-seven officers, twenty-two had since had their pay point corrected to match with their work stations.

Regarding the four officers who were transferred to other ministries, the Committee was informed that letters had been written to their line ministries to have them transferred from the Provincial Administration payroll.

The Controlling Officer also submitted that one officer was physically operating from Chirundu due to non availability of office space at the nearby work station in Southern Province. The Committee was informed that this was clarified after the physical head count conducted during the audit verification.

As a corrective measure, the Controlling Officer submitted that he had directed the Director of Finance to frequently conduct payroll audits in the Province.

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

The Committee finds it unacceptable that the Provincial Administration did not undertake regular payroll audits, which resulted into this audit query.

In this regard, the Committee urges the Controlling Officer to ensure that payroll audits are conducted regularly at the Provincial Administration in order to avoid the recurrence of this query.

The Committee, however, resolves that all relevant documentation be submitted to the Auditor General for verification, subject to which the matter should close.

### **ii. Irregular Payment of Rural and Remote Hardship Allowances - K934,230**

The Controlling Officer submitted that out of the 137 officers, 128 were entitled to rural and remote hardship allowances as they worked either from camps or rural districts and constituency offices in the Ministries of Agriculture, Fisheries and livestock, Community Development, and Land and Natural Resources.

However, the Committee was informed that eight officers were not entitled to rural and remote hardship allowances. Therefore, recoveries had been effected. The Committee was also informed that one officer was erroneously included on the list.

As a corrective measure, the Controlling Officer submitted that the Director of Finance had been directed to frequently conduct payroll audits in the Province.

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

The Committee notes with concern that the Controlling Officer only made an effort to address the matter after the query was raised by the auditors. Further, the Committee is disappointed that this information was not submitted to the auditors at the time of audit. The Committee, therefore, urges the Controlling Officer to institute disciplinary action against all officers who did not undertake the necessary payroll audits and authorised irregular payments to officers who were not entitled to rural and remote hardship allowances. The Committee further urges the Controlling Officers to submit the supporting documentation regarding operational areas of the 128 officers to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

### **iii. Officers Acting in Higher Positions for more than Six Months without Confirmations - K21,151**

The Controlling Officer submitted that out of the six officers who had been acting for more than six months, one had been transferred to the Ministry of General Education, while three had been substantively promoted.

The Committee was informed that the transfer letter for one officer and the substantive promotion letters from Public Service Management Division for three officers were available for audit verification.

The Controlling Officer also submitted that one officer had resigned. However, with regard to one more officer, the Committee was informed that a recommendation letter had been written to the Ministry of Finance for substantive promotion.

In this regard, the Committee was informed that the resignation letter and a copy of the recommendation letter were available for verification.

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

The Committee finds it unacceptable that this information was not availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to avail the information to the auditors. The Committee also urges the Controlling Officer to submit the supporting documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

## **b. General Administration – RDC**

### **i. Missing Payment Vouchers - K32,556**

The Controlling Officer submitted that the payment vouchers in question were misfiled by the officer who had custody of the documents.

In this regard, the Committee was informed that all the six payment vouchers in amounts totalling K32,559.55 had been traced and were available for verification.

The Controlling Officer also submitted that in order to avoid the misplacement of payment vouchers, a Registry Clerk had been attached to the Department of Finance to ensure that there was segregation of duty and that payment vouchers were properly filed and secured for future reference.

The Controlling Officer further submitted that the Provincial Administration was ensuring that monthly post audits were undertaken by the internal auditors to provide assurance to management and strengthen internal controls. The Committee was informed that this would enable the Provincial Administration to immediately take necessary action when the internal audit report was prepared.

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

The Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to avail payment vouchers to the auditors at the time of audit. The Committee also urges the Controlling Officer to avail the available payment vouchers to the

Office of the Auditor General for verification. The Committee will await a progress report on the matter.

**ii. Unsupported Payments - K106,189.98**

The Controlling Officer submitted that receipts and invoices to support the payments for goods and services, which were not availed at the time of audit were available for verification by the auditors. Regarding the payments to utility companies such as ZESCO Limited, Lusaka Water and Sewerage Company Limited and Zamtel, the Controlling Officer submitted that the Provincial Administration wrote to the companies asking them to acknowledge receipt of payments but the response was still being awaited.

The Controlling Officer also submitted that receipts and invoices for the other payments were available for verification, as well as the correspondence to the utility companies in question.

The Controlling Officer further submitted that the Director of Finance had been directed to regularly conduct a review and verification of the accounting documents to ensure complete vouching.

**Committee’s Observation and Recommendations**

The Committee observes with concern that the Controlling Officer is under utilising the Internal Audit Department, which could have helped him to identify weaknesses such as this one at the Provincial Administration.

In this regard, the Committee urges the Controlling Officer to strengthen and prioritise the operations of the Internal Audit Department, in an effort to augment the internal controls at the Provincial Administration. The Committee also urges the Controlling Officer to ensure that all relevant documents are availed to the Office of the Auditor General, without fail. The Committee will await a progress report on the matter.

**iii. Failure to Remit Withholding Tax and PAYE to ZRA - K612,900**

The Controlling Officer submitted that the Provincial Administration had a large number of both serving and separated officers, a situation which led to management to pay as many officers as possible, based on the net entitlement, with the hope of clearing PAYE when fully funded by the Treasury.

He also submitted that regarding withholding tax, the Provincial Administration had paid the K2,350 as shown in the table below.

Nature of Tax	Source	Transactions	Amount (K)
Withholding Tax	Office Rentals	5	2,350.00
Pay As You Earn	Settling In Allow. & Terminal Benefit	46	610,550.18
<b>Total</b>		<b>51</b>	<b>612,900.18</b>

The Controlling Officer also submitted that the total amount owed to Zambia Revenue Authority in form of unremitted PAYE shall be paid once the Provincial Administration was funded on other emoluments.

He further submitted that to avoid the recurrence of non remittance of taxes due to the ZRA, the Provincial Administration would ensure that the available resources were used to pay what was due to the officers and ZRA.

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

The Committee notes with serious concern that the Controlling Officer's actions are in violation of the *Income Tax Act, Chapter 323 of the laws of Zambia*. In this regard, the Committee strongly cautions the Controlling Officer to desist from condoning financial transactions which violate the law. The Committee also urges the Controlling Officer to ensure that the amounts owing in taxes are remitted to the Zambia Revenue Authority (ZRA) without fail. The Committee will await a progress report on the matter.

#### **iv. Questionable payments**

##### **a. Updating of Payments and Retirement in the IFMIS System in Chongwe - K39,200**

The Controlling Officer submitted that the six officers who were tasked to update payments and retirements in the IFMIS system were connected remotely to the IFMIS system at the Ministry of Finance through Team Viewer. He submitted that Team Viewer facilitated connectivity to the main server at the Ministry of Finance from anywhere in the world, provided that there was internet connection.

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

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

##### **b. Journalising of payments in IFMIS in the districts - K131,971**

The Committee was informed that the use of an incorrect terminology for an activity undertaken, led to the query. He regretted the use of the term "Journalising" adding that the assignment involved officers going round all districts in Lusaka Province to collect and compile data regarding station imprest and other related financial information to build up the lost data due to IFMIS crash and form part of the input for the 2018 Financial Report. The Controlling Officer also submitted that his officers were also capturing data on excel sheets for purposes of uploading in the IFMIS once the system was restored.

The Committee was assured that in future the Provincial Administration would endeavour to avoid the use of incorrect or misleading terminologies that did not correctly describe the activity.

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

The Committee urges the Controlling Officer to avail this information to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

#### **v. Irregularities in the Payment of Allowances - K232,247**

##### **a. Subsistence Allowance**

The Controlling Officer submitted that the Provincial Administration was in dire shortage of dependable fleet of motor vehicles, leading to the utilisation of the same vehicles on various activities.

The Committee was informed that recoveries of subsistence allowances paid for the familiarisation tour of Lusaka Province with the Lusaka Province Minister, amounting to K4,200, had been effected from the beneficiaries' monthly pay.

Regarding the two activities amounting to K89,860, the Committee was informed that the trips were undertaken, and officers spent nights at the visited stations.

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

The Committee finds it unacceptable that the Controlling Officer insists that the two activities were undertaken, and yet no activity report was availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to prepare and avail the activity report to the auditors. As regards irregular payment of subsistence allowances, the Committee urges the Controlling Officer to institute disciplinary action against all officers responsible for this irregularity. The Committee also urges the Controlling Officer to ensure that the report and all other relevant documents are availed to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

#### **b. Subsistence Allowances paid to a Typist to undertake Social work Programmes - K22,539**

The Controlling Officer submitted that the actual social work programmes were done by five Social welfare officers. The role of the Typist in question was to facilitate payments on behalf of the Department of Social Welfare since there was no Accountant at the time.

In this regard, the Committee was informed that the K22,539 in question was imprest drawn on behalf of the social welfare officers who were involved in the exercise and the role of the Typist was purely to perform accounting function on temporal basis arising from shortage of accounting staff at the time.

The Controlling Officer also submitted that the letter authorising the Typist to perform accounting functions and other duties was available for verification.

The Controlling Officer further submitted that an Accountant and an Assistant Accountant had been sent to the office of the District Commissioner for Lusaka to service all the departments.

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

The Committee notes with concern that the social work programmes were undertaken by the five social welfare officers and yet no activity reports were availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against the officers who failed to prepare and avail the activity reports to the auditors. The Committee further urges the Controlling Officer to submit the supporting documents to the Office of the Auditor General for verification without fail. The Committee will await a progress report on the matter.

#### **vi. Irregularities in the Payment of Imprest Unretired accountable imprest - K322,807**

The Controlling Officer submitted that the activities were undertaken by officers who had since been dismissed. However, imprest recoveries had been effected from the imprest holders but was awaiting retirement and activity reports.

The Committee was informed that the issuance of group imprest had since been stopped.

### **Committee's Observation and Recommendations**

The Committee notes with concern that the Controlling Officer is inordinately delaying the retirement of accountable imprest to the tune of K322,807 and, therefore, urges him to be proactive and ensure that the imprest is retired without any further delay. In addition, the Controlling Officer should submit all relevant documents to the Auditor General for verification. The Committee will await a progress report on the matter.

#### **vii. Questionable Retirement of Accountable Imprest - K157,970**

With regard to K91,392, the Controlling Officer submitted that the officers who were assigned to undertake the Seventh National Development Plan (SNDP) dissemination exercise and the formulation of district development plans, undertook the exercise. The Controlling Officer submitted that there was evidence of officers undertaking the activity for the full period paid for and that the district development plans had been developed and the Province was using them.

In this regard, the Committee was informed that the activity report and the retirement forms showing the dates when the activities were undertaken in each district, were available for verification.

With Regard to K66,578, the Controlling Officer submitted that the officers who undertook the exercise had been dismissed for the same offence and that the funds would be recovered from their terminal benefits when the Province was funded for the dismantling of personal emoluments arrears.

The Controlling Officer further submitted that the Provincial Administration no longer issued group imprest to officers as directed by the Treasury. In addition, the Controlling Officer submitted that all payments were being processed through the Treasury Single Account where beneficiaries were paid direct into their personal accounts.

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

The Committee finds it unacceptable that retirement details for K91,392, which could not be availed at the time of audit, only became available after the audit. The Committee notes that this brings the authenticity of the available documents questionable, going by the findings of the auditors during the audit process.

In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to avail the documents to the auditors at the time of audit. The Committee also urges the Controlling Officer to put measures in place that will prevent the recurrence of the query. Further, the Controlling Officer should submit all relevant documentation to the Auditor General for verification.

The Committee resolves to await a progress report on the recovery of K66,578, disciplinary action and the measures put in place.

#### **viii. Double Payment of Imprest - K171,303**

The Controlling Officer submitted that the query was as a result of misquoting the drawing of money on the same day and interpreting it as undertaking the activities at the same time.

The Committee was informed that each department was eager to spend the money when they were funded to avoid being cited for lack of capacity to spend and the money being mopped by the Ministry of Finance.

In this regard, the Controlling Officer submitted that deductions on the payroll had been effected from the concerned officers' salaries and that pay slips were available for verification.

The Controlling Officer further submitted that the Director of Finance was directed to ensure that imprest issued was retired all the time, before more was issued. In addition, the issuance of group imprest to officers had been discontinued as directed by the Treasury.

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

The Committee urges the Controlling Officer to be proactive and ensure that relevant information is availed to the auditors at the time of audit. The Committee also urges the Controlling Officer to institute stern disciplinary action against officers who approved the irregular payment and ensure that funds are recovered, without fail. The Committee will await a progress report on the matter.

#### **ix. Irregular Procurement of Goods and Services Using Accountable Imprest - K69,108**

The Controlling Officer submitted that the Provincial Administration had stopped the use of accountable imprest to procure goods and services in line with Financial Regulation No. 86 and Treasury Circular number 5 of 2018. However, the goods and services procured using the accountable imprest were correctly utilised at the Provincial Administration offices.

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

The Committee censures the Controlling Officer to desist from violating financial regulations, with impunity. In this regard, the Committee urges the Secretary to the Treasury to institute stern disciplinary action against the Controlling Officer for approving the procurement of goods and services, without regard to Financial Regulation No. 86 and Treasury Circular number 5 of 2018. The Committee will await a progress report on the matter.

#### **x. Unacquitted Funds - K60,480**

The Controlling Officer submitted that recoveries from the two officers had been effected while the other officer had provided the acquittals. The pay slips and the acquittals were available for Audit verification.

The Controlling Officer also submitted that the Director of Finance had since started sensitising the officers in the Province on the importance of adherence to Financial Regulations.

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

The Committee urges the Controlling Officer to institute stern disciplinary action against the erring officers for violating Financial Regulation No. 45. The Committee also urges the Controlling Officer to submit relevant supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

**xi. Misapplication of Funds - K20,375**

The Controlling Officer submitted that the correct position was that K20,375 was not paid to Kafue River Cliff for the hire of the boat to study how to control the weeds on the Kafue River as document no. 6000135871 dated 31<sup>st</sup> December 2018 was cancelled. Therefore, there was no misapplication of funds.

**Committee's Observations and Recommendations**

The Committee is dismayed that this information was not availed to the auditors at the time of audit and urges the Controlling Officer to institute disciplinary action against officers responsible for this lapse. The Committee also urges the Controlling Officer to avail the supporting documents to the Office of the Auditor General for verification without fail. The Committee will await a progress report on the matter.

**xii. Unaccounted for Fuel - K165,084.84**

The Controlling Officer submitted that receipt and disposal details had always been available and were available for verification.

**Committee's Observations and Recommendations**

The Committee finds it unacceptable that documents that have always been available, were not be submitted to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against the officers who failed to avail receipt and disposal details to the auditors at the time of audit. Additionally, the Committee urges the Controlling Officer all relevant documentation to the Office of the Auditor General for verification without fail. The Committee will await a progress report on the matter.

**xiii. Fuel Drawn by Non Runner Vehicle - K1,540**

The Controlling Officer submitted that the motor vehicle in question was a runner during the first and second quarter of 2018. The Committee was informed that the vehicle broke down within the second quarter of 2018 and was taken to the garage. Supporting documents were available for audit verification.

**Committee's Observations and Recommendations**

The Committee notes with displeasure the failure by the Provincial Administration to render an explanation to the auditors on the matter at the time of audit. The Committee observes that the matter could have been dropped had the Provincial Administration submitted this information to the auditors at the time of audit. The Committee, therefore, urges the Controlling Officer to institute stern disciplinary action against officers who failed to avail supporting documents to the auditors. The Committee also urges the Controlling Officer to submit the supporting documents to the Office of the Auditor General for verification without fail. The Committee will await a progress report on the matter.

**c. Revolving Fund Account**

**i. Non - Recovery of Tuition and Salary Advances - K18,000**

The Controlling Officer submitted that recoveries from the erring officers had since been effected and that pay slips were available for verification.

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

The Committee finds it unacceptable that this information was not availed to the auditors at the time of audit. The Committee, therefore, urges the Controlling Officer to institute stern disciplinary action against officers who failed to avail the documents to the auditors. The Committee also urges the Controlling Officer to avail the relevant documents to the Office of the Auditor General for verification without fail. The Committee will await a progress report on the matter.

### **Misapplication of Funds - K12,000**

The Controlling Officer submitted that the process of reimbursing the money to the Revolving Fund account was underway. The Director of Finance had since been directed to reimburse immediately the Treasury released funds for other emoluments.

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

The Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to provide this information to the auditors at the time of audit. The Committee also sternly cautions the Controlling Officer to desist from misapplying funds. In this regard, the Committee also urges the Controlling Officer to ensure that funds are reimbursed to the Revolving Fund account and this information is provided to the Office of the Auditor General for verification, without any further delay. The Committee will await a progress report on the matter.

### **d. Misapplication of Funds - Lusaka Provincial Planning Authority - K586,985**

The Controlling Officer submitted that the balance of K586,985.11 would be reimbursed once adequate funding was received from the Treasury. He also submitted that the Lusaka Provincial Administration had only received about 10 per cent of the 2019 total budget allocation.

The Controlling Officer further submitted that Treasury Authority had since been obtained from the Secretary to the Treasury to retain 100 per cent of the funds in Physical Planning Authority as Appropriation in Aid. In addition, authority to borrow was obtained from the Secretary to the Treasury prior to borrowing.

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

The Committee commends the Provincial Administration for obtaining Treasury Authority to retain 100 per cent of the funds under the Physical Planning Authority, as Appropriation in Aid. The Committee, however, notes with concern that proof of prior approval to borrow K586,985.11 was not availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute disciplinary action against officers who failed to avail these documents to the auditors. He is also directed to reimburse the borrowed funds and avail proof of prior approval to borrow the same funds to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

## OFFICE OF THE PRESIDENT – COPPERBELT PROVINCE

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 43</b>
<b>PROGRAMME</b>	:	General Deposit Account
<b>ACTIVITIES</b>	:	Various

### **Accounting and Other Irregularities**

39. An examination of accounting and other records maintained at Provincial Administration and physical inspection of selected projects carried out from January to June, 2019 revealed various irregularities, to which the Controlling Officer responded as set out below.

#### **a. Wasteful Expenditure – NAPSA Penalties - K12,016**

The Controlling Officer submitted that the Provincial Administration had proposed to the Ministry of Chiefs and Traditional Affairs (MOCTA) that Retainers' wages should be paid at the same time as the chiefs' salaries, in order to avoid accruing NAPSA penalties. However, there had not been any feedback from the Ministry of Chiefs and Traditional Affairs on the matter.

The Committee was informed that Retainers' wages were usually remitted a month late by the Ministry of Chiefs and Traditional Affairs and as a result of this, NAPSA penalties could not be avoided.

In this regard, the Controlling Officer submitted that the Provincial Administration would continue to engage the Ministry of Chiefs and Traditional Affairs on the matter to ensure that Retainers' wages were remitted on a timely basis in order to avoid NAPSA penalties.

The Controlling Officer also submitted that letters were written to the Permanent Secretary in the Ministry of Chiefs and Traditional Affairs on dates 31<sup>st</sup> October, 2019, 9<sup>th</sup> September, 2019, 9<sup>th</sup> April, 2018 and 25<sup>th</sup> August, 2017, on the observation which had continuously appeared in the 2017 and 2018 Auditor General's Reports, and were available for verification.

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

The Committee urges the Controlling Officer in the Ministry of Chiefs and Traditional Affairs to put measures in place which will ensure that retainers' wages are paid at the same time as the Chiefs' salaries, in order to avoid accruing NAPSA penalties. The Committee also urges that if this could not be avoided, the Controlling Officer must engage NAPSA to get permission to remit refunds a month late. The Committee will await a progress report on the matter.

#### **b. Misaka Resettlement Project**

##### **i. Misapplication of Funds - K1,215,416**

The Controlling Officer submitted that the Provincial Administration had endeavoured to reimburse the funds borrowed whenever funding was received from the Treasury. During the period under review, amounts totaling K962,611.99 were paid back to the General Deposit Account while K33,687.39 was paid back during the 2019 financial year. Funds totalling K220,000, which were borrowed by the Ministry of Fisheries and Livestock were yet to be paid back. The Ministry of Fisheries and Livestock was written to on the matter.

With regard to the twenty five farmers who were not compensated despite funds being available, the Controlling Officer submitted that the farmers lacked supporting documents in the form of title deeds, council offer letters and in the event of death of a prospective beneficiary, there was no Order of Appointment of Administrators. The Committee was informed that the Provincial Administration had to proceed cautiously as fraudsters wanted to take advantage of the compensation process and submitted fake documents and claims. The Committee was also informed that between January, 2018 and 31<sup>st</sup> October, 2019, no claim had been made by any of the twenty five farmers on the list.

The Controlling Officer also submitted that management had further written to the Secretary to the Treasury in a Minute dated 24<sup>th</sup> December, 2018 and followed up with letters dated 6<sup>th</sup> August, 2019 and 3<sup>rd</sup> September, 2019, seeking Treasury Authority to borrow funds from the General Deposit Account and reimburse whenever funds were available.

The Committee was informed that in correspondence dated 19<sup>th</sup> September, 2019, the Accountant General requested the Provincial Administration to submit information relating to bank statements and expenditure returns for the General Deposit Account from January, 2018 to the date of application. In this regard, the Committee was informed that the information was submitted to the Office of the Accountant General on 11<sup>th</sup> October, 2019 and the response was still being awaited.

The Controlling Officer further submitted that the relevant documents on the reimbursements to the General Deposit Account, the list of unpaid farmers, request for reimbursement from the Ministry of Fisheries and Livestock and letters to the Secretary to the Treasury requesting for Treasury Authority to borrow, were available for verification.

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

The Committee urges the Controlling Officer to desist from misapplying public funds, contrary to Financial Regulation No. 31(1). The Committee emphasises that retrospective authority is no authority at all, and that it is a bad practice which should be stopped forthwith. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against the officers responsible for the misapplication. The Committee also urges the Controlling Officer to ensure that balance of the misapplied funds is paid back to the General Deposit Account without undue delay. The Committee will await a progress report on the matter.

#### **ii. Failure to Compensate Farmers with Land and Cash - K16,368,883**

The Controlling Officer submitted that the Provincial Administration was actively engaging the Ministry of Finance to release the balance of the funds for compensation. The Committee was informed that the Provincial Administration was also continuously engaging the Ministry of Lands to coordinate with Zambia Forestry and Forest Industries Corporation (ZAFFICO) for the release of 800 hectares of land by the company.

The Controlling Officer also submitted that the Provincial Administration had written several letters to the Secretary to the Cabinet, the Secretary to the Treasury, Principal Private Secretary to the President, the Permanent Secretary in charge of Resettlement under the Office of the Vice President and the Permanent Secretaries in the Ministry of Lands and Natural Resources and the Ministry of Works and Supply, for the release of land and funds. In addition, letters had been written to the Chief Executive Officer of ZAFFICO, with plans of the identified requested land attached.

The Controlling Officer submitted that all the supporting documents were available for verification.

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

The Committee expresses concern that the Provincial Administration has taken too long to compensate the farmers in order to ultimately reduce poverty. The Committee, therefore, urges the Controlling Officer to prioritise the compensation of the farmers by budgeting for this activity and engaging the Secretary to the Treasury to ensure that the funds are released. The Committee also urges the Controlling Officer in the Ministry of Lands and Natural Resources to help expedite the release of 800 hectares of ZAFFICO land to the intended beneficiaries. The Committee will await a progress report on the matter.

#### **iii. Failure to compensate ZAFFICO - K50,258,191**

The Controlling Officer submitted that according to the Copperbelt International Airport Resettlement Action Plan (CIA - RAP), page 19, section 7.1, tables 1 and 2 and page 22 of section 7.3, all project affected persons were to be paid off for their property, based on the Non -Moveable Asset Valuation Report, the Standing Crop and Field Valuation Report, the Fish Pond Valuation Report plus a 20 per cent disturbance allowance. The Committee was informed that according to the compensation tables set out in the CIA- RAP, priority for compensation was given to the affected persons before ZAFFICO could be compensated. As matters stood, the Administration was yet to complete the process of compensating the farmers due to non- release of funds by the Treasury.

In this regard, the Committee was informed that extracts from the Copperbelt International Airport Resettlement Action Plan (CIA- RAP) relating to the mode of compensation, were available for verification.

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

The Committee urges the Controlling Officer to expedite the completion of the compensation of farmers and, thereafter, proceed to actualise the compensation of ZAFFICO, as a matter of urgency. The Committee will await a progress report on the matter.

#### **iv. Failure to Allocate paid Farmers Land**

The Controlling Officer submitted that management, through the Resettlement Action Plan (RAP) committee, had continued to engage the relevant authorities and stakeholders for the release of the 800 hectares of land from ZAFFICO. The Committee was informed that the stakeholders engaged included the Secretary to the Cabinet, the Secretary to the Treasury, the Principal Private Secretary to the President, Permanent Secretary in charge of Resettlement under the Office of the Vice President and the Permanent Secretary in the Ministry of Lands and Natural Resources and the Chief Executive Officer of ZAFFICO for the release of land.

He also submitted that correspondence to that effect was available for verification.

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

The Committee urges the Controlling Officer in the Ministry of Lands and Natural Resources to expedite the release of 800 hectares of the ZAFFICO land to the intended beneficiaries. The Committee will await a progress report on the matter.

**c. Construction of Chief Mwinuna’s Palace - K933,309**

The Controlling Officer submitted that the failure to complete Chief Mwinuna’s Palace had been due to lack of funding to the Ministry of Chiefs and Traditional Affairs (MOCTA).

In this regard, the Committee was informed that letters had been written to the Ministry of Chiefs and Traditional Affairs (MOCTA) over the non-payment of the contractor.

The Controlling Officer also submitted that the construction of chiefs’ palaces was being managed centrally by the Ministry of Chiefs and Traditional Affairs. The Committee was informed that an Interim Payment Certificate No. 2 for the certified works costing K391,855.17 was still outstanding due to non funding of the project. In this regard, the Committee was informed that works would resume as soon as the Ministry of Chiefs and Traditional Affairs was funded by the Treasury and the contractor paid.

The Committee was further informed that correspondence to the Ministry of Chiefs and Traditional Affairs and a copy of the Interim Payment Certificate No. 2, were available for verification.

**Committee’s Observations and Recommendations**

The Committee urges the Ministry of Chiefs and Traditional Affairs to expeditiously engage the Treasury for the release of the necessary funds to complete the construction of Chief Mwinuna’s Palace and clear the outstanding Interim Payment Certificate No. 2, for certified works costing K391,855.17, without any further delay. The Committee will await a progress report on the matter.

**OFFICE OF THE PRESIDENT – COPPERBELT PROVINCE**

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 44</b>
<b>PROGRAMME</b>	:	Personal Emoluments
	:	General Administration
<b>ACTIVITIES</b>	:	Various

**Accounting and Other Irregularities**

40. An examination of accounting and other related records maintained at Provincial Administration and selected districts carried out from January to July, 2019 revealed various irregularities, to which the Controlling Officer responded as outlined below.

**a. Overpayment to Officers - K29,301**

The Controlling Officer submitted that management had engaged the Human Resource Departments in the Ministry of Agriculture and the Ministry of Fisheries and Livestock to establish the basis and the authority on which the affected officers progressed to the notches. The Committee was informed that management was still waiting for feedback from the two Ministries.

The Controlling Officer further submitted that in the interim, management had since effected recoveries from the affected officers and pay slips were available for verification.

**Committee’s Observations and Recommendations**

The Committee finds it extremely unacceptable that the Controlling Officer only acted after the external auditors had raised the matter. In this regard, the Committee urges the Controlling Officer to be proactive and ensure that all officers who approved the

overpayments are sternly disciplined. The Committee will await a progress report on the matter.

**b. Irregular Payment of Commuted Night Duty Allowance – Provincial Administration- K36,116**

The Controlling Officer submitted that the members of staff cited were essential workers and the station in question was a twenty four hour World Weather Watch Station (WWWS), under the World Meteorological Organisation (WMO). Further, the Zambia Civil Aviation Authority Regulations (ZCAARs), Part 12 of Volume 1, Chapter 12.13 of 2015, provided that meteorological services must be readily available at all times.

In view of the foregoing, the Committee was informed that the Provincial Administration wrote to the Ministry of Transport and Communications advising that the Controlling Officer engages the Public Service Management Division (PSMD) to have the essential workers included on the Cabinet Circular No. B5 of 1994.

The Committee was also informed that the Controlling Officer in the Ministry of Transport and Communication had since written to PSMD over the matter and the response was being awaited.

The Committee was further informed that in the meantime, from August 2019, the commuted night duty allowance had been withdrawn from the officers and recoveries had been effected despite the officers still working for twenty four hours every day.

The Controlling Officer also submitted that pay slips showing recoveries were available for verification.

**Committee's Observations and Recommendations**

The Committee notes the justification of the Controlling Officer with concern. The Committee finds it unacceptable that the Controlling Officer did not engage the Ministry of Transport and Communications early enough if the situation was as serious as has been submitted so as to avoid the query. The Committee, therefore, urges the Controlling Officer to institute stern disciplinary action against officers who approved the payment in contravention of the Terms and Conditions of Service for the Public Service No. 167 (i). The Committee also urges the Controlling Officer to submit all the relevant documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

**c. Failure to Conclude Staff Disciplinary Cases – Provincial Administration - K600,533**

The Controlling Officer submitted that in correspondence reference number NRPC/53/12/1, dated 23<sup>rd</sup> August, 2019, from the Acting Registrar General in the Department of National Registration, the Acting Registrar General confirmed receipt of the disciplinary cases which had since been forwarded to the Ministry of Home Affairs. The Committee was, however, informed that in the case involving one officer, the Ministry was unable to process the recommendation for staff dismissal due to the absence of Judgment from the Kalulushi Subordinate Court.

In this regard, the Controlling Officer submitted that the Judgment in the case of the People vs. Virginia Maliano was obtained and that the officer was charged with an offence of corrupt

practices by a Public Officer, contrary to Section 29(1) as read with section 41 of the *Anti Corruption Act, Chapter 91 of the Laws of Zambia*. The said Judgment, stamped 27<sup>th</sup> September, 2019 by the Clerk of Court from Kalulushi had since been forwarded to the Ministry of Home Affairs.

The Controlling Officer also submitted that two officers had their suspensions lifted by the Ministry of Home Affairs while one officer was invited to appear before the Disciplinary Committee on 25<sup>th</sup> September, 2019 but did not appear despite the invitation.

He further submitted that a letter from the Acting Registrar General in the Department of National Registration, the Judgment from the Clerk of Court of Kalulushi, letters dated 3<sup>rd</sup> October, 2019, lifting the suspension of two officers and the invitation letter to appear before the Disciplinary Committee dated 20<sup>th</sup> September, 2019, were available for verification.

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

The Committee observes with displeasure that there is poor record keeping at the Provincial Administration. The Committee also notes with concern that this information was not availed to the auditors at the time of audit. The Committee, therefore, urges the Controlling Officer to institute stern disciplinary action against officers who failed to avail this information to the auditors at the time of audit. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for verification. The Committee also urges the Controlling Officer to put measures in place to avert the poor record keeping at the Provincial Administration. The Committee will await a progress report.

#### **d. Irregular Payment of Subsistence and Meal Allowances -Department of Water Affairs - K26,135**

The Controlling Officer submitted that the irregular payment of subsistence and meal allowances to officers in the Department of Water Affairs was due to the misinterpretation of a Minute from the Controlling Officer in the Ministry of Water, Sanitation and Environmental Protection which compounded the allowances together with a unit price of sinking a borehole, when billing the customers.

The Committee was informed that following the audit query in the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31<sup>st</sup> December, 2018, on the matter, recoveries had been effected against the officers cited through the payroll.

The Committee was also informed that from May 2019, the Department had stopped paying any allowances for works carried out within Ndola District boundaries.

In this regard, the Controlling Officer submitted that documents showing evidence of recovery were available for verification.

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

The Committee finds it unacceptable that the officers in the Ministry of Water, Sanitation and Environmental Protection could misinterpret the Cabinet Office Circular Minute of 2015. In this regard, the Committee urges the Controlling Officer in the Ministry of Water, Sanitation and Environmental Protection to institute disciplinary action against officers who approved the payment. The Committee also urges the Controlling Officer in the Ministry of Water, Sanitation and Environmental Protection to avail supporting documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

**e. Failure to Deduct and Remit Tax - K4,015; K178,932; K31,977**

The Controlling Officer submitted that the queries were caused as a result of the reasons set out below, respectively.

- i. The failure to pay tax on the commutation of leave days was as a result of inadequate funding to the Copperbelt Provincial Agriculture Coordinating Office (PACO).
- ii. The failure to withhold Value Added Tax (VAT) on payments made by the Copperbelt Agriculture Coordinating Office was as a result of the Office not being on the Treasury Single Account (TSA) system.
- iii. The failure to deduct Pay As You Earn (PAYE) in respect of settling in allowances and commutation of leave days was due to lack of funding to the Provincial Agricultural Coordinating Office (PACO).

In light of the above, the Controlling Officer submitted as set out below.

- i. With regard to the failure to pay tax on the commutation of leave days, the Controlling Officer submitted that management had taken note of the system oversight to deduct taxes before payments were made. In this regard, the Provincial Administration had since engaged the Provincial Agriculture Coordinator to request the Ministry of Agriculture to liquidate the outstanding PAYE on the commutation of leave days.
- ii. With regard to the failure to withhold Value Added Tax (VAT) on the payments made by the Copperbelt Agriculture Coordinating Office, the Controlling Officer submitted that the Provincial Administration had engaged the Zambia Revenue Authority (ZRA) in correspondence dated 31<sup>st</sup> October, 2019 to help provide evidence of tax remittance on the twenty five payments made. The response was still being awaited.
- iii. With regard to the failure to deduct Pay As You Earn (PAYE) in respect of settling in allowances and commutation of leave days, the Controlling Officer had submitted that tax liabilities shall be settled by the Provincial Agriculture Coordinating Office (PACO) once funds were available. Additionally, the Controlling Officer submitted that the officers were only partially paid their dues and the tax component shall be paid for every installment paid to the officers. He further submitted that out of amounts owed totalling K145,304.83, the officers had only been paid K17,500, leaving a balance of K127,804.83 and the tax balance of K83,029.26.

The Controlling Officer stated that correspondence to ZRA and the schedule of outstanding tax obligations were available for verification.

**Committee's Observations and Recommendations**

The Committee urges the Controlling Officer to ensure the following:

- i. With regard to the failure to pay tax on the commutation of leave days, the Committee finds the system oversight unacceptable and expresses displeasure on the matter. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to deduct PAYE. The Committee also urges the Controlling Officer in the Ministry of Agriculture to engage the Treasury to ensure that the outstanding PAYE on the commutation of leave days is liquidated without delay. The Committee will await a progress report on the matter.

- ii. With regard to the failure to withhold Value Added Tax (VAT) on the payments made by the Copperbelt Agriculture Coordinating Office, the Committee expresses disappointment for the failure and urges the Controlling Officer to institute stern disciplinary action against the officers responsible for this omission. The Committee also urges the Controlling Officer for the Copperbelt Provincial Administration to ensure that documentary evidence of tax remittances pertaining to the twenty five payments made is availed to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.
- iii. With regard to the failure to deduct Pay As You Earn (PAYE) in respect of settling in allowances and commutation of leave days, the Committee finds it unacceptable that this information was not availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to avail the information to the auditors. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

**f. Lack of Title Deeds for Properties**

The Controlling Officer submitted that lack of title deeds for properties had been due to a lack of funds to carry out an inspection and valuation of all Government properties in the Province.

The Committee was informed that the Department of Preventive Maintenance was written to and advised to start with the inspection of properties within the Ndola district boundaries and thereafter spread the exercise to other districts once funds were made available by the Treasury.

The Controlling Officer also submitted that the Provincial Administration had since written to the Ministry of Lands and Natural Resources to commence, on a pilot basis, the issuance of title deeds for properties identified in Ndola District because in the absence of title deeds for the properties, it was difficult for the Provincial Administration to insure the properties. In this regard, the Controlling Officer submitted that correspondence was available for verification.

**Committee's Observations and Recommendations**

The Committee urges the Controlling Officer to be proactive and engage the Treasury for funding and ensure that all the Government properties under his charge are inspected and valued, without any further delay. The Committee will await a progress report on the issuance of title deeds by the Ministry of Lands and Natural Resources, on a pilot basis.

**g. Failure to change ownership of Donated Motor Vehicles**

The Controlling Officer submitted that the failure to change the ownership of the donated motor vehicles was as a result of lack of funding for the exercise.

However, the Controlling Officer submitted that management had since obtained GRZ number plates from the Ministry of Works and Supply for the four vehicles. The Committee was informed that out of the four vehicles, ownership details had been changed for two vehicles.

The Committee was also informed that exercise to change ownership of the other two vehicles was in progress as they could not be availed for physical inspection at the Road Transport and Safety Agency (RTSA) because they were broken down.

The Controlling Officer also submitted that correspondence from the Ministry of Works and Supply for the change of GRZ number plates, as well as details of change of ownership for two out of four vehicles were available for verification.

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

The Committee observes with concern that this information was not availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to provide information to the auditors and ensure that all relevant documents are submitted to the Office of the Auditor General for verification. The Committee also urges the Controlling Officer to ensure that the two broken down vehicles are fixed and have their ownership details changed without any further delay. The Committee will await a progress report on the matter.

#### **h. Unauthorised Retention and use of Revenue – Department of Town and Country Planning - K124,247**

The Controlling Officer submitted that due to delayed funding, the Department of Town and Country Planning engaged the Ministry of Local Government to write the Secretary to the Treasury and request for Authority to retain the fees collected at source in order to meet the departmental operational requirements. The response to the correspondence was still being awaited.

The Controlling Officer also submitted that in light of the audit queries and a lack of response from the Secretary to the Treasury, the Department had not utilised any fees collected during the 2019 financial year.

The Controlling Officer further submitted that correspondence to the Secretary to the Treasury was available for verification.

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

The Committee finds it unacceptable that the Department of Town and Country Planning could spend funds without authority from the Secretary to the Treasury. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against the officers who approved the expenditure. Additionally, the Committee urges the Ministry of Local Government to follow up with the Treasury on the request for authority to retain and utilise revenues at source. The Committee will await a progress report on the matter.

#### **i. Payment of Advances to Officers with Net Pay Less than 40 Per cent after Recoveries - K47,000**

The Controlling Officer submitted that the payment of advances to the six officers was as a result of financial challenges which required attention at the time, ranging from payment of school fees to funerals.

The Controlling Officer also submitted that the said Cabinet Circular was superseded by the Public Service Management Division Circular No. B3 of 2012, which stated under Part (f) that *“the net take home pay for employees must not be less than 40 per cent of basic salary after taking into consideration all deductions including statutory obligations”*. In this regard, the Controlling Officer admitted that six officers fell below the 40 per cent threshold.

In view of the foregoing, the Committee was informed that the PACO's office had since been verbally warned to always refer to cited circulars including the Circular No. B3 of 2012, which provided guidance on deduction codes and the administration of loan recoveries on the Government payroll.

The Controlling Officer further submitted that a copy of the Public Service Management Division Circular No. B3 of 2012 and evidence showing recovery of the said advances were available for verification.

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

The Committee notes with concern the negligence of duty by the Copperbelt Provincial Agricultural Coordinator and finds it unacceptable that the Controlling Officer warned the Office instead of the individual holding the Office. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against the PACO in accordance with the public service disciplinary code. Further, the Committee directs the Controlling Officer to submit all relevant documents to the Auditor General for verification. The Committee will await a progress report on the matter.

## **OFFICE OF THE PRESIDENT – CENTRAL PROVINCE**

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 45</b>
<b>PROGRAMME</b>	:	Various
<b>ACTIVITIES</b>	:	Various

### **Accounting and other Irregularities**

41. A review of accounting and other records maintained at the Provincial Administration and selected district administration offices carried out from February to June, 2019 revealed various irregularities, to which the Controlling Officer responded as outlined below.

#### **a. Irregular Payment of Acting Allowance - K32,112**

The Controlling Officer submitted that the Provincial Administration was unable to avail the letters to the auditors because the personal files of the concerned officers were not accessible. The Committee was informed that the concerned officers were not from the Provincial Administration Headquarters and that their duty stations were not yet known at the time of audit.

However, the Controlling Officer submitted that the Provincial Administration had since located the duty stations for the three officers and obtained the authority from the PSMD to appoint them to act in higher positions.

The Committee was informed that recommendation letters for the three officers had since been submitted to the PSMD.

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

The Committee expresses displeasure that supporting documents were not availed to the auditors at the time of audit. The Committee, therefore, urged the Controlling Officer to institute stern disciplinary action against officers who failed to provide documents to the auditors. The Committee also urges the Controlling Officer to submit supporting documents

to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

**a. Misplacement of Payroll Area - K712,400**

The Controlling Officer submitted that the affected officers were moved to the Provincial Administration payroll because Government wanted to decentralise the Department of National Registration, Passport and Citizenship to the districts. In this regard, the Department of National Registration, Passport and Citizenship was being managed like other departments sitting on the Central Province Establishment Register.

The Controlling Officer also submitted that the Provincial Administration made efforts to transfer the structure and the budget line from the Ministry of Home Affairs Headquarters to the Provincial Administration, so that the affected officers were budgeted for and added to the 2020 Establishment Register.

In this regard, the Controlling Officer submitted that the Provincial Administration wrote a letter to the Permanent Secretary in the Ministry of Home Affairs, in July, 2019 requesting to move the budget line from the Ministry of Home Affairs to the Central Provincial Administration to cater for the affected officers who were already sitting on the provincial administration payroll but not on the Establishment Register.

The Committee was informed that a response from the Permanent Secretary in the Ministry of Home Affairs indicated that the fifteen affected officers were in fact budgeted for under the Ministry of Home Affairs but were only sitting on the Central Province payroll as per Decentralisation Policy.

**Committee's Observations and Recommendations**

The Committee urges the Controlling Officer to engage the Permanent Secretary for the Public Service Management Division, to confirm if the response from the Ministry of Home Affairs Permanent Secretary is in tandem with the current stage of the implementation of the National Decentralisation Policy. The Committee will await a progress report on the matter.

**c. Failure to Transfer Payroll - K1,264,821**

The Controlling Officer submitted that the Provincial Administration wrote a letter to the Permanent Secretary, Public Service Management Division (PSMD), requesting for information concerning the status on the transfer of the payroll from Central Province to the Ministry of Defence, under Zambia National Service (ZNS).

The Controlling Officer further submitted that the Provincial Administration had written a letter to the Secretary to the Treasury requesting that the payroll for the thirty officers be transferred to the ZNS to normalise the payroll area.

**Committee's Observations and Recommendations**

The Committee expresses displeasure that the Provincial Administration failed to avail this information to the auditors at the time of audit. In this regard, the Committee prods the Controlling Officer to take the audit process seriously and institute disciplinary action against the officers who failed to avail this information to the auditors at the time of audit. The Committee also urges the Controlling Officer to submit all the relevant supporting documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

**d. Irregular Payment of Fuel Allowance - K19,450.80**

The Controlling Officer submitted that management had instituted recoveries on the payroll from the officer's salary.

**Committee's Observations and Recommendations**

The Committee finds it unacceptable that the Controlling Officer failed to identify the anomaly before the external audit was conducted. In this regard, the Committee observes that internal audit is being neglected, resulting in queries such as this one which could have been dropped at the time of audit. The Committee, therefore, urges the Controlling Officer to institute stern disciplinary action against officers who failed to provide information to the auditors at the time of audit. The Committee also urges the Controlling Officer to ensure that all supporting documents are availed to the Office of the Auditor General for verification and ensure that the operations of the Internal Audit Department are prioritised at the Provincial Administration. The Committee will await a progress report on the matter.

**e. Uninsured Motor Vehicles**

The Controlling Officer submitted that, during the year under review, the Provincial Administration faced funding challenges causing the failure to insure the entire motor vehicle and motor bike fleet.

The Controlling Officer also submitted that during the period under review the Provincial Administration did not experience any accident caused either by human error or the act of God hence no loss to Government property was incurred.

The Committee was informed that due to inadequate funding, even in the 2019 financial year, the motor vehicles and motor bikes had not been insured.

**Committee's Observations and Recommendations**

The Committee expresses displeasure that seventeen motor vehicles and eighteen motor bikes were not insured, posing the risk of loss of Government property in case of accidents. In this regard, the Committee urges the Controlling Officer to engage the Secretary to the Treasury for funding to cover insurance. The Committee will await a progress report on the matter.

**f. Misapplication of Funds - K11,000**

The Controlling Officer submitted that the Provincial Administration faced challenges to pay settling in allowances to officers, in line with the Terms and Conditions of service for public service workers.

The Controlling Officer also submitted that the Kapiri Mposhi District Administration office did not have the budget line for the dismantling of arrears during the year under review, even though a payment was made.

The Committee was informed that in order to avoid a recurrence, management had been taking stock of the staff liabilities position in all the districts so that when funded, staff debt would be dismantled by the Provincial Administration using the Dismantling of Arrears Programme code 6007.

**Committee's Observations and Recommendations**

The Committee finds it unacceptable that the Kapiri Mposhi District Administration spent funds meant for General Administration on the dismantling of personal related payments,

without authority from the Controlling Officer. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against the District Commissioner and ensure that the officer is availed and familiarised with the *Public Finance Management Act, No.1 of 2018*. The Committee will await a progress report on the matter.

**g. Irregular Use of Accountable Imprest- K17,420**

The Controlling Officer submitted that the Provincial Administration had effected the recovery of K3,450 from the Chibombo District Commissioner for authorising the use of accountable imprest to purchase goods and services instead of paying directly to suppliers.

The Controlling Officer also submitted that recovery of K2,000 had equally been effected from the Kapiri Mposhi District Commissioner for authorising the use of accountable imprest to purchase goods and services instead of paying directly to the supplier.

With regard to the K11,970 accountable imprest which was issued by the Kapiri Mposhi District Agricultural Coordinating Officer (DACO), the Controlling Officer submitted that K10,970 was issued because the officers who were working on e - voucher inputs needed internet to generate Authority to Deposit (ATD) codes for the farmers, to be used during the 2017/2018 Farmer Input Support Programme (FISP) implementation. The Controlling Officer also submitted that most of the operators were just agents and did not have Mobile Telephone Network (MTN) and Airtel established offices in Kapiri Mposhi and were not willing to accept a cheque payment because they were not yet registered as companies.

The Committee was informed that the balance of K1,000 was spent on skimming of wheels and clutch plate bonding for the Motor Vehicle of Registration No. GRZ 461CE, which broke down in Kapiri Mposhi. The local suppliers also did not accept a cheque payment because they were not registered.

**Committee's Observations and Recommendations**

The Committee finds it unacceptable that accountable imprest was used contrary to the Financial Regulations. The Committee also notes with concern that the action taken by the Controlling Officer, to recover funds from the District Commissioners, was not provided for in any Financial Regulation. In this regard, the Committee urges the Controlling Officer to appropriately charge the District Commissioners who authorised the payments and accordingly ensure that the unsupported recoveries from the District Commissioners are reversed forthwith to avoid other audit queries. The Committee will await progress report on the matter.

**h. Unretired Accountable Imprest – District Commissioner's Office-K6,060**

The Controlling Officer submitted that the failure by the Accountant to retire imprest within forty eight hours was due to the fraudulent nature in which the imprest was issued to the affected officer. The affected officer had since been charged for Theft by Public Servant and the case was reported to Police.

The Committee was informed that the same officer was facing disciplinary action for fraud and misappropriation of funds in 2019, under the Chibombo District Commissioner's office. In this regard, the Committee was informed that management had made a recommendation to the Public Service Management Division (PSMD) for his dismissal from the civil service.

The Controlling Officer further submitted that the officer had a disciplinary case and therefore, the Provincial Administration had locked the salary due to absenteeism. The

Committee was informed that should the recommendation to the Civil Service Commission (CSC) be favourably considered, the outstanding unretired imprest would be recovered from the officer's terminal benefits.

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

The Committee resolves to await the outcome of the Police investigations and the response from the Civil Service Commission.

##### **i. Failure to Deduct VAT - K9,999**

The Controlling Officer submitted that the Provincial Administration followed up the suppliers to establish if they had paid Value Added Tax (VAT) to the Zambia Revenue Authority (ZRA).

In this regard, the Committee was informed that the companies had confirmed paying VAT to the ZRA and submitting copies of acknowledgement of remittances.

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

The Committee is disappointed that the Provincial Administration did not avail supporting documents to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute disciplinary action against officers who failed to avail supporting documents to the auditors. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

### **OFFICE OF THE PRESIDENT – WESTERN PROVINCE**

<b>AUDIT QUERY</b>	<b>:</b>	<b>PARAGRAPH 46</b>
<b>PROGRAMMES</b>	<b>:</b>	Various
<b>ACTIVITIES</b>	<b>:</b>	Various

#### **Accounting and Other Irregularities**

42. A review of accounting and other related records maintained at the Provincial Administration and selected districts carried out between January and May, 2019 revealed various irregularities, to which the Controlling Officer responded as outlined below.

##### **a. Failure to Dismiss Officers Absent from Duty Without Official Leave - K190,728.37**

The Controlling Officer submitted that one officer had since been dismissed and the other three officers had been recommended to the Civil Service Commission (CSC) for dismissal. The Committee was informed that the salaries and allowances in amounts totalling K190,728.37, drawn by the four officers during the period of absence would be recovered from their terminal benefits. The Committee was also informed that management had since put in place measures to ensure such cases were reported on time.

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

The Committee notes with disappointment that the Provincial Administration failed to detect the anomaly before the external audit was conducted. The Committee also finds it unacceptable that the Controlling Officer was only taking steps to address the matter after it had graduated in to an audit query. In this regard, the Committee strongly urges the Controlling Officer to be proactive when dealing with matters under his charge to prevent the loss of Government resources.

Additionally, the Committee directs the Controlling Officer to immediately institute recoveries from the salaries of the three officers who are still employed by the Government, and only recover from the fourth officer, who has since been dismissed, from the terminal benefits. In the meantime, the Controlling Officer must ensure that all necessary preparatory processes and procedures are undertaken in order to ensure that these recoveries are effected without fail. The Committee will await a progress report on the matter.

**b. Failure to Report Back to the Station After Study Leave – Kaoma District Administration - K45,258.81**

The Controlling Officer submitted that the erring officer was recommended for dismissal and had since been dismissed from the civil service. The Committee was informed that all the money owed to the Government or which could have been paid to the erring officer after 1<sup>st</sup> February, 2018 and also paid towards the officer's studies would be recovered from the terminal benefits.

**Committee's Observations and Recommendations**

The Committee notes with dismay that this information was not availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to provide the information to the auditors. The Committee also urges the Controlling Officer to take the audit process seriously, and endeavour to be personally available at both entry and exit meetings with the auditors and to ensure that all procedures aimed at ensuring recovery of the funds are undertaken. The Committee will await a progress report on the matter.

**c. Failure to Report Back to the Station after Vacation Leave-Kaoma DACO - K127,319**

The Controlling Officer submitted that management regretted the occurrence and had put in place measures to ensure that officers were regularly monitored to avoid the recurrence of the query. The Committee was informed that the officer had since been dismissed from the civil service and the emoluments totalling K127,319 would be recovered from the officer's terminal benefits.

**Committee's Observations and Recommendations**

The Committee notes with dismay that this information was not availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to provide information to the auditors and to ensure that all procedures aimed at ensuring recovery of the funds are undertaken. The Committee will await a progress report on the matter.

**d. Irregular Payment of Salaries to an officer who Resigned from Public Service - K17,471**

The Controlling Officer submitted that the money that the officer received after resignation would be recovered from his leave days. The Committee was informed that the delay to remove the officer from the payroll was as a result of lack of feedback from Public Service Management Division (PSMD) on the matter.

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

The Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to provide this information to the auditors. The Committee will await a progress report on the matter.

#### **e. Irregular Payment of Subsistence and Meal Allowances - K30,910**

The Controlling Officer submitted that this was caused by the understanding that the monitored places were far from the work stations, some as far away as 120km or more despite being within the district boundary and with a sandy terrain.

In this regard, the Controlling Officer submitted that management had since recovered the K30,910 from the officers' monthly salaries through payroll deductions and that cash refunds and the copies of pay slips and GRZ receipts were available for verification.

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

The Committee finds it unacceptable that supporting documents were not availed to the auditors at the time of audit. The Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to avail supporting documents to the auditors. The Committee also urges the Controlling Officer to submit the supporting documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

#### **f. Failure to Report Motor Vehicle Accidents - Provincial Administration**

The Controlling Officer submitted that the road traffic accidents for vehicle numbers GRZ 134CM and GRZ 266CM were reported to Mushima Police Post in Mufumbwe on 6<sup>th</sup> August, 2018 and to the Provincial Standing Accidents Board on 15<sup>th</sup> August, 2018 and to Senanga Police Station on 28<sup>th</sup> January, 2017, respectively and to the Secretary to the Treasury.

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

The Committee expresses displeasure that in some instances, it took the Provincial Administration six months to report an accident. The Committee, therefore, urges the Controlling Officer to take his duty seriously to ensure the safe custody of Government assets, and to avoid unnecessary wastage. In addition, the Committee urges the Controlling Officer to institute stern disciplinary action against the Controller of Government Transport in the Province for violating stores regulations with impunity. The Committee will await a progress report on the matter.

#### **g. Failure to Withhold Tax - K45,296**

The Controlling Officer submitted that this was due to delay in receiving the appointment letter from the Zambia Revenue Authority (ZRA) as a tax agent on withholding VAT, as the Withholding VAT Certificate had expired on 31<sup>st</sup> December, 2017. The Committee was informed that Withholding tax amounting to K4,224 on rental payments made to NAPSA was not deducted at source due to the fact that NAPSA had a Withholding Tax Exemption Certificate. The Controlling Officer had also submitted that the Withholding Tax Exemption Certificate allowed NAPSA, as a landlord, to receive gross rental income.

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

The Committee notes that this information should have been provided to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern

disciplinary action against officers who failed to provide information to the auditors at the time of audit. In the meantime, the Controlling Officer should submit all relevant documentation to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

**h. Unrecovered Tuition Loans - K16,200**

The Controlling Officer submitted that the recoveries were effected on time, in July 2018 although the recoveries could not reflect on the pay slip due to the officer reaching the 40 per cent threshold on the already existing loans, until July 2019 when it reflected with a period of eighteen months remaining to be recovered.

**Committee's Observations and Recommendations**

The Committee expresses displeasure that this information was not availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to provide information to the auditors. The Committee also urges the Controlling Officer to ensure that the outstanding amount is recovered without fail and all relevant documentation submitted to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

**i. Payment of Salary Advances to Officers with Net Pay Below 40 Per cent- K38,580**

The Controlling Officer submitted that the observation was acknowledged on two officers for amounts totalling K22,580 whose net pay after deductions were below 40 per cent of their basic pay.

The Committee was informed that the other two officers for amounts totalling K16,000 were eligible as their net pay after deductions was above 40 per cent of their basic pay.

**Committee's Observations and Recommendations**

The Committee strongly cautions the Controlling Officer to ensure that all officers under his supervision adhere to the provisions of Public Service Management Division Circular No.B 19 of 2007. To this effect, the Committee implores the Secretary to the Treasury to take keen interest in the financial operations at the Provincial Administration so as to avert more irregularities. The Committee further urges the Controlling Officer to institute stern disciplinary action against officers who approved the irregular payments in violation of the said Circular. The Committee will await a progress report on the matter.

**OFFICE OF THE PRESIDENT – EASTERN PROVINCE**

<b>AUDIT QUERY</b>	<b>:</b>	<b>PARAGRAPH 47</b>
<b>PROGRAMMES</b>	<b>:</b>	Various
<b>ACTIVITIES</b>	<b>:</b>	Various

**Accounting and other Irregularities**

43. An examination of revenue and other records maintained at the Provincial Administration and selected districts carried out from January to June, 2019 revealed various irregularities, to which the Controlling Officer responded as outlined below.

**a. Misplacement of Payroll Area - K458,898**

The Controlling Officer submitted that the scenario resulted from local transfers which were done to service the understaffed stations. However, the Committee was informed that all the

four officers in question were directed to report back to their duty stations and had since reported back and the arrival advice forms were available for verification.

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

The Committee notes with displeasure that supporting documents were not availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to avail supporting documents to the auditors. The Committee also urges the Controlling Officer to submit the supporting documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

#### **b. Misapplication of Funds - K154,345**

The Controlling Officer submitted that the reported misapplication of funds was as a result of upload errors which occurred during the upload of transactions onto IFMIS, following its breakdown. The Committee was informed that during IFMIS downtime, payments were being processed manually but when the system was restored, all manually processed payments were to be uploaded onto the IFMIS and it was during this time when some payments were wrongly posted.

The Controlling Officer, however, submitted that the actual funds for the departments under the Ministry of Agriculture and the Ministry of Fisheries and Livestock were transferred to their respective district commercial bank accounts and the programmes were implemented correctly.

The Committee was informed that the error could not be corrected because at the time it was discovered, the system had already closed for inputs.

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

The Committee notes that this information should have been availed to the auditors at the time of audit. In this regard, The Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to avail the information to the auditors. The Committee also urges the Controlling Officer to urgently submit supporting documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

### **OFFICE OF THE PRESIDENT – LUAPULA PROVINCE**

<b>AUDIT QUERY</b>	<b>:</b>	<b>PARAGRAPH 48</b>
<b>PROGRAMME</b>	<b>:</b>	Various
<b>ACTIVITIES</b>	<b>:</b>	Various

#### **Accounting and Other Irregularities**

44. An examination of accounting and other records relating to the management of the account revealed various irregularities, to which the Controlling Officer responded as outlined below.

#### **a) Failure to provide funding details**

The Controlling Officer submitted that the funds in question were for the Recurrent Departmental Charges (RDCs) in December 2017 but later transferred to the General Deposit Account on 29<sup>th</sup> December, 2017, so that various activities which were already committed

could be executed considering that the funds could have been forfeited to the Treasury if the funds had remained in the Treasury Single Account. In this regard, the Committee was informed that the amount brought forward of K127,857.07 was for the departments at the Provincial Administration and was later spent by the departments in January, 2018.

The Committee was also informed that the Director of Finance had been cautioned to adhere to Section 73(1) (c) of the *Public Finance Management Act, No. 1 of 2018*, which required auditors to be given information that they called for on time, failure to which Section 49(1) and 49(4) could be invoked accordingly.

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

The Committee expresses disappointment that officers in various departments did not spend funds on time to avoid the mop up to control 99. The Committee also notes with concern that the Provincial Administration employed an irregular procedure to ensure that the unutilised funds were not mopped up by the Treasury. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against the officer who approved the transfer of funds, contrary to Financial Regulations. In addition, the Committee urges the Controlling Officer to submit the relevant documents to the Office of the Auditor General on the matter.

#### **b) Misapplication of Funds - K101,379.75**

The Controlling Officer submitted that the funds were spent on the said activities with the view that the funds would be reimbursed upon receiving funding from the Ministry of Finance. However, the Committee was informed that the Provincial Administration did not receive the expected funds as funding in the financial year ended 2018 was erratic.

The Controlling Officer also submitted that the Director of Finance had been directed to adhere to the financial procedures and guidelines that required spending agencies to only make payments for activities that were funded.

The Controlling Officer further submitted that the internal auditors had also been directed to pre - audit all payments to ensure that only payments that were funded were passed for payment.

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

The Committee notes with concern that the Provincial Administration did not obtain authority from the Secretary to the Treasury to vary the funds. In this regard, the Committee urges the Secretary to the Treasury to institute stern disciplinary action against the Controlling Officer for approving the misapplication of the funds. The Committee also urges the Controlling Officer to ensure that the misapplied funds are paid back and utilised on the budgeted activities. The Committee will await a progress report on the matter.

#### **c) Failure to Withhold VAT- K2,714.19**

The Controlling Officer submitted that the non withholding of VAT was because the payments were made based on proformas and not invoices. The Committee was informed that the two suppliers in question were written to so that they could provide details and proof of remitting the VAT to the Zambia Revenue Authority. The Committee was also informed that Toyota Zambia had since responded to the letter by e-mail and had indicated that VAT totalling K847.15 was paid to the ZRA. The Committee was also informed that efforts were being made to get feedback from Tyre King Limited.

The Controlling Officer further submitted that the Director of Finance had been directed to adhere to the Financial Regulations and guidelines before payments were made.

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

The Committee urges the Controlling Officer to institute stern disciplinary action against the officer who approved the payment without deducting VAT, contrary to Circular No. 6 of 2017 on withholding of the VAT on all supplies of goods and services received by the Government institutions. The Committee also urges the Controlling Officer to submit all relevant documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

### **OFFICE OF THE PRESIDENT – LUAPULA PROVINCE**

<b>AUDIT QUERY</b>	:	<b>PARAGRAPH 49</b>
<b>PROGRAMME</b>	:	Various
<b>ACTIVITIES</b>	:	Various

### **Accounting and other Irregularities**

45. An examination of accounting and other records maintained at the Provincial Administration and selected districts as well as physical inspection of some projects carried out in June, 2019 revealed various irregularities, to which the Controlling Officer responded as outlined below.

#### **a. Employees on the Provincial Payroll but not working within the Province - K627,049**

The Committee was informed that management had taken action and remedial measures to correct the observed anomaly as set out below.

- a. Two officers under the Department of National Registration, Passport and Citizenship, who were placed on the Luapula Provincial Administration payroll while working elsewhere had their salaries withheld after their line Ministry failed to respond to the earlier inquiries regarding their payroll misplacement. The Committee was informed that following the withholding of the officers' salaries, the two officers had since reported and were working in Luapula Province. Documentary evidence was available for verification.
- b. Letters had been written to line ministries to normalise the payroll placement of four officers. The Committee was also informed that remedial action had been taken to have the salaries for three of the four officers withheld, following the non - response from their line ministries to the enquiries over the officers' payroll misplacement. In this regard, the Controlling Officer submitted that documentary evidence was also available for verification.
- c. One officer was transferred for administrative convenience and remedial measures had been taken by engaging the Ministry of Youth, Sport and Child Development to normalise the officer's payroll placement. In this regard, the Controlling Officer submitted that documentary evidence was available for verification.
- d. A Senior Lands Officer was administratively transferred from Luapula Province to the Copperbelt Province on 26<sup>th</sup> June, 2017. The Committee was informed that the Ministry

of Lands and Natural Resources had been engaged over the officer's payroll misplacement. In this regard, the Controlling Officer submitted that documentary evidence was available for verification.

- e. One officer was transferred from Luapula Province to the Ministry of Transport and Communications Headquarters and appointed to act as Meteorologist with a view to substantive promotion to the post. The Committee was informed that before the officer could be moved to the position of Meteorologist, the position was frozen. The Committee was informed that the Provincial Administration had engaged the Ministry of Transport and Communications over the officer's transfer and the Ministry had promised to facilitate the reactivation of the position. The Committee was also informed that relevant documentary evidence was available for verification.
- f. The Controlling Officer also submitted that heads of department in Luapula Province had been directed not to transfer employees on administrative arrangements without involving his office. The Controlling Officer further submitted that the Provincial Administration would not be giving clearance and releasing officers whose transfers were not sanctioned by the Civil Service Commission through the Public Service Management Division in accordance with Cabinet Circular No. 13 of 2019.

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

The Committee expresses displeasure that the Controlling Officer is taking action only after the external auditors have highlighted the matter. In this regard, the Committee urges the Controlling Officer to put measures in place which will augment internal audit functions, so that matters such as this one, could be identified and addressed before the external audit is conducted. The Committee emphasises that all the queried payroll placements must be regularised without undue delay and will await a progress report on the matter..

#### **a. Payments without Authority to Travel Abroad and Failure to Retire Accountable Imprest**

##### **i. Payment of Imprest before Approval of Authority to Travel Abroad- K318,933**

The Controlling Officer submitted that payments were made based on the verbal authority from higher offices as written authority was being awaited. The Committee was informed that other provinces, namely, Copperbelt and North Western and the Ministry of Foreign Affairs had advanced in their preparations. The Controlling Officer also submitted that this was further compounded by the confidential nature of the meeting and the rapid deteriorating boarder security concerns. As a result, payments had to be made urgently.

The Committee was also informed that imprest that was not retired by 31<sup>st</sup> December, 2018 had since been retired and that the Director of Finance had been verbally warned for the failure to ensure that imprest given to officers was retired within forty eight hours of returning from tour in accordance with Financial Regulations.

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

The Committee finds it unacceptable that a payment was made to the officers without written authority from Cabinet Office, contrary to Financial Regulations. The Committee also notes with displeasure that imprest was not retired within forty eight hours after returning from the tour, in accordance with Financial Regulations. In this regard, the Committee sternly cautions the Controlling Officer to desist from the tendency of approving payments without prior approval from relevant authorities. The Committee also urges the Controlling Officer to

institute stern disciplinary action against officers who delayed to retire imprest, as well as the Director of Finance for failing to institute recoveries of the imprest, in accordance with the Financial Regulations. The Committee will await a progress report on the matter.

**ii. Failure to Recover Imprest- K22,550**

The Controlling Officer submitted that this was so because the two officers were from the Office of the President - Special Division whose payrolls were difficult to access.

The Controlling Officer, however, submitted that the Provincial Administration had written to management at the Office of the President - Special Division to recover the funds from the two officers on behalf of the Provincial Administration, which had since been done.

**Committee's Observations and Recommendations**

The Committee notes that this information should have been provided to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to avail the information to the auditors. The Committee also urges the Controlling Officer to provide all relevant documentation regarding the recovered funds to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

**b. Holding of Workshops without Authority - K82,169**

The Controlling Officer submitted that this was so because of the magnitude of participants who included foreign dignitaries and other Very Important Persons (VIPs). The Controlling Officer also submitted that this was due to the urgency and confidentiality of the meeting.

The Controlling Officer further submitted that in future, he would not allow holding such conferences outside Government facilities before authority was granted by Cabinet Office.

**Committee's Observations and Recommendations**

The Committee finds it unacceptable that funds were spent on holding a workshop outside the Government facilities without written authority from the Secretary to the Cabinet, contrary to the laid down regulations. The Committee, therefore, sternly cautions the Controlling Officer to desist from the tendency of approving payments without prior approval from relevant authorities. The Committee further calls on the Secretary to the Treasury to take necessary disciplinary action against the Controlling Officer for this irregularity. The Committee will await a progress report on the matter.

**c. Failure to Collect VAT- K3,471**

The Controlling Officer submitted that the non withholding of VAT was because the payments were made based on proformas and not invoices. The Committee was informed that despite this omission, the suppliers had been written to in order to get details of the payments they could have made directly to the Zambia Revenue Authority.

The Controlling Officer also submitted that the two suppliers in question were written to and requested to provide details and proof of remitting VAT to the Zambia Revenue Authority. The Committee was informed that efforts were being made to get feedback from Tyre King Limited. The Controlling Officer further submitted that the Director of Finance had been directed to adhere to the financial regulations and guidelines before payments were made.

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

The Committee urges the Controlling Officer to institute stern disciplinary action against the officer who approved the payment without withholding VAT, contrary to Circular No. 6 of 2017 and the *Income tax Act, Chapter 323 of the Laws of Zambia*. The Committee also urges the Controlling Officer to submit all relevant documentation to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

#### **d. Construction of Ablution Block and Changing Rooms - Cultural Village, Mansa**

The Controlling Officer submitted that the works had stalled at lintel level awaiting casting of the concrete because the timber supplied was of wrong specification, hard wood was supplied instead of soft wood. The Controlling Officer also submitted that the supplier had agreed to deliver the right specification within fourteen days and that the contractor had been requested to resume works immediately the materials were on site.

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

The Committee is disappointed over the inordinate delay in completing the project. In this vein, the Committee urges the Controlling Officer to ensure that the project is completed without further delay. The Committee also urges the Controlling Officer to institute stern disciplinary action against officers who failed to provide this information to the auditors at the time of audit. The Committee will await a progress report on the matter.

#### **e. Chishinga Breeding Centre - Kawambwa**

##### **i. Failure to Deduct NAPSA Contributions - K3,600**

The Controlling Officer submitted that casual workers were not registered under the National Pension Scheme Authority (NAPSA), as to the knowledge of the management at the Centre. The Committee was informed that the casual workers were classified as daily employees and not permanent, and therefore, there was no requirement for them to contribute to NAPSA.

The Controlling Officer also submitted that for future engagements, he had directed all heads of department to seek authority from his office if there was need to engage casual workers so that the Human Resource Department could regularise and register the casual workers with NAPSA in compliance with the *National Pension Scheme Authority Act, No. 40 of 1996*.

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

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

##### **ii. Casualisation of Workers at the Breeding Centre**

The Controlling Officer submitted that the reason why management at the Breeding Centre had maintained the workers for the mentioned period was that the casual workers in question had gained significant experience in managing the livestock. The Committee was informed that it was, therefore, not feasible to replace them on a daily basis. The Committee was also informed that the services of these causal workers were still needed at the Breeding Centre.

The Controlling Officer also submitted that the Permanent Secretary in the Ministry of Fisheries and Livestock had been requested to obtain Treasury Authority to employ the casual workers on a permanent basis.

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

The Committee calls upon the Secretary to the Treasury to support the Controlling Officer by issuing the necessary authority for the workers in question to be employed on permanent basis so that the Government is not seen to be promoting their Casualisation. The Committee will await a progress report on the matter.

## **OFFICE OF THE PRESIDENT – SOUTHERN PROVINCE**

**AUDIT QUERY** : **PARAGRAPH 50**  
**PROGRAMME** : Various  
**ACTIVITIES** : Various

### **Accounting and other Irregularities**

46. An examination of accounting and other records maintained at the Provincial Administration Office carried out in May, 2019 revealed various irregularities, to which the Controlling Officer responded as outlined below.

#### **a. Misapplication of Funds - K186,013**

##### **i. Funds Meant for General Administration - K154,047**

The Controlling Officer submitted that the decision to pay K154,047 towards various programmes on the budget line of General Administration was as a result of a misinterpretation of the term ‘General’ to mean that the budget line could be used ‘generally’.

He also submitted that this had been a long held view at the Provincial Administration which was never queried until the 2017/2018 financial audit. The Controlling Officer further submitted that management took corrective action beginning July, 2018, adding that the queried issues were up to June, 2018.

### **Committee’s Observations and Recommendations**

The Committee finds it unacceptable that the entire Finance Department of the Provincial Administration could misinterpret the meaning of General Administration, resulting into misapplication of funds. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against officers who approved the spending of funds meant for General Administration on unrelated activities for incompetence. The Committee will await a progress report on the matter.

##### **ii. Twinning Southern Province with Guangzhou in China - K31, 965.70**

The Controlling Officer submitted that he regretted the use of K31,965.70 for the twinning programme with the Chinese town of Guangzhou on a high level trip to attend the Third Forum on China Africa Local Government Cooperation in Beijing. The Controlling Officer also submitted that the Provincial Administration would henceforth ensure that such activities were appropriately budgeted for or where no budget line existed, authority was obtained from the Secretary to the Treasury to use an unrelated budget line.

### **Committee’s Observations and Recommendations**

The Committee is disappointed that the Provincial Administration used funds amounting to K31,965.70 without authority from the Secretary to the Treasury. In this regard, the Committee urges the Secretary to the Treasury to institute appropriate measures against the Controlling Officer for allowing such a serious irregularity and ensure that a refund is made to the relevant budget line. The Committee will await a progress report on the matter.

**b. Weaknesses in Transport Management**

**i. Failure to Effect Recoveries from the Surcharged Officer - K101, 138.78**

The Controlling Officer submitted that the Provincial Administration had initially over-surcharged the officer as the maximum surcharge amount according to the guiding Statutory Instrument was the lesser of the annual gross pay and 10 per cent of the replacement value.

Therefore, the total amount of the surcharge was K35,634.96 which was the annual gross salary of the officer.

**Committee's Observations and Recommendations**

The Committee urges the Controlling Officer to recover the surcharged amount from the erring Officer and avail supporting documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

**ii. Missing Motor Vehicle.**

The Controlling Officer expressed regret at the information gap which resulted in the failure to coordinate a physical verification between the Transport Officer at the Ministry of Lands and Natural Resources Headquarters and the auditors from the Office of the Auditor General at headquarters. However, the vehicle was available for verification at the Zambia State Insurance Corporation salvage yard in Lusaka awaiting insurance replacement procedures.

**Committee's Observations and Recommendations**

The Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to provide this information to the auditors at the time of audit. The Committee also urges the Controlling Officer to arrange for and facilitate a verification of the vehicle in question by the Auditor General. The Committee will await a progress report on the matter.

**c. Weaknesses in the Management of District Administration Fund**

**i. Misapplication of Funds - K78,422**

The Controlling Officer submitted that the decision was as a result of a misinterpretation of the term 'General' to mean that the budget line could be used 'generally'. In this regard, he submitted that this had been a long time held view at the Provincial Administration which was never queried until the 2017/2018 financial audit.

The Controlling Officer also submitted that management had taken corrective action and the misunderstanding had been resolved.

**Committee's Observations and Recommendations**

The Committee finds it unacceptable that the entire Finance Department of the Provincial Administration could misinterpret the meaning of General Administration, resulting into misapplication of the funds. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against officers who approved the spending of funds meant for General Administration on unrelated activities for their incompetence. The Committee will await a progress report on the matter.

**ii. Irregular Procurement of Goods and Services Using Imprest - K68, 670**

The Controlling Officer submitted that the use of imprest to purchase goods and services whose value could be ascertained was regrettable. In this regard, the Controlling Officer submitted that he had written to the concerned District Commissioners and other concerned officers to desist from the practice which was contrary to the Financial Regulations.

**Committee's Observation and Recommendations**

The Committee expresses concern that the Controlling Officer is trivialising the matter by merely writing the erring officers to desist from the practice. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against all the concerned officers, including the District Commissioners, so that it serves as a deterrent to would be offenders. The committee will await a progress report on the matter.

**iii. Failure to Insure Motor Vehicles**

The Controlling Officer submitted that the failure by the district officers to insure the motor vehicles and bikes was due to low levels of funding. In this regard, the Controlling Officer submitted that he was in constant engagement with the Treasury seeking for funding to enable the payment of such critical activities as the insurance of motor vehicles and bikes.

**Committee's Observations and Recommendations**

The Committee urges the Controlling Officer to prioritise the insurance of motor vehicles and bikes at the Provincial Administration in order to safeguard the assets. Additionally, the Committee urges the Controlling Officer to ensure that the Secretary to the Treasury is re-engaged on the matter.

**ii. Failure to Provide Authority to Employ - Monze DFLCO - K4,655**

The Controlling Officer submitted that the casual employees were employed using formal oral contracts.

**Committee's Observations and Recommendations**

The Committee expresses displeasure that this information was not availed to the auditors at the time of audit. In this regard, the Committee urges the Controlling Officer to institute stern disciplinary action against officers who failed to avail this information to the auditors. The Committee also urges the Controlling Officer to submit this information to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

**OFFICE OF THE PRESIDENT – SOUTHERN PROVINCE**

<b>AUDIT QUERY</b>	<b>:</b>	<b>PARAGRAPH 51</b>
<b>PROGRAMME</b>	<b>:</b>	Various
<b>ACTIVITIES</b>	<b>:</b>	Various

**Accounting and other Irregularities**

47. An examination of accounting and other records maintained at the Provincial Administration Office and selected districts carried out in May, 2019 revealed various irregularities, to which the Controlling Officer responded as outlined below.

**a. Irregular Payment of Rural Hardship Allowances - K96,330**

The Controlling Officer submitted that the matter was recommended for closure at the time of audit.

**b. Irregular Payment of Housing Allowances - K161,302**

The Controlling Officer submitted that the matter was recommended for closure at the time of audit.

**Committee's Observations and Recommendations**

The Committee resolves to close the matters from (a) – (b).

**c. Non-Recovery of Salary and Tuition Advances - K10,000**

The Controlling Officer submitted that the matter was recommended for closure at the time of audit but be kept in view until the amount was liquidated as the officer had started making repayments.

**Committee's Observations and Recommendations**

The Committee will await a progress report on the full recovery of funds.

**CONCLUSION**

48. The Committee wishes to express its gratitude to you, Mr Speaker, and the Office of the Clerk for the support rendered to it when considering the Report of the Auditor General on the Accounts of the Republic for the Financial Year ended 31<sup>st</sup> December, 2018. The Committee further wishes to thank the Controlling Officers who appeared before it and the Secretary to the Treasury for their co-operation.

Finally, the Committee acknowledges the valuable input of the Auditor General, the Accountant General and that of the Controller of Internal Audit when considering submissions from witnesses.

Mr H Kunda, MP  
**CHAIRPERSON**

June, 2020  
**LUSAKA**

## **APPENDIX I**

### **List of National Assembly Officials**

Ms C Musonda, Principal Clerk of Committees

Mr H Mulenga, Deputy Principal Clerk of Committees (FC)

Mrs C K Mumba, Senior Committee Clerk (FC)

Mrs A M Banda, Committee Clerk

Ms B P Zulu, Committee Clerk

Mr M Chuba, Committee Clerk

Ms I Mwiya, Typist

Mr M Chikome, Committee Assistant

Mr D Lupiya, Committee Assistant