REPUBLIC OF ZAMBIA

REPORT

OF THE

COMMITTEE ON PARASTATAL BODIES

ON THE

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF PARASTATAL BODIES AND OTHER STATUTORY INSTITUTIONS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2021

FOR THE

SECOND SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

Published by the National Assembly of Zambia

FOREWORD

The Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2021, was conducted in accordance with the Provisions of *Article 250* of the *Constitution of Zambia (Amendment) Act No. 2 of 2016, the Public Finance Management Act No. 1 of 2018* and International Standards for Supreme Audit Institutions (ISSAIs).

The Report contains paragraphs on twenty-three Parastatal Bodies and Other Statutory Institutions that were audited and highlights matters concerning the management and financial performance of selected Parastatal Bodies and Other Statutory Institutions. These matters include weaknesses in corporate governance, the failure to prepare and have accounts audited, the poor management of loans, pension funds and contracts, and weaknesses in internal control systems.

In view of the foregoing, the Committee on Parastatal Bodies, considered the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2021, in accordance with its terms and reference as espoused under Standing Orders No. 197 and 198 of the National Assembly of Zambia Standing Orders, 2021.

The Committee held thirty-three meetings to consider submissions on the Report of the Auditor General, with technical guidance from the Auditor-General; the Accountant-General; and the Controller of Internal Audit. The Committee considered both oral and written submissions from the Controlling Officers and the Chief Executive Officers of the twenty-three Parastatal Bodies and Other Statutory Institutions cited in the Audit Report. Additionally, the Committee interacted with the Secretary to the Treasury, who was requested to comment on the Auditor General's recommendations.

The Report is in four parts: Part I deals with the Auditor General's comments, responses from the Secretary to the Treasury and the Committees observations and recommendations; Part II captures the responses from the Controlling Officers on the individual audit queries and the Committee's observations and recommendations on the audit queries; Part III contains the Committee's local tour report; and Part IV contains the Committee's foreign tour report.

The Committee wishes to pay tribute to all the witnesses who appeared before it and made both oral and written submissions. It also wishes to thank Madam Speaker and the Office of the Clerk of the National Assembly and his staff, for the services rendered throughout its deliberations. The Committee is confident that the observations and recommendations contained in this Report will be favorably considered and fully implemented by the Executive, in the interest of the Nation.

Mr Brian Kambita, MP
CHAIRPERSON

July, 2023
LUSAKA

List of Acronyms

ARO	Assistant Registration Officers
AEUHS	Affiliations and Examinations Unit of Health Sciences
AfDB	African Development Bank
AAC	Annual Allowable Cut
AGM	Annual General Meetings
AWS	Amazon Web Services
BOZ	Bank of Zambia
BTMMS	Bus Terminus and Market Management System
BSA	Bulk Supply Agreement
CBU	Copperbelt University
CDB	China Development Bank
CEC	Copperbelt Energy Corporation
CRB	Credit Reference Bereau
CSP	Corporate Strategic Plan
CSR	Corporate Social Responsibility
CICT	Centre for Information and Communication Technologies
CSP	Corporate Strategic Plan
CGCZL	Consolidated Gold Company Zambia Limited
CJOC	Central Joint Operations Committee
CVM	Customer Value Management
CID	Criminal Investigative Department
DDIs	Domestic Direct Investments
DMMU	Disaster Management and Mitigation Unit
DEC	Drug Enforcement Commission
DMED	Department of Medical Education Development
DBZ	Development Bank of Zambia
ECL	Edgar Chagwa Lungu
EPOD	Electronic Proof of Delivery
ECOHS	Examinations Council of Health Sciences
ECZ	Electoral Commission of Zambia
EIZ	Engineering Institution of Zambia
EY	Ernest and Young
EPOD	Electronic Proof of Delivery
ERB	Energy Regulation Board
EPC	Evolved Packet Core
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
FUP	Fair Usage Policy
FISP	Farmer Input Support Programme
FDIs	Foreign Direct Investments
FX	Foreign Currency
FFB	Fresh Fruit Bunches
FRA	Food Reserve Agency
GBPS	Ginger Bytes Per Second
GPS	Global Positioning System

GRN	Goods Received Note
GRNs	Goods Received Notes
GRZ	Government
HPCZ	Health Professions Council of Zambia
HEA	Higher Education Authority
IAS	International Accounting Standards
ICT	Information Communication Technology
IDC	Industrial Development Corporation
INRIS	Integrated National Registration Information
IPCs	Interim Payment Certificates
ISP	Internet Service Provider
ISSAIs	International Standards for Supreme Audit Institutions
IT	Information Technology
KMSRD	Karma Mining Services and Rural Development
KPI	Key Performance Indicators
KYC	Know Your Customer
LC	Letter of Credit
LMBSMCL	Livingstone Market and Bus Station Management Company
LPO	Local Purchase Order
LVC	Live Virtual Classroom
MCZ	Medical Council of Zambia
MPC	The Management Procurement Committee
MoU	Memorandum of Understanding
MOGE	Ministry of General Education
MOFNP	Ministry of Finance and National Planning
Mt	Metric Tonne
NAPSA	National Pension Scheme Authority
NCZ	Nitrogen Chemicals of Zambia Limited
NECL	Ndola Energy Company Limited
NHIMA	National Health Insurance Management Authority
NOC	Network Operating Centre
NPLs	Non-Performing Loans
NRCs	National Registration Cards
NRFA	The National Road Fund Agency
NSFR	National Strategic Food Reserves
NWSC	National Water and Sewerage Corporation
OAG	Office of the Auditor General
OCS	Out of Support Online Charging System
OPOC	Oil Palm Out-Growers Company
PAC	Preliminary Acceptance Certificates
PACRA	Patents and Companies Registration Authority
PAC COSASE	Public Accounts Committee on Statutory Authorities and State Enterprises
PMS	Performance Management System
PODs	Proof of Delivery
PPA	Power Purchase Agreement

PPP	Public Private Partnership
PSPF	Public Service Pensions Fund
PWC	Price Waterhouse Coopers
RTSA	Road Traffic and Safety Agency
REA	Rural Electrification Authority
SLAs	Service Level Agreements
SOMs	State Owned Enterprises
SMEs	Small and medium enterprises
SSA	Sponsor Support Agreement
SGR	Strategic Grain Reserves
TAZARA	Tanzania Zambia Railway Authority
TTPA	Time to Pay Agreements
TDRC	Tropical Diseases Research Centre
TPIN	Taxpayer Identification Number
TPPZL	Times Printpak Zambia Limited
TSR	Temporal Speed Restriction
UNZA	University of Zambia
UPS	Uninterruptible Power Supply
USD	United States Dollar
VAT	Value Added Tax
VSS	Voluntary Separation Initiative
VIDs	Voter Identification Devices
WMS	Warehouse Management System
ZEPIU	Zambia Education Project Implementation Unit
ZESCO	Zambia Electricity Supply Corporation
ZAFFICO	Zambia Forestry and Forest Industries Corporation Limited
ZICA	The Zambia Institute of Chartered Accountants
ZICTA	Zambia Information and Communication Technology Authority
ZIHRM	The Zambia Institute of Human Resources Management
ZIPS	The Zambia Institute of Purchasing and Supply
ZAMPOST	Zambia Postal Services Corporation
ZAMTEL	Zambia Telecommunication Corporation Limited
ZAMRA	Zambia Medicines Regulatory Authority
ZPPA	Zambia Public Procurement Authority
ZRA	Zambia Revenue Authority
ZSA	Zambia Statistical Agency
ZCCM-IH	Zambia Consolidated Copper Mines Investments Holdings

Contents

a) Composition of the Committee

The Committee consisted of Mr Brian Kambita, MP (Chairperson); Ms Julien Nyemba, MP (Vice Chairperson); Mr Anthony Kasandwe, MP; Mrs Mutinta C Mazoka, MP; Mr Vumango P Musumali, MP; Mr Stephen Kampyongo, MP; Mr Joel Chibuye, MP; Mr Robert M Chabinga, MP; Mr Herbert Mapani, MP and Mr Mubita Anakoka, MP.

PART I

1.0 AUDITOR GENERAL'S COMMENTS, RESPONSES BY THE SECRETARY TO THE TREASURY AND THE COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

1.1 Auditor General's Comments

The Auditor General reported that the roles and responsibilities of the Auditor General as regards the management of public resources, reporting and accountability were contained in the *Constitution of Zambia (Amendment) Act No. 2 of 2016*, the *Public Finance Management Act No. 1 of 2018*, the *Public Audit Act No. 13 of 1994* and the International Standards for Supreme Audit Institutions (ISSAIs).

The Report on the Accounts of Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December, 2021, contained paragraphs on twenty-three Parastatal Bodies and other Statutory Institutions that were audited, but the issues remained unresolved at the time of publication.

The Report also included the findings from the audits of Information and Communication Technology (ICT) Systems that some organisations had implemented in order to improve on the efficiency and effectiveness of service delivery.

In preparing this Report, Controlling Officers and Chief Executive Officers of the affected institutions were availed draft paragraphs for comments and confirmations of the correctness of the facts presented. Where the management comments were received and varied materially with the draft paragraphs presented, amendments were made accordingly.

Submission by the Secretary to the Treasury

The Secretary to the Treasury submitted that he took note of the Auditor General's mandate to audit the Accounts of Parastatal Bodies and Other Statutory Institutions, drawn from various pieces of legislation.

He informed the Committee that the Treasury would endeavor to ensure that all the parastatal bodies and statutory institutions adhered to the *Public Finance Management Act No. 1 of 2018*, in order to achieve zero audit queries whenever they were audited by the Office of the Auditor General. This would be done through the continuous sensitisation of these institutions and on the spot monitoring of adherence, to various rules that pertained to public finance management. The

Secretary to the Treasury further informed the Committee that his office had an open-door policy to give advice and guidance on the implementation of these laws.

The Treasury also appreciated the fact that the Auditor General availed the Controlling Officers and Chief Executive Officers, draft paragraphs for their comments and confirmations of the correctness of the findings, therefore, giving them an opportunity to interact with the Auditors before the issuance of the final report. The Treasury would impress upon Controlling Officers and Chief Executive Officers to ensure that they utilised this opportunity fully, in order to address areas of concern during the audit.

Committee's Observations and Recommendations
The Committee observes that there is a growing tendency among parastatal bodies and statutory institutions of not taking the audit process seriously. Most of the entities tend to provide documentary evidence in contravention to *Section 11(1)(p)* of the *Public Finance Management Act No. 1 of 2018*. Consequently, documents are not provided during the specified period of the audit but, instead, are brought to the Committee on Parastatal Bodies meetings, when considering the audit reports. In view of the foregoing, the Committee recommends that the entities that fail to take the audit process seriously should be prosecuted in accordance with the provisions of the *Public Finance Management Act No. 1 of 2018.*.

2.0 Paragraph 2 - Scope and Methodology

Auditor General's Comments
The Auditor General informed the Committee that the Report was as a result of the audits of selected parastatal bodies and other statutory institutions for the financial year ended 31st December, 2021. Although the Report was for the financial year ended 31st December, 2021, it included audits covering the financial years 2018, 2019, 2020 and 2021, for institutions that had not been audited for those years.

In this regard, the audits covered in the Report were in two categories:

- institutions whose financial statements were audited and certified by the Auditor General; and

- institutions whose financial statements were audited and certified by private auditors in line with appropriate pieces of legislation and were reviewed by the Auditor General. It was necessary that such accounts were reviewed, and the result of such reviews were reported by the Auditor General in compliance with relevant legislation.

The Committee was further informed that the Report was as a result of programmes of test checks, inspection and examination of financial, procurement, projects and other records maintained by public officers entrusted with handling public resources. The audit programmes were designed to give reasonable assurance of financial management in the audited institutions.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that the scope and methodology used by the Auditor General to audit the parastatal and statutory institutions, through the review of programmes carried out and test checks, inspections and the examination of financial, procurement, projects and other records maintained by these institutions, was appreciated. The scope and methodology adopted was key in ascertaining their compliance to the public finance management legislations in the management of public resources.

The separation of institutions whose financial statements were audited and certified by the Auditor General and those whose financial statements were audited and certified by private auditors was also noted and appreciated. This provided fairness in the manner the audit was carried out and also provides a platform for institutions to be audited using the relevant legislations.

The Treasury further noted that institutions that were not audited in 2018, 2019, 2020 and 2021 were also audited for this period and appreciated the Auditor General's effort. This would result in the institutions continuing to enhance the internal control environment in order to achieve zero audits.

Committee's Observations and Recommendations

The Committee notes the responses.

3.0 Paragraph 3 - Internal Controls

Auditor General's Comments

The Auditor General informed the Committee that specific mention was made in the Report on the non-preparation of financial statements, non-adherence to procurement procedures, wasteful expenditure and poor financial performance among other issues by the respective institutions. These were clear indicators of internal control weaknesses in the institutions audited.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that the weakness in the internal controls was noted. He informed the Committee that Section 72 of the *Public Finance Management Act No. 1 of 2018*, clearly stipulated that a statutory corporation and state-owned enterprise shall submit an annual financial report to the responsible Minister and the Secretary to the Treasury would ensure that this Section was adhered to by all public bodies.

Therefore, as a first step to hold parastatal bodies accountable, Controlling Officers had been asked to appoint the respective heads of these institutions as Sub Warrant Holders so that they too, were directly accountable and not through their Controlling Officers.

Further, the Treasury would continue to orient boards of parastatal bodies and statutory institutions in the public finance legislations, in order to ensure that they were abreast with the public finance management legal framework. This would enable them effectively participate in the drawing up and placement of effective internal controls in the areas identified by the audit.

Committee's Observations and Recommendations

The Committee observes with concern that despite the Secretary to the Treasury assuring the Committee time and again that concrete measures would be undertaken to strengthen the evidently weak internal control systems in statutory bodies and statutory institutions, public funds have continued to be abused as evidenced by the increase in the number of queries contained in the Auditor General's report over the years. The Committee, therefore, reiterates its position that the Secretary to the Treasury should take practical steps and strengthen the internal control systems in these institutions, in order to arrest the current state of affairs. The Committee awaits a progress report on the matter.

4.0 Paragraph 27 – Recommendations

Auditor General's Comments

The Auditor General recommended that the appointing authorities must always ensure that the parastatal bodies and other statutory institutions have functional Boards of Directors and Councils where necessary, in order to strengthen corporate governance.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that the recommendation was noted and the Treasury would ensure that there was a functioning Board of Directors or Council at all times, in order to strengthen corporate governance. This could be seen through the recent appointments of the following Board of Directors:

- the Competition and Consumer Protection Commission;
- the Zambia Information Communication Technology Agency;
- the Zambia Revenue Authority; and
- the Industrial Development Corporation.

Further, Cabinet on 27th March, 2023 appointed Members of the Board for nine institutions as follows:

- the National Road Fund Agency;
- the Zambia Metrology Agency;
- the Zambia Compulsory Standards Agency;
- the Business Regulatory Review Agency;
- the Zambia Education Publishing House;
- the Tobacco Board of Zambia;
- the Coffee Board of Zambia;
- the Cotton Board of Zambia; and
- the Agriculture Institute of Zambia.

With regard to the specific institutions cited in the report, the following was the current status:

- the National Heritage Conservation Commission; Cabinet approved the Members of the Board on 14th December, 2022;

- the University of Zambia; Cabinet approved the Members of the Council on 22nd February, 2023; and

- Mukuba University; Cabinet approved the Members of the Council on 22nd February, 2023.

The Committee was further informed that the Treasury would continue to engage the respective ministers in order to ensure that the Boards were timely appointed.

Committee's Observations and Recommendations

The Committee observes that the failure to timely appoint substantive boards or governing councils by the respective Ministers is an overarching challenge in the management of parastatal bodies and statutory institutions and that it takes a substantiated inordinate time. There is also no timeframe within which boards and governing council members are to be appointed. The Committee in this regard, recommends that the Executive should formulate a framework which will provide a timeframe within which Ministers should appoint members of the respective boards and governing councils. The Committee further recommends that Parliament should amend the respective Acts of Parliament, in order to factor in mechanisms to ensure accountability for these appointments and stop the unnecessary delays which in turn, negatively impact the strategic planning and operations of the parastatal and statutory institutions.

Auditor General's Comments

The Auditor General recommended that Boards of Directors for parastatal bodies and other statutory institutions should ensure that financial reports were prepared annually and within prescribed timeframes.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that the recommendation was noted. *Section 58(1)* of the *Public Finance Management Act No. 1 of 2018* required that the Board of Directors of any statutory corporation or State-Owned Enterprises (SOEs) furnishes the Secretary to the Treasury with reports covering the operations of such institutions every financial year.

Further, *subsection (2)* of the *Act* stipulated the responsibilities of a Board of Directors, which was to submit financial statements within one month after the end of the financial year, to the auditors of the statutory corporation or SOEs for auditing.

The Committee was further informed that the Ministry of Finance and National Planning, was in the process of developing a Monitoring and Supervision Framework that would outline, how SOE's were expected to operate in accordance with the legal requirements, among other things. The framework would make it clear what the SOEs were expected to do in terms of finances and financial reporting, among other areas of business.

Committee's Observations and Recommendations

The Committee observes that most parastatal bodies and statutory institutions have continued to show unacceptable disregard of established procedures and guidelines in the preparation of annual reports. The Committee strongly urges the Treasury to ensure that the provisions of the *Public Finance Management Act No. 1 of 2018* are enforced to the later, in order to ensure that officers begin to take the management of public entities and resources seriously, considering that they have a huge impact on service delivery.

Auditor General's Comments
The Auditor General recommended that the Boards of Directors for parastatal bodies and statutory institutions should ensure that effective performance assessment systems for management were implemented.

Submission by the Secretary to Treasury
The Secretary to the Treasury explained that the contract of employment for management was based on contractual terms. Embedded in there, were deliverables which were supposed to be assessed on an annual basis. The contract terms also stipulated the remedial action to be taken by the Board of Directors for failure to perform. The Treasury would, therefore, ensure that the Board of Directors assessed their management effectively on an annual basis.

The Controlling Officer further informed the Committee that the Government established the Industrial Development Corporation (IDC) to spearhead the development of Zambia's domestic industrial capacity and as a key implementing agency of its industrialisation.

Therefore, IDC promoted a performance work culture and attached great importance to the Performance Management System (PMS) for SOEs. All the employees were made to understand the corporate strategic objectives which were cascaded from the Board of Directors down to individual employees. Further, significant focus was also placed on employee performance in relation to job descriptions, key role objectives and corporate values.

The Committee was further informed that the PMS was designed to reward structure for performance as well as retain and develop the human resource that was critical in the achievement of corporate objectives. The system also provided ways of dealing with under performance.

In view of the forgoing, through the PMS, IDC had ultimately managed to transform the work culture in some of the SOEs to one that was committed to delivering work targets with high levels of professionalism and integrity, for purposes of achieving the corporate goals and objectives. The Committee was informed that the Treasury would continue working closely with IDC to transform all the SOEs.

Committee's Observations and Recommendations
The Committee notes the response and urges the Secretary to the Treasury to ensure that that the highlighted measures maintain boards that are critical in the achievement of the corporate objectives of the parastatal bodies and statutory institutions. The Secretary to the Treasury is further urged to ensure that remedial action is taken on Boards that fail to perform.

Auditor General's Comments
The Auditor General recommended that parastatal bodies should devise recapitalisation plans in order to improve their financial and operational performance.

Submission by the Secretary to Treasury
The Secretary to the Treasury informed the Committee that the Treasury had taken key interest in the going concern of parastatal bodies and their recapitalisation plans. This could be seen from the recent recaptilisation amounting to K547m for Parastatal Bodies such as: -

- the Tazama Pipe Lines;
- the Tanzania Zambia Railway Authority;
- the Lusaka South Multi Facility Zone;
- the Development Bank of Zambia;
- the National Housing Authority; and
- the Public Service Micro Finance.

Further, the performance monitoring of the subsidiaries was conducted through the Performance Management Contracts Framework, where the IDC agreed on performance targets with subsidiaries at the beginning of every financial year. The agreed targets covered seven key performance areas including financial, corporate governance and innovation. Performance reviews were then conducted every quarter to identify deviations from targets and take timely remedial action. Further, the Treasury was monitoring the financial and operational performance of these bodies through the submission of their Annual Reports.

Committee's Observations and Recommendations
The Committee observes with concern that some parastatal bodies and statutory institutions either performed poorly or failed to efficiently and effectively deliver on their mandate. Most of these entities such as the Development Bank of Zambia have continually appeared in the reports of the Auditor General, with a myriad of audit queries which either reduce or increase in quantum. The Committee further observes that the institutions in most instances attribute the failure to optimise their performance to poor recapitalisation. The Committee therefore, urges the Secretary to the Treasury to devise recapitalisation plans in order to improve the financial and operational performance of the institutions.

Auditor General's Comments
The Auditor General recommended that the responsible ministries for the statutory institutions should ensure that sufficient funds are sourced to enable these institutions meet their mandate.

Submission by the Secretary to Treasury
The Secretary to the Treasury submitted that the Treasury was ensuring budget credibility by funding 100% allocations in the budget. The Treasury would therefore, ensure that ministries release the required resources for institutions to implement their respective mandates.

Committee's Observations and Recommendations

The matter is recommended for the Auditor General to keep in view, during future audits.

Auditor General's Comments

The Auditor General recommended that the Management of parastatal bodies and statutory institutions should address the internal control weaknesses identified in this Report, in order to enhance systems and protect assets. The controls should include the acquisition of title deeds for land owned by the institutions.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that the responsibility for a strong control environment lay with the Board of Directors through management.

However, the Treasury would continue orienting the Boards of Directors for parastatal and statutory institutions in public finance legislation, in order to enable them participate effectively in the drawing up and placement of effective internal controls in the areas identified by the audit. Additionally, the Treasury was monitoring the implementation of a strong control environment through the office of the Controller of Internal Audit.

Committee's Observations and Recommendations

The Committee notes the responses.

Auditor General's Comments

The Auditor General recommended that the Management of the parastatal bodies and statutory institutions should ensure that the weaknesses in contract management identified in this Report should be urgently addressed in order to enhance the ability of the affected entities to effectively execute their mandates.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that *Section 76 of the Public Procurement Act No. 8 of 2020,* had provided for an appointment of a Contract Manager for every contract awarded. This would ensure that the implementation of the contract was closely monitored and any corrective action was immediately taken. Further, this provision would also apply to the contracts that were procured earlier and were under implementation. Furthermore, the Treasury was closely monitoring the implementation of this Section through the Controller of Internal Audit.

Committee's Observations and Recommendations

The Committee observes with concern that the *Public Procurement Act No. 8 of 2020* is being abrogated with impunity in most of the parastatal bodies and statutory institutions. The Committee in this regards recommends that apart from engaging Contract Manager for every contract awarded, accounting staff in these institutions should also be trained in contract management and those who abrogate the procurement regulations should be disciplined in accordance with the Act.

Auditor General's Comments

The Auditor General recommended that the Management of parastatal bodies and statutory institutions should ensure that procurements were made in line with the provisions of the *Public Procurement Act No. 8 of 2020*.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that the Treasury would ensure that any digression from the *Public Procurement Act No. 8 of 2020*, attracted sanctions contained therein, through the Zambia Public Procurement Authority (ZPPA). The Treasury was also in the process of amending the procurement law to make it clearer and easier to use in the procurement process. To this end, all the Controlling Officers had been written to, to make submissions on the challenges they faced in the execution of the Act and how the challenges should be addressed.

Committee's Observations and Recommendations

The Committee observes with concern that the *Public Procurement Act No. 8 of 2020* is being abrogated with impunity in most of the parastatal bodies and statutory institutions. The execution of contracts before they are signed is becoming a permanent practice in these institutions. Further, some institutions are engaging suppliers that are refusing to sign Zambian standard contracts among other irregularities. The Committee in this regards recommends that the Contract Manager for every contract awarded should closely monitor these contracts and ensure that contracts are signed in accordance with the *Public Procurement Act No. 8 of 2020*. Accounting staff in these institutions should also be trained in contract management and those who abrogate the procurement regulations should be disciplined in accordance with the Act.

Auditor General's Comments

The Auditor General recommended that the Management of the parastatal bodies and other statutory institutions must improve on the management of infrastructure in order to avoid the deterioration of assets value.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted on 30th March, 2021, the Treasury in collaboration with the Ministry of Infrastructure, Housing and Urban Development launched the Public Asset Management Policy which gave guidance on the management of all public assets. In this regard, Paragraph 2.6, 2.7 and 5.1.10 of the Policy, gave guidance on the maintenance and redevelopment of assets. This guidance would, therefore, reduce the audit queries on the lack of the maintenance of buildings. Further, the Policy had also established a Maintenance Fund to cater for the maintenance and building of infrastructures projects. In this regard, funds amounting to K6.5 million and K8 million were disbursed in 2021 and 2022 respectively. The Committee was informed that the Treasury would ensure that the sensitisation on this Policy was carried out in all the public institutions to enhance compliancy.

Committee's Observations and Recommendations

The matter is recommended for the Auditor General to keep in view, during future audits.

Auditor General's Comments
The Auditor General recommended that the management of pension houses should devise strategies of reducing actuarial deficits.

Submission by the Secretary to Treasury
The Secretary to the Treasury submitted that the Treasury would ensure that parastatals bodies and SOEs made adequate provisions for pensions and that funds were prudently managed. Going forward, all the Boards of the SOEs would also be instructed to develop Key Performance Indecators (KPIs) with specific deliverables for management teams to ensure that actuarial deficits were reduced.

Committee's Observations and Recommendations
The matter is recommended for the Auditor General to keep in view, during future audits.

Auditor General's Comments
The Auditor General recommended that the management of parastatal bodies and other statutory institutions that had non-performing loans should ensure that the recovery methods were improved and strictly applied.

Submission by the Secretary to Treasury
The Secretary to the Treasury submitted that the guidelines for the disbursement of loans clearly stated the credibility and viability of the project proposal before it they were considered for financing. Further the loans had to be insured against default. The Treasury was also considering ways in which entrepreneurship experts were attached to projects being financed, in order to provide guidance on how they managed their projects in order to be profitable.

Committee's Observations and Recommendations
The matter is recommended for the Auditor General to keep in view, during future audits.

Auditor General's Comments
The Auditor General recommended that Management at the Judiciary should ensure that court cases were quickly disposed off in order to avoid the delay in the delivery of justice.

Submission by the Secretary to Treasury
The Secretary to the Treasury submitted that the Chief Justice had developed rules that were aimed at expediting the disposal of cases. Further, he had constituted the Performance Management Unit to monitor the efficient and timely delivery of justice and through his advisory Committee would encourage the reference of appropriate matters to mediation and sufficient time would be allocated on the judicial calendar for mediation settlement week.

Further, fast truck court cases such as the Financial and Economic Crimes Courts had also been introduced with the aim of disposing off court cases as quickly as possible. Additionally, the Judiciary was in the processing of looking for office space for these Courts so that the purpose for which they were created for was achieved. The Committee was further informed that the

Treasury working with the Judiciary would closely monitor and follow up the implementation of these strategies.

Committee's Observations and Recommendations
The Committee observes that the Secretary to the Treasury has not addressed the Auditor General's observation and is concerned with the backlog in the delayed delivery of justice to the affected litigants, contrary to the provisions of *Section 118 (2) of the Constitution of Zambia (Amendment) Act No. 2 of 2016*. The Committee contends that this delay may result in among other things, the loss of confidence in the operations of the judicial system by the stakeholders. It is in this regard that the Committee urges the Secretary to the Treasury to ensure that the requisite funding is provided to the Judiciary to facilitate the employment of the relevant staff required to mitigate the delays in the delivery of justice as well as to facilitate the construction of the much needed infrastructure to address the observation raised by the Auditor General.

Auditor General's Comments
The Auditor General recommended that the management of ZCCM-IH should devise strategies of improving return on the Company`s investments and ensure that there was no onerous clauses in the agreements.

Submission by the Secretary to Treasury
The Secretary to the Treasury submitted that the Treasury had taken keen interest in the management of ZCCM-IH. The Institution was considering other modalities outside of the dividend model such as the royalty model with Kansanshi Mines where a percentage of the revenue amount was collected as opposed to the percentage of the profit after cost. The Institution was currently reviewing the previous agreements to determine whether some injurious clauses could be renegotiated with its partners. The Committee was further informed that the Treasury would continue monitoring the implementation of these strategies and the renegotiations that were currently taking place.

Committee's Observations and Recommendations
The matter is recommended for the Auditor General to keep in view, during future audits.

5.0 Paragraph 29 - Recommendations of the Committee on Parastatal Bodies

Auditor General's Comments
The Auditor General informed the Committee that Appendix 3 of the Report summarised the status of outstanding issues as of 31st December, 2021 for which necessary remedial action was required. These unresolved issues arose as a result of the recommendations that the Committee on Parastatal Bodies made on the previous reports of the Auditor General but whose actions had not been undertaken at the date of issuance of this Report. The outstanding issues formed part of the Report of Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December, 2021.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that the Treasury would take steps in ensuring that the unresolved issues arising as a result of recommendations that the Committee on Parastatal Bodies made on previous reports of the Auditor General were addressed. This would be done through the collaborations with the Office of the Accountant General, the Office of the Auditor General, the Office of the Controller of Internal Audit, relevant Controlling Officers for the parastatal bodies and statutory bodies and their Chief Executive Officers.

Committee's Observations and Recommendations

The Committee is concerned to note that there is a backlog in the consideration of Treasury Minutes and subsequently, the Outstanding Issues Report. The Outstanding Issues Report is supposed to be an appendix to the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial year ended 31st December, 2021; however, the Report has not been tabled before Parliament., contrary to 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 the outstanding Treasury Minutes and the Outstanding Issues Report are expeditiously tabled before Parliament failure to which disciplinary action should be instituted against the erring officers for the failure to adhere to the provisions of the Act.

PART II

CONSIDERATION OF SUBMISSIONS FROM THE CONTROLLING OFFICERS AND CHIEF EXECUTIVE OFFICERS OF THE TWENTY-THREE PARASTATAL BODIES AND OTHER STATUTORY INSTITUTIONS CITED IN THE AUDIT REPORT

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

6.0 CITIZEN ECONOMIC EMPOWERMENT COMMISSION

6.1 AUDIT FINDINGS

A review of the accounting and other related records maintained by the Citizens Economic Empowerment Commission (CEEC) for the period under review, revealed the following irregularities to which the Controlling Officer submitted as highlighted below.

a) Management

i. Strategic Planning – Lack of Performance Indicators and Targets

Controlling Officer's Response

The Controlling Officer explained that the 2022 to 2026 Strategic Plan had been developed, clearly stipulating the performance indicators and targets that were in line with the Government economic - development agenda. The Strategic Plan was awaiting Board clearance in its next sitting.

Committee's Observations and Recommendations

The Committee observes with concern that it is a serious anomaly for CEEC to prepare a Strategic Plan without clearly stipulating the performance indicators and targets, therefore, making it difficult to assess the effectiveness and overall performance of the Commission in meeting the indicated objectives and strategies, during the period in question. In this regard, the Committee urges the Controlling Officer to institute disciplinary action against the officer(s) who caused this negligence and to ensure that going forward; the Commission`s Strategic Plans clearly stipulate the performance indicators and targets, in line with the Government's economic-development agenda. The matter is recommended for the Auditor General to keep in view, during future audits.

ii. Failure to Prepare Annual Reports

Controlling Officer's Response

The Controlling Officer informed the Committee that the annual reports were not prepared because Management was dysfunctional at the time. However, the Commission had since recruited a number of staff and was in the process of preparing the annual reports which would be completed by the end of the second quarter of 2023.

Committee's Observations and Recommendations

The Committee is disappointed that the Commission failed to comply with the provisions of the *Citizens Economic Empowerment Act No. 9 of 2021*, with respect to the preparation of the annual reports in question. The Committee, therefore, urges the Controlling Officer to ensure that Management steps up its efforts to finalise the preparation of the reports in order for the National Assembly and stakeholders to appreciate the Commission's activities during the financial years in question. The Committee will therefore, await a progress report on the finalisation of the preparation of all the necessary reports for the period under review.

b) Budget and Income - Failure to Achieve Budget Income Levels - K51,125,759

Controlling Officer's Response

The Controlling Officer explained that the negative variance was due to the failure by the Treasury to release the funds appropriated by Parliament to the Commission. However, the Ministry of Small and Medium Enterprise Development had been engaging the Treasury to ensure the adequate and timely release of funding to the Commission. This could be evidenced by the 2022, funding which was released in full.

With regard to the non-recovery of empowerment loans, the Controlling Officer informed the Committee that the Commission had embarked on the sensitisation of citizens in line with its 2022 to 2026 Strategic Plan, in order to improve the loan repayment culture. Further, the Commission was in the process of procuring a robust Loan Management System, which was expected to significantly improve loan data and compliance management. This System was expected to be procured and become operational by the end of the second quarter of 2023. The Controlling Officer further informed the Committee that Management had also embarked on the restructuring of some of the loans by rescheduling repayment periods, among other measures, in order to keep the businesses afloat, following the Covid 19 Pandemic.

Committee's Observations and Recommendations

The Committee finds it unfortunate that the Commission failed to achieve its budgeted income from loan recoveries and further finds it unacceptable that the Commission did not have a proper system to manage loans. Only after the revelations of the audit, did Management react to the lapse. The Committee in this regard, sternly cautions Management for being reactive to the audit and urges the Controlling Officer to institute disciplinary action on the officers responsible for the failure to ensure that the loans were fully recovered. The Controlling Officer is further urged to ensure that the Loan Management System is expeditiously procured, in order to among other things, improve the income from loan recoveries. The Committee will await a progress report on the matter.

c) Information and Communication Technology

i. Lack of an Information Communication Technology Steering Committee

Controlling Officer's Response

The Controlling Officer informed the Committee that the non-appointment of the Information Communication Technology (ICT) Steering Committee was a result of the restructuring process, which CEEC was undergoing. The Controlling Officer explained that CEEC had a very thin staffing level, which made it practically impossible to constitute the ICT Steering Committee. However, the Committee had since been appointed and critical positions such as the Director General were. The Board of Directors had also been put in place, to improve the institutions governance.

Committee's Observations and Recommendations

The Committee expresses concern over the laissez faire attitude exhibited by the CEEC Management towards the setting up of the ICT Steering Committee, necessary to oversee the ICT projects and activities at the Commission. The Committee urges the Controlling Officer to strongly caution Management against this lapse. The Committee resolves to close the matter subject to audit verification.

ii. Lack of an Approved Information Security Policy

Controlling Officer's Response

The Controlling Officer informed the Committee that the Commission developed a manual which it was using for ICT operations. At the same time, the Commission was drawing policy guidance and direction from the SMART Zambia ICT Security Policy. However, Management had institutionalised the ICT operations manual and was developing the ICT Security Policy, which would be ready by end of the second quarter of 2023.

Committee's Observations and Recommendations
The Committee is dismayed with the casual response by the Controlling Officer and finds it unacceptable that the ICT Security Policy has not been put in place for over eight years. Therefore, the basis upon which the Commission is making ICT security decisions cannot be ascertained in the absence of an approved Policy. The Committee in this regard, strongly recommends that the Controlling Officer should mete out disciplinary action against all officers responsible for this irregularity and ensure that the ICT Security Policy is expeditiously developed. The Committee will await a progress report on the matter.

iii. Lack of a Patch Management Policy

Controlling Officer's Response
The Controlling Officer informed the Committee that the Commission had an ICT Manual which had elements of the Patch Management Policy. However, Management was in the process of developing a Patch Management Policy and this pPolicy was expected to be finalised by end of the second quarter of 2023.

Committee's Observations and Recommendations
The Committee cautions Management against the failure to put in place the Patch Management Policy and reminds the Controlling Officer that such lapses expose the ICT equipment to various vulnerabilities. In this regard, the Committee urges the Controlling Officer to ensure that the Patch Management Policy is put in place without further delay. The Committee will await an update on the matter.

d) Operational Matters

i. Economic Empowerment Programmes Non-Performing Loans Controlling Officer's Response K 283,198,666
The Controlling Officer submitted that the major challenge the Commission had faced was the poor repayment culture amongst the citizens. Additionally, the problem of insufficient resources to monitor, and undertake capacity-building for the loanees and recover the loans had also been a major challenge. Furthermore, the outbreak of COVID 19 Pandemic, negatively affected the loanees' capacity to service loans as most businesses were disrupted in general. However, the following measures had been put in place:

- the Commission had embarked on the sensitisation of citizens in line with its 2022 to 2026 Strategic Plan, in order to improve the loan repayment culture;

- the Ministry of Small and Medium Enterprise Development had intensified engagements with the Treasury, to increase the Commission's funding for operations, in order to enhance the loan recoveries. In this regard, the operational budget for CEEC had been increased from K15 million to K35 million, which translated to more than a 100% increment;

- the Commission was in the process of procuring a robust Loan Management System, which was expected to significantly improve loan data capture and compliance levels. This System was expected to be procured and become operational by the end of second quarter of 2023;

- in response to the COVID 19 Pandemic and for the need to maintain businesses afloat, Management had embarked on the restructuring of some of the loans by rescheduling repayment periods, among other measures;

- CEEC had endeavoured to institute recoveries from loanees that had defaulted where all efforts to settle outside court had failed, in accordance with the Credit Manual; and

- the Commission had partnered with mobile service providers, to improve loan repayments, by sending timely reminders to clients as well as providing a platform for easy loan repayments.

Committee's Observations and Recommendations

The Committee is alarmed to note that K283, 198,666 is locked in non-performing loans and that some of the loans have been outstanding for fourteen years. The Committee, therefore, contends that the objectives of the Commission are not being achieved as the loans are not being recovered, therefore, disadvantaging other would be beneficiaries from accessing the loans. The Committee further observes that the Commission has no capacity to monitor the loans and the beneficiaries do not seem to fully understand what is expected of them once they access the loans. In this regard, the Committee directs the Controlling Officer to ensure that the whole programme is reviewed. Further, disciplinary action should be instituted on the officers who did not closely monitor the operations of the clients, as well as the loan repayments on a monthly basis, in accordance with the CEEC Credit Manual and Credit Policy. The Committee further urges the Controlling Officer to ensure that the outstanding loans are recovered without further delay and that the highlighted strategies yield the much needed results, in order to ensure that the default rate for loan recoveries is minimised. The Committee will await a progress report on the matter.

ii. Failure to Recover Loan Arrears

- **Aquaculture Seed Fund - Loan Arrears - K30,291,660**

Controlling Officer's Response

The Controlling Officer informed the Committee that Management continued with the recovery processes and the recovery rate had since improved to fifty- eight percent from twelve percent.
Further, out of the K30,291,660, which was outstanding at the time of the audit, K15,439,648 had been recovered as of 31st December, 2022 and an additional K4,235,200 was recovered in January, 2023, therefore, bringing the total recoveries to K19,674,848 and leaving a balance of K10,616,812, which was still outstanding. However, efforts were still being made to ensure that 100% of the loans were recovered.

The Committee was further informed that Management had also intensified the monitoring of funded projects and the handholding of loan beneficiaries, in order to ensure that projects were implemented as per approved budgets. Further, Management was also restructuring loans affected with changes in the business environment and had submitted defaulting clients to external lawyers for litigation. Management had also submitted credit life insurance claims to ZISC Life PLC, for the payment of the outstanding areas for clients who had died.

Committee's Observations and Recommendations

The Committee expresses concern that the Commissions Credit Policy is not being enforced as observed by the poor recovery rate of the loans resulting in the loan arrears of K30, 291,660. The Committee further observes with concern, the failure by CEEC to invoke the specific procedures stipulated in the Credit Policy on delayed loan repayments by the loan beneficiaries. The Committee in this regard, is of the view that this omission is as a result of laxity by the officers responsible to act within the provisions of the Credit Policy, for which disciplinary action should be instituted. The Committee, further urges the Controlling Officer to ensure that the outstanding loans are fully recovered and that the identified strategies are fully implemented, in order to improve the current status quo and avoid the recurrence of the irregularity. The Committee will await a progress report on the matter.

- **Failure to Fully Disburse Approved Loans - K39,822,125**

Controlling Officer's Response

The Controlling Officer explained that according to the Project guidelines, disbursements were done in two phases. Phase one was the initial disbursement for the construction of ponds and cages. Phase two was the final disbursement after the certification of the ponds and cages by the Department of Fisheries. The second disbursement was only made upon the fulfillment of the pre-conditions of the initial disbursements. In view of the foregoing, the balance of K39, 822,125 in the Audit Report, was, therefore, money earmarked to be disbursed in the second phase after fulfilling the preconditions. The Committee was informed that phasing of disbursements was, therefore, meant to mitigate against the risk of the diversion of the funds by the clients.

The Controlling Officer further explained that as of 31stDecember, 2022, 345 clients had fulfilled the two stated preconditions for the initial disbursement and this translated into a disbursement of K45, 644,151. The K15,415,411 that was shown to have been disbursed on CEECs records at the time of the Audit, was the initial disbursement under phase one and the K45,644,151 was a disbursement under phase two. This brought the total amount disbursed to K61, 617,277.

The Committee was further informed that the Commission had also been disbursing operational funds to the District Aquaculture Business Extension Officers, to continuously monitor the funded projects for the accelerated fulfillment of the pre-disbursement conditions.

Committee's Observations and Recommendations

The Committee finds it ironic that the Controlling Officers response was not clarified during the audit process to resolve the matter and contends that this points to the fact that the auditors were not given the requisite cooperation during the audit process to which disciplinary action should be instituted on the erring officers. However, the matter is recommended for closure subject to audit verification.

- **Loan Arrears - Mumbwa Farmers Ginning and Pressing Company Limited - K823,531/ K9,938,563**

Controlling Officer's Response
The Controlling Officer explained that the non-recovery of the loan by CEEC was attributed to the serious operational challenges that the Ginnery was faced with, which resulted in its closure. This, therefore, had rendered its inability to institute any form of payment. However, in an effort to find an amicable solution, the Commission began consultative processes to appreciate the state of affairs of the Company and ascertain any possibility for repayment.

In view of the foregoing, CEEC engaged the other equity partners. The resolutions of the equity partners were that an external audit be conducted. In view of the foregoing, the engagement of an external auditor was in the process. Further the terms of reference for the external auditor had been developed and a tender would be issued in the first quarter of 2023. The Committee was further informed that Management engaged the Drug Enforcement Commission (DEC), to address the issue of the suspected disregard of procedure in relation to part of the loan.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

- **Failure to Sale Repossessed Properties - K8,349,700**

Controlling Officer's Response
The Controlling Officer explained that at the time of the audit, a total of thirteen properties were repossessed between the period 2015 and 2018. During the year 2022, two additional properties were repossessed, bringing the total number of properties repossessed to fifteen. Out of this number, six were sold, leaving a balance of nine not sold.

The Committee was further informed that the properties that were not sold were duly advertised for sale to the general public. Unfortunately, the bids received were below the forced-sale value and this was the reason why these properties were not sold.

However, in an effort to still resolve the matter, the Committee was informed that Management sought an opinion from the Office of the Attorney General. The guidance given was to undertake either one of the options to sale the repossessed properties, rent out the repossessed properties or lease out the repossessed properties.

The Controlling Officer further informed the Committee that Management was also considering revaluing the properties on the basis that their current market value was not attracting appropriate bids. Further, the Commission currently took the approach of retaining the value of the repossessed properties which included renting or leasing out the properties in times of depressed property prices. This, however, could not be implemented because the Commission did not have

substantive office bearers such as the Director General, top management and the governing board. Nonetheless, the Commission had sold off two properties and received offers of sale for five other properties as of 20th October, 2022.
Highlighted below was a table showing the list of properties not sold:

S/n	Project Name	Loan Amount	PROPERTY	PERIOD OF REPOSSESSION	LOCATION	CURRENT POSITION
1	Wings of Hope	330,300.00	Residential	2018	Kitwe	Unsold
2	Twashangwenu Limited	400,000.00	Commercial	2022	Mongu	Unsold
3	Greenwood Investments Limited	250,000.00	House	2018	Ndola	Unsold
4	Mukasambila Enterprise	49,985.00	Residential	2018	Chingola	Unsold
5	Chiduli Estates	1,230,332.50	Residential	2018	Mpika	Unsold
6	Orbit Translogistics	2,000,000.00	Industrial	2016	Chililabombwe	Unsold
7	Salujina Farms	200,000.00	Agriculture	2017	Mwinilunga	Unsold
8	Malimidwe Farm	200,000.00	Agriculture	2019	Nyimba	Unsold

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

- **Irregular Payments from Empowerment Fund - K2,028,311**

Controlling Officer's Response
The Controlling Officer informed the Committee that Management regretted the misapplication of funds and going forward, Management would adhere to the *Public Finance Management Act of 2018* and the *Citizens Economic Empowerment Act of 2006*.

Committee's Observations and Recommendations
The Committee is extremely displeased over the manner in which the two Acts were completely disregarded and calls for stern disciplinary action to be undertaken against the erring officers. The Committee observes that the misapplication of K2, 028,311 was done on activities not related to the Economic Empowerment Programme which is unacceptable. Additionally, the action clearly shows that the Commission did not prioritise programmes meant to uplift the living conditions of the Zambian citizens. The Committee in this regard urges the Controlling Officer to sternly warn Management to desist from misapplying funds for the Economic Empowerment Programme forthwith. The Committee further urges the Controlling Officer to

ensure that the funds are reimbursed in full. The Committee will await a progress report on the matter.

e) Accounting Irregularities - Failure to Remit Statutory Obligations K4,959,114/K960,741

Controlling Officer's Response

The Controlling Officer informed the Committee that Management was unable to meet the statutory obligations for PAYE and NAPSA, due to insufficient funding. However, with an improved cash flow and funding from the Treasury, the Commission would commence settling these statutory obligations as depicted in the table below.

Schedule of Statutory Obligations (PAYE and NAPSA)

Srn	Month	PAYE	NAPSA
1	February	K1,500,000	**-**
2	March	K1,500,000	K240,185
3	April	K1,000,000	K240,185
4	May	K959,114	K240,185
5	June	-	K240,185
Total		**K4,959,114**	**K960,741**

Committee's Observations and Recommendations

The Committee cautions the Controlling Officer for this lapse and observes with concern that the failure to deduct statutory contributions as required by law can result in the loss of revenue to the Government and lack of social protection for the employees. The Committee, in this regard, directs the Controlling Officer to ensure that statutory obligations at the Commission are met as and when the fall due. The Committee will await a progress report on the matter.

f) Skills Development and Entrepreneurship Project Supporting Women and Youth

i. Budget and Income - K199,054,028

The Controlling Officer informed the Committee that the Project budget comprised of two categories of funds. Category one was the direct payment category for the payment of suppliers for goods and services, the payment to contractors executing civil works including the industrial yards, bulking centers, and the payment of supervising consultants. However, the direct payments, even when budgeted for, were held by the African Development Bank and were paid directly to the respective suppliers upon the execution of the assignments and the submission of the Interim Payment Certificates (IPCs).Therefore, the variance was attributed to funds held by the African Development Bank, which were paid directly to the contractors and suppliers upon the submission of the certified IPCs. The Controlling Officer further explained that the annual infrastructure budget not being executed as planned was due to the delays in the submission of IPCs by the contractors, delays in the payments of IPCs by the project financier (ADB) and delays in the payments of IPCs to allow for due diligence on the project by the Government.

The Controlling Officer further informed the Committee that CEEC had enhanced project monitoring in order to fast track the clearance of IPCS and also push the contractors to speed up the execution of the civil works.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

ii. **Operational Matters - Construction of Industrial Yards and Cassava Bulking Centres - K219,736,101**

- **Unmanned Industrial Yard – Kitwe**

Controlling Officer's Response
The Controlling Officer informed the Committee that had made a part payment to and engaged Magnum Security Limited to redeploy security officers. In view of the foregoing, the security situation at the Industrial Yard had been normalised.

Committee's Observations and Recommendations
The Committee cautions Management against the recurrence of this query and resolves to close the matter subject to audit verification.

- **Loss of Property - Solwezi Industrial Yard - K3,731,752**

Controlling Officer's Response
The Controlling Officer informed the Committee that Management had engaged the Solwezi Police to help enhance security at the Industrial Yard. Management further undertook the valuation of the cost of vandalism which was estimated at K3, 731,752 and had obtained the preliminary Police Report on the thefts which took place at the Industrial Yard. Additionally, Management was in the process of issuing a demand notice to Magnum Security Services Limited for compensation, in order to replace the electric cables, water pipes and accessories stolen from the Solwezi Industrial Yard.

Committee's Observations and Recommendations
The Committee finds it unacceptable that corrective action was only taken after the audit findings and contends that such a lapse can result in the unnecessary loss of public funds through theft. The Committee, therefore, urges the Controlling Officer to sternly caution the officers charged with the responsibility of following up the matter to its logical conclusion. The Committee will await a progress report on the matter.

g) **Failure to Complete Works – Mansa - K17,838,627**

Controlling Officer's Response
The Controlling Officer explained that the delay to complete the construction of Mansa Industrial Yard was caused mainly by the Covid 19 Pandemic. Therefore, works were disrupted and workers sent away to comply with the Covid-19 Pandemic protocols, which included social

distancing, among other things. Nonetheless, the contractor resumed work during the first quarter of 2022. By the time of the Audit, the contractor was still on site undertaking some final works which included the pole lights and a perimeter fence. The Industrial Yard was completed and handed over to the Commission in January, 2023, when the works finished. Furthermore, the Government, through the Ministry of Small and Medium Enterprise Development, commissioned the Mansa Industrial Yard on 6th February, 2023**.**

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

h) Construction of Cassava Bulking Centres – Mansa - K1,663,748

i. Non-functioning Bulking Centre

Controlling Officer's Response
The Controlling Officer explained that the project at the Mansa Bulking centre was being implemented in phases. Phase one involved the construction of the administration block which had been completed. Phase two would involve the construction of the bulking and processing facility and the procurement of the processing equipment. This was planned for implementation during the 2023 financial year.

In view of the forgoing, the beneficiaries could not start operating in an incomplete facility (administration block). The Controlling Officer informed the Committee that the facility would only become operational once the construction of the bulking and processing facility and the procurement of the processing equipment was finalised.

The Controlling Officer further informed the Committee that the bid for phase two, was tendered, bids evaluated and the evaluation report ready for consideration by the Management Procurement Committee for the award of the tender. Once the construction of the bulking centre was complete, the Committee was informed that the Commission would embark on the procurement of the cassava processing equipment.

Committee's Observations and Recommendations
The Committee urges the Controlling Officer to ensure that the tendering process is expedited in order to facilitate the construction of the bulking centre. The Committee will await a progress report on the operationalisation of the centre.

ii. Lack of Electricity and Water Supply - K79,340

Controlling Officer's Response
The Controlling Officer submitted that the facility would only have water and electricity supply once phase two of the project was completed. The Committee was further informed that the bid for phase two, which involved the construction of bulking centre facilities was tendered, bids evaluated and the evaluation report ready for consideration by the Management Procurement Committee for the award of the tender. Therefore, once the construction of the bulking centre

was completed, the Commission would embark on the procurement of the Cassava processing equipment.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

7.0 THE DEVELOPMENT BANK OF ZAMBIA

7.1 Audit Finding
An examination of financial and other accounting records maintained at the Development Bank of Zambia (DBZ), for the financial years ended 31st December, 2020 and 2021, revealed the following irregularities to which the Controlling Officer submitted as highlighted below.

a) Budget and Income - K13, 464,201

Controlling Officer's Response
The Controlling Officer informed the Committee that the Bank relied on funding to further onward lend to its customers. However, since 2018, the Bank had not been able to lend, hence the negative ratios over the period under review. He further informed the Committee that the variance in interest income was mainly due to the reasons highlighted below.

- The Budget assumption was that the Bank would not get any line of credit nor support from its main shareholder and therefore, assumed that it would operate on the same trajectory of recovering what was disbursed to its clients.

- Lending operations were suspended due to noncompliance with the prudential requirement of 20% Regulatory Capital. Currently, the Bank was pending recapitalisation by the Ministry of Finance. The Bank had inadequate capital to lend and this adversely affected growth in interest income over the period under review. The Bank projected low interest income in 2021 compared to the one projected in 2020.

Committee's Observation and Recommendations
The Committee notes the positive variance recorded and resolves to close the matter subject to audit verification.

b) Financial Analysis

- **Statement of Comprehensive Income**

- **Reduced Net Interest Percentage**

Controlling Officer's Response
The Controlling Officer explained that the partial loan disbursements affected the financial performance of projects and the ability of borrowers to service their loans with the Bank. As a result, interest income and profitability were all adversely affected, leading to the decline in the

Net Interest Income. The Committee was further informed that on the other hand, interest expense increased as the China Development Bank (CBD) Facility/loan to DBZ which had denominated in United States Dollars was affected by the fluctuation of the Kwacha against the Dollar coupled with the movement in the labor rate.

However, the immediate short-term corrective action that the Bank had embarked on was the rigorous efforts to recover funds on all the non-performing loans. This had not only reduced the impairment charges but had also improved the Net Interest Income as of 31st December, 2022, resulting in the Bank recording K 54million in profits. The Controlling Officer further informed the Committee that in quarter one of 2023, the Bank had resumed lending with disbursements amounting to K14 million to the Zambia National Building Society and US$2.5 million to the Zambia National Commercial Bank Plc for onward lending.

The Committee further learnt that the Bank had also aggressively embarked on measures to recover funds loaned to its clients, through debt recoveries and litigation measures. In view of the foregoing, one of the measures was the debt swap initiative. This effort had started to bear fruits as the Bank recovered K100 million, as of 31st December, 2021 and K304million as of 31st December, 2022.

The Controlling Officer assured the Committee that the long-term strategy was to diversify the Bank's income sources and gradually shift from over-dependence on interest income to non-interest income streams by launching the credit guarantee and trade finance scheme, pursuing fund management opportunities following the DBZ accreditation to the Green Climate Fund and intensifying treasury operations by investing in short term instruments such as treasury bills, to generate a predictable income flow to meet the Bank's operational budget.

Committee's Observation and Recommendations

The Committee notes with concern that the Net Interest Income of the Bank has continued to decline. The Committee observes that the decrease is attributed to the Bank's partial disbursements of loan facilities to its clients which affected the financial performance of projects and the ability to repay the loans thus, affecting the income and profitability of the Bank. The Committee in this regard urges the Controlling Officer to ensure that the measures highlighted to aggressively recover the funds loaned to its clients yield the desired results. The Committee will await a progress report on the matter.

- **Employee Benefits as a Percentage of Income**

Controlling Officer's Response

The Controlling Officer informed the Committee that the main contributing factor to the employment costs as a percentage of income had been the deteriorating income due to non-performing loans resulting in suspended interest. He explained that in absolute terms, employee costs had reduced in 2021, compared to the previous years. Further, the employment costs for 2021, was K54.9 million compared to K95.9 million in 2020. The reduction in employment costs could, therefore, be attributed to the Voluntary Separation Initiative (VSS) the Bank had introduced in 2020. The VSS also introduced a downward adjustment to employment benefits hence, the further reduction in employment costs.

The Committee was further informed that the main shareholder had shown commitment to support the Bank in its operations. The Bank had also aggressively embarked on measures to recover funds loaned to its clients through debt recoveries and litigation measures. One of the measures was the debt swap initiative. These efforts had started to bear fruits as the Bank recovered K100 million, as of 31st December, 2021 and 304 million as of 31st December, 2022.

Furthermore, policies had been revised and strengthened in the underwriting process to ensure that the pipe-lines booked, would form part of a good loan book going forward. The Controlling Officer further informed the Committee that the long-term strategy was to diversify the Bank's income sources and gradually shift from over-dependence on interest income to non-interest income streams by launching the credit guarantee and trade finance scheme and pursuing fund management opportunities following the DBZ's accreditation to the Green Climate Fund and intensifying treasury operations by investing in short term instruments such as treasury bills, to generate a predictable income flow to meet the Bank's operational budget.

Committee's Observation and Recommendations

The Committee is concerned that the employee benefits as a percentage of income has remained high and that the employee benefits are unsustainable in relation to the revenue generated, as they are higher than the total income generated by the Bank. Further, this is attributed to the Bank's failure to collect interest on disbursed loans as most of loans are non – performing. The Committee in this regard, urges the Controlling Officer to ensure that the funds loaned to its clients are expeditiously recovered. The Controlling Officer is further urged to ensure that Management improves its due diligence process to ensure that high quality assets are obtained by the Bank as collateral. The Committee will await a progress report on the matter.

- **Statement of Financial Position**

- **Doubtful Going Concern of the Bank**

- **Depleting Capital**

- **Declining Equity**

- **High Debt to Equity Ratio**

Controlling Officer's Response

The Controlling Officer explained that the operational losses were a result of the impairment on loans during the period under review, plus, the accumulated losses from 2017, 2018, 2019 and 2020 on the balance sheet, which eroded the Bank's equity. Further, a decline in interest income due to lack of funds to book new loans, high Non-Performing Loans (NPLs) and suspended interest had also contributed to the fall in profitability, the erosion of the Bank's equity and the weak financial position of the Bank.

The Controlling Officer further informed the Committee that the Bank had four main credit lines, namely; the China Development Bank (CDB), the National Pension Scheme Authority (NAPSA), the Government's Rural Finance Programme and the African Development Bank (AfDB). The Bank had fully serviced the NAPSA loan and was current with its repayments to the CDB and the AfDB loans.

The Committee was further informed that the main shareholders had shown commitment to support the Bank in its operations. The Bank had also aggressively embarked on measures to recover funds loaned to its clients through debt recoveries and litigation measures. Policies had also been revised and strengthened in the underwriting process to ensure that the pipelines booked formed part of a good loan book going forward.

The Controlling Officer further informed the Committee that the long-term strategy was to diversify the Bank's income sources and gradually shift from over-dependence on interest income to non-interest income streams by launching the credit guarantee and trade finance scheme and pursuing fund management opportunities following the DBZ's accreditation to the Green Climate Fund and intensifying treasury operations by investing in short term instruments such as treasury bills, to generate a predictable income flow to meet the Bank's operational budget.

Committee's Observation and Recommendations
The Committee finds it unacceptable for DBZ to provide partial disbursement of funds to clients when the Bank did not have enough funds to complete the disbursements. This in itself means that the projects had failed from the start. The Committee urges the Controlling Officer to sternly caution Management for this serious irregularity. The Committee further notes the long-term strategy to diversify the Bank's income but contends that the results may not be immediate. In view of the foregoing, the Committee urges the Controlling Officer to put in place other short term measures to sustain its operations and put its expenses in check. A progress report on the matter will be awaited by the Committee.

c) Operational Matters

i. Failure to Disburse Loans

Controlling Officer's Response
The Controlling Officer explained that during the lending period up to 2018, the Bank expected funds from its main shareholder as well as lines of credit from other Banks such as the African Exim Bank and ADB. Therefore, the Bank made partial disbursements riding on the fact that funds were to be accessed from these credit lines. However, the funds were not received by the Bank, resulting into incomplete loan disbursements to some of its clients, as there were liquidity constraints to fully disburse the loans. The other reason for the status quo was that the Bank had been operating below the minimum regulatory capital set by the Central Bank of K 750 million. This, therefore, implied that the Bank could not disburse any new loans until the Bank was recapitalised.

As a corrective action, the Committee was informed that the Bank had proactively engaged its main shareholder who had shown commitment to support the Bank in its operations. The Bank had also aggressively embarked on measures to recover funds loaned to its clients through debt recoveries and litigation measures.

Committee's Observation and Recommendations

The Committee observes that Section 12 (1) of the *Development Bank of Zambia Act No.35 of 1972* stipulates that the principal functions of the Bank, among others, should be to make available long, medium and short-term finance and equity investment for economic development. The Committee in this regard, finds the Bank's failure to disburse the funds highly unacceptable and contends that that the objectives of the Bank are not being achieved as the loans are not being disbursed. The Committee further questions the Bank's decision to provide the partial disbursement of funds to clients when the Bank did not have enough funds to complete the disbursements. The Committee in this regard urges the Controlling Officer to closely supervise the Bank and ensure that it is recapitalised. Further stringent measures should be put in place to ensure that the Bank will not be in a similar position and end up with a loan portfolio that is not performing. The Committee will await a progress report on the matter.

ii. Non-Performing Loans (NPL)

- **A Facility Loan to the Nomads Court Limited**

Controlling Officer' Response

The Controlling Officer explained that the Bank recorded a 98% NPL during the period under review. The Bank had aggressively embarked on measures to recover funds loaned to its clients through debt recoveries and litigation measures. Further, lending operations were suspended in 2018, due to non-compliance with the prudential requirement of 20% Regulatory Capital. The suspension of the lending operations meant that the NPL would remain static despite improvements in collections.

With regard to the Nomads Court Lodge, the Controlling Officer explained that the client had been making payments despite the repayments falling short of the contracted agreed amount. He informed the Committee that the total amount disbursed to Nomads Court Lodge was s ZMW 10.5 million. The Loan was divided in two, medium term loan and working capital loan. The working capital loan of K 800,000.00 had been fully repaid while the medium-term loan of K 9.7 million was still running. The client has paid K 13.1 million from the disbursed K 9.7million. The current outstanding balance was K 11.4million as of 25th January 2023.

However, further engagements were being made with the client on how best the loan could be fully redeemed, given the continued depression in the hospitality sector. To match the project's debt obligations to the project's earnings, the Committee was informed that a further extension of the loan's tenure would be considered.

Committee's Observation and Recommendation

The Committee observes that the client is having challenges in servicing the loan due to the continued depression in the hospitality sector and therefore, questions why the Bank is still at consideration of extending the loan tenure and not taking a resolute position such as putting the client under receivership in order to recover its funds. The Committee urges the Controlling Officer to address this concern to its logical conclusion and will await a progress report on the matter.

- **A Facility Loan to Highview Enterprises Limited**

Controlling Officer's Response

The Controlling Officer informed the Committee that the non-performance could be attributed to the inability of the protectories to have enough cash flows to meet the monthly debts servicing obligations. However, the client had since been engaged to settle the loan. In view of the foregoing, from the loan of K 5.107 million, the Bank had recovered K 3.7 million leaving an outstanding balance of K 1.3 million. Therefore, the Bank had given the client up to 30th March 2023, to settle the remaining balance. The Committee was informed that the client was in the process of settling the property and clearing the balance.

Committee's Observation and Recommendations

The Committee will await a progress report on the matter**.**

- **Facility Loan to Patichi Patichi Enterprises Limited**

Controlling Officer's Response

The Controlling Officer informed the Committee that the client had since been engaged to settle the loan. In view of the foregoing, from the loan of K5.1 million, the Bank had recovered K2.3 million. The Bank had given the client up to 28th February, 2023, to settle the remaining balance.

Committee's Observation and Recommendations

The Committee will await a progress report on the matter**.**

- **Facility loans to Tulip Print Park Limited-Failure to Enforce Judgement**

Controlling Officer's Response

The Controlling Officer informed the Committee that the Client's poor credit culture resulted in continuous default. However, judgement was granted in favor of the Bank and the Bank intended to execute the judgement and foreclose on the mortgaged property. The process was currently underway.

Committee's Observation and Recommendations

The Committee will await a progress report on the matter.

- **Facility Loan to Alfbeth Limited**

Controlling Officer's Response
The Controlling Officer submitted that the client exhibited poor credit culture. Despite all the efforts of the Bank, the client only made a few erratic payments towards settling the outstanding loan. The Controlling Officer informed the Committee that the Bank was in the process of exercising its power of sale with respect to the mortgaged properties. Should there be any balance outstanding after the sale of the mortgaged properties; the guarantors would be pursued to settle the balance.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

- **Facility Loan to Kapil. J. Investments Limited**

Controlling Officer Response
The Controlling Officer explained that the client exhibited poor credit culture. Despite the efforts of the Bank, the client only made after payments toward settling the outstanding loan. However, the Bank had begun the recovery process as demand notices had been sent to the client.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

- **Facility Loan to C and C World Limited/ADanty's Bakery and Fast Foods**

Controlling Officer's Response
The Controlling Officer explained that the client exhibited poor credit culture towards the obligation of their loan and the failure by the Bank to secure its interest by registering the Bank as the absolute owner of the trucks. This resulted in the loss of the trucks to other debtors whom C and C had owed. Hence, the business had failed to be operational in order to raise the required cash flows to repay the loan.

The Committee was informed that the Bank had been engaging the client on how best the loan could be recovered but no fruitful proposal had come forth; hence, the receiver/manager was engaged to help with the recovery of the outstanding debt. In view of the foregoing, the Bank had since resolved to place the project under receivership.

Committee's Observation and Recommendations
The Committee will await a progress report on the matter.

- **Facility Loan to Kayalami Farms Limited**

Controlling Officer's Response
The Controlling Officer explained that the client had exhibited a poor credit culture towards servicing their obligation. However, the parties had agreed to enter a Consent Judgment and in

the consent agreement, the respondents agreed to pay K2, 000,000 to the Bank on 30th June 2022. However, the client did not pay the said amount to the Bank as agreed. In view of the foregoing, after negotiations had stalled, the Bank was currently in the process of executing judgement before the end of the first quarter of 2023, and foreclose on the mortgaged property.

Committee's Observation and Recommendations
The Committee will await a progress report on the matter.

8.0 ELECTORAL COMMISSION OF ZAMBIA

8.1 Audit Findings
An examination of financial and other records maintained at the Electral Commission of Zambia (ECZ) and selected local authorities for the period under review, revealed the following irregularities to which the Controlling Officer submitted as highlighted below.

a) Budget and Income – K2, 386,641

Controlling Officer's Response
The Controlling Officer explained that the Commission submitted realistic budgets to the Treasury for the period under review. However, the Treasury did not fund the Commission in full as requested, citing inadequate resources. The Committee was informed that the Commission would continue engaging with the Treasury.

Committees Observations and Recommendations
The Committee expresses concern at the apparent lack of commitment by the Treasury to ensure that such a critical institution is adequately funded. The Committee is concerned that the implication of underfunding the Commission may result in its failure to meet its set objectives. It is, in this regard, that the Committee urges the Secretary to the Treasury to prioritise funding to ECZ, in order to enable the Commission effectively discharge its mandate. The matter is recommended for the Auditor General to keep in view, during future audits.

b) Procurement Matters

i. Irregularities in the Hire of Motor Vehicles

- **Failure to Constitute an Adhoc Planning Committee**

Controlling Officer's Response
The Controlling Officer informed the Committee that the Commission did not constitute an Adhoc Transport Planning Committee because there was a 2021 General Election Taskforce Committee, tasked to conduct the planning for the entire 2021 General Election, including the hire of motor vehicles. The Committee was informed that the 2021 General Election Taskforce Committee's mandate, therefore, integrated that of the Adhoc Transport Planning Committee.

Committee's Observations and Recommendations

The Committee strongly cautions the Controlling Officer against encouraging audit irregularities by ignoring the provisions of Clause 9.1.1 of the Hire of Transport Policy of 2020. The Committee, therefore, urges the Controlling Officer to ensure that the Policy is strictly adhered to in order to avoid the recurrence of the irregularity. The matter is recommended for the Auditor General to keep in view, during future audits.

- **Contract for Fleet Management System Installation – Failure to Provide List of Vehicles Installed with Global Position System –K1,358,988**

The Controlling Officer clarified that the K2, 738, 835.00 that the Commission paid, was for the 1,694 vehicles installed with the Global Positioning System (GPS).

Committee's Observations and Recommendations

The Committee questions why the Controlling Officer find it convenient to clarify irregularities outside the audit process and cautions him to desist from this practice. The Committee further urges him to institute disciplinary action on the Officer(s) who did not provide this information during the audit and to ensure that the supporting documents are availed to the Office of the Auditor General for audit verification subject to which the matter should be closed.

ii. Hire of Buses to Ferry Police Officers

The Controlling Officer explained that the overpayment of K463,140 was a replacement cost, arising from higher rates that were offered by the other suppliers after the non-performance of the initial bidders. He informed the Committee that the bidders, who had the capacity to supply the extra buses at short notice, were verbally communicated to regarding the variations.

In view of the foregoing, the payment was incurred as a result of the bus proceeding beyond its initial destinations of Kasama to Kaputa Districts. This was necessitated by the demand by the Zambia Police Service to urgently ferry personnel, due to the increased demand to maintain peace and order during the General Elections.

Regarding the differed rates, the Controlling Officer explained that the difference was as a result of different routes. For instance, the first route was from Lusaka to Kamfisa Staff-College, back to Kapiri Mposhi and proceeded to Luapula Province, while the other route was from Lusaka to Luapula Province.

However, in order to correct such occurrences in future, the Committee was informed that the Commission would engage the Police Command in order to ensure that they provided a comprehensive deployment plan for the maintenance of law and order in all the districts during elections. Furthermore, the Commission would also increase the procurement lead time and would conducted contract management training for all senior staff.

Committee's Observations and Recommendations

The Committee observes with concern that there was a lot of unnecessary expenditure incurred in this irregularity through variations, as a result of lack of detailed deployment planning between the Commission and the Zambia Police Services. The Committee, in this regard, urges the Controlling Officer to ensure that going forward, the aspects of operations and deployment of Police Officers during the Local Government, Parliamentary, and Presidential Elections, are budgeted for by the Zambia Police Services, in order to avert the recurrence of this irregularity. The matter is recommended for the Auditor General to keep in view, during future audits.

- **Demurrage Charges**

Controlling Officer's Response
The Controlling Officer submitted that there was need for the Police to stay a little bit longer than anticipated, as the security risk was still high, before the announcement of the General election results. This, therefore, triggered the demand for demurrage as the same buses had to ferry the Police Officers back to their destinations. However, in an effort to correct the matter, the Committee was informed that the Commission had engaged the Zambia Police Services and obtained a written confirmation for the delayed buses.

Committee's Observations and Recommendations
The Committee sternly cautions the Controlling Officer against the occurrence of this query and urges him to ensure that going forward; the aspects of operations and deployment of Police Officers during the Local Government, Parliamentary, and Presidential Elections are budgeted for by the Zambia Police Services in order to avert the recurrence of this irregularity.

iii. Failure to Sign Contract – Provision of Web Services

Controlling Officer's Response
The Controlling Officer informed the Committee that the ECZ contract for Amazon Web Services (AWS) was approved by the Office of the Attorney General, but could not be signed by the vendor, who preferred their own standard contract. Additionally, the Commission commenced the use of the AWS services after approvals by the Attorney General, the Zambia Public Procurement Authority (ZPPA) and the Procurement Committee were sought. However, the contract was performed before it was executed due to the time constraint and the urgency of the services. The Committee was informed that the impact of not using the services at the required time would have negatively affected the delivery of the 2021 General Elections.

Committee's Observations and Recommendations
The Committee is concerned that due to lack of forward planning, the Commission seems to be encouraging financial irregularities on account of effectively delivering the Local Government, Parliamentary, and Presidential Elections, a situation which the Committee finds highly unacceptable, especially that the Commission has adequate time to plan for the elections. The Committee in this regard, urges the Controlling Officer to ensure that disciplinary action is taken against the erring officers at the Commission to avoid recurrence. The Committee awaits a progress report on the matter.

iv. Contract for Supply of 2,300 Generator Sets – Delay of Procurement Process

Controlling Officer's Response

The Controlling Officer informed the Committee that the Commission could not respond to the bidders request in January 2020, as evaluation was still underway. Additionally, this action could have disadvantaged other bidders and jeopardised the whole process. The Committee was further informed that the contract with Saro Agro was only concluded in August, 2020, after approval by the Procurement Committee.

However, in an effort to correct the irregularity, the Controlling Officer informed the Committee that the Commission would increase lead time for all procurements and would conduct management training for all senior staff.

Committee's Observations and Recommendation

The Committee finds it unacceptable that the signing of the contract was delayed and hence, caused a wasteful expenditure of K1, 378,277, due to the hiring of generator sets from the Malawi Electoral Commission, a situation which could have been avoided. The Committee is disappointed that the Commission is blaming its failure on lengthy evaluation processes. The Committee directs the Controlling Officer to ensure that, in future, during the signing and execution of contracts, there must be total adherence to the Public Procurement Regulation No. 3 of 2011. The Committee directs the Controlling Officer to ensure that the Commission is sternly cautioned to avoid this failure. A progress report is being awaited by the Committee..

v. Contract for Supply and Delivery of 9,000,000 Voter Card Forms and Pouches – Tesla IT Business Solution Limited.

- **Delay of Procurement Process**
- **Failure to Pass Additional Costs to Supplier**
- **Failure to Charge Liquidated Damages**
- **Failure to Obtain Performance Security**

Controlling Officer's Response

The Controlling Officer explained that the contract coincided with the Covid-19 Pandemic which led to a global supply chain disruption, therefore, adversely impacting suppliers across the globe. The Committee was informed that the fixed election date enshrined in the Republican Constitution, meant that the Commission could not postpone the commencement of the voter registration exercise beyond November, 2020.

However, in an effort to correct the irregularity, the Controlling Officer informed the Committee that the Commission would increase lead time for all procurements and would conduct management training for all senior staff.

Committee's Observations and Recommendations

The Committee is concerned that the Commission seems to be encouraging financial irregularities on account of effectively delivering the General Elections, a situation which the Committee finds highly unacceptable, especially that the Commission has adequate time to plan for the General Elections. The Committee, therefore, reminds the Controlling Officer that even in the most of emergency of circumstances, the Zambia Public Procurement Regulations should be adhered to at all times. The Committee, therefore, urges the Controlling Officer to closely supervise ECZ and ensure that concrete measures are put in place to avoid the recurrence of this very serious query, including instituting disciplinary action on the erring officers in order to serve as a deterrent to others. The matter is recommended for the Auditor General to keep in view, during future audits.

vi. Contract for Supply and Delivery of 3,000,000 Voter Card Laminating Pouches - Proofing SAS – US$ 540,000

Controlling Officer's Response

The Controlling Officer informed the Committee that since the supplier was the same for both consignments, the solicitation document that was initially used for the nine million pouches, was the same one used for the additional three million pouches as the technical specifications were the same. However, the quantities requested reduced from nine million to three million. Regarding the query on the contract date, the Controlling Officer informed the Committee that the Commission relied on the clearance letter by the Office of the Attorney General dated 1st February, 2021.

He further attributed the cause to the time constraint resulting from the non-delivery by the initially awarded supplier, which led to the revision and shortening of the delivery period for the pouches so that they could be delivered in time, for the commencement of the voter registration exercise, as the fixed election date enshrined in the Republican Constitution meant that the Commission could not postpone the commencement of the voter registration exercise beyond November, 2020. However, contract management training for all senior staff had been conducted as a corrective measure.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the execution of contracts before they are signed is becoming a permanent practice at ECZ, in total disregard of *Section 72 (2) of the Public Procurement Act No. 8 of 2020.* The Committee, therefore, recommends that Management should be cautioned against the failure to adhere to the Act and to discipline anyone found abrogating it, in order to arrest this unacceptable practice. The Committee will await a progress report on the matter.

vii. Contract for Supply and Delivery of 3,000 Voter Card Forms – Alghurair Printing and Publishing LLC – US$ 87,400

Controlling Officer's Response

The Controlling Officer submitted that the authority to purchase the voter card forms was granted by the Procurement Committee on 28th December, 2020. Further, the document in question titled 'Authority to Purchase' was an internal document used for payment purposes. The Committee was informed that the title of the document would be revised to read as 'Authority to Pay'. The Controlling Officer further submitted that the varied additional cost was on account of the use of air transport as opposed to the initial sea transport which was not feasible due to time constraints.

Committee's Observations and Recommendations

The Committee is concerned that the Commission abrogated the procurement procedures by signing the contract after execution and questions why the Director of Finance and Audit allowed the payments without the requisite contract. The Committee contends that this act cannot rule out collusion between the officers and the supplier to siphon public funds. The Committee, further questions why Management negligently subjected the Commission to suppliers that were charging higher additional charges and not lower additional charges after counseling the contract with Tesla IT Business Solutions. It is in this regard, that the Committee urges the Controlling Officer to investigate this contract further and if the contract was mismanaged, appropriate action including a report on the matter to the relevant law enforcement agencies should be undertaken. A progress report will be awaited by the Committee.

viii. Procurement of 300 Additional Biometric Voter Registration Kits – US$ 1,099,326

Controlling Officer's Response

The Controlling Officer informed the Committee that the procured 300 additional kits had higher technical specifications than the initial 2,600 kits. In view of the foregoing, the Commission had to buy the additional 300 kits with higher technical specifications at a higher price; air freight inclusive, because they initially customised hardware kits required a delivery lead time of twelve weeks and were not ex-stock.

The Committee was further informed that the 421 kits were all distributed to all the 116 districts, in order to support the 24/7 voter registration that was introduced, following the high voter turnout experienced during the exercise. As a corrective measure for the irregularity, the Committee was informed that there was increased lead time in procurement processes at the Commission, as well as conducting the continuous registration of voters.

Committee's Observations and Recommendations

The Committee is concerned to note that the 300 kits were procured at a higher price of US$ 8,287.67 per kit, while the cost for the 2,600 kits was US$4,623.25 per kit, exclusive of service and VIV devices costs, therefore, resulting in the over pricing of US$3,664.42 per kit. Further, the distribution details at the time of audit reviewed that 421 kits were not distributed. The Committee in this regard casts doubt on the need to procure the additional 300 kits. Furthermore, the Committee is also concerned to note that the costs incurred in training, installation, customisation and travelling were higher than the cost of procuring the devices. The Committee in this regard, urges the Controlling Officer to investigate this contract further and if the contract was mismanaged, appropriate action including a report on the matter to the relevant law enforcement agencies should be undertaken. The Committee further urges the Controlling Officer to closely supervise the Management of ECZ and strengthen the internal controls in procurement. A progress report will be awaited by the Committee.

ix. Supply, Delivery and Customisation of 1000 Voter Identification Devices

Controlling Officer's Response

The Controlling Officer explained that the 1,000 Voter Identification Devices (VIDs), were procured for pilot purposes. To this effect, the VIDs were used in selected polling stations. The Committee was further informed that stakeholders were engaged on the use of the VIDs, which led to the Commission being sued by some aggrieved stakeholders. The VIDs were used for the quick identification of voters to their respective polling stations, and also served to provide disaggregated statistics at polling station level.

Committee's Observations and Recommendations

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

x. Contract for Supply and Delivery of Ten Register Printers and Consumables

- **Failure to Execute Contract on Time – K 2,670,182**

Controlling Officer's Response

The Controlling Officer attributed the cause of this query to the delayed approval from the Office of the Attorney General. However, the Commission continued to engage with the Office of the Attorney General.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the delay in executing this contract resulted in an exchange loss of K2.6 million. The Committee also finds the Commissions failure to follow up the contract with the Attorney General's Chambers, in order to ensure the timely execution of the contract unacceptable. The Committee further expresses concern at the failure by the Attorney General's Chambers to clear the contract on time, which resulted in the Government paying more money as a result of the fluctuation in the exchange rate. The Committee, in this regard, particularly cautions the Attorney General's Chambers to ensure that matters of public interest are expeditiously dealt with, to avoid losses on the Government. The matter is recommended for the Auditor General to keep in view, during future audits.

- **Failure to Charge Liquidated Damages on Contract Provision**

Controlling Officer's Response
The Controlling Officer informed the Committee that the contract award coincided with the Covid-19 Pandemic which led to a global supply chain disruption that adversely impacted suppliers across the globe. In view of the extenuating circumstances, Clause 29.1 was not evoked.

Committee's Observations and Recommendations
The Committee finds the Controlling Officers response unacceptable and is particularly concerned that the Government has lost money as a result of this lapse. The Committee, therefore, urges the Controlling Officer to institute disciplinary action on the erring officer(s) for loss of public funds and negligence of duty. A progress report on the matter will be awaited by the Committee.

- **Wasteful Expenditure K 25,528,921**

Controlling Officer's Response
The Controlling Officer submitted that the Commission assessed the capacity of the ten printers, based on a conservative figure from the previous elections of not more than ten presidential candidates. However, after nominations, there were sixteen presidential candidates which necessitated the outsourcing of the printing services, to conform to the set election timetable.

The Committee was further informed that the international best practice in the electoral process promoted the provision of integrity costs, which enabled stakeholders to have easy access to electoral services and information. To that effect, the Commission procured a total of twenty sets of the national register of voters, at a cost of K36, 018, 528. Of these, sixteen sets were acquired at a cost of K28, 814, 822, which were given to each presidential candidate for free; the other four sets would be sold to stakeholders at a cost of K50 per polling station register.

Committee's Observations and Recommendations
The Committee is concerned that the registers procured at K155 were sold at K 50, resulting in a loss of public funds amounting to K 25,528,921 for the twenty sets of registers procured. The Committee, in this regard, sternly cautions the Controlling Officer for this lapse. The matter is, however, recommended for closure subject to audit verification.

- **Lack of Disposal Details for Printers Consumables – US$ 26,088**

Controlling Officer's Response
The Controlling Officer submitted that the toner cartridges were accounted for and the supporting documentation was available for audit verification.

Committee's Observations and Recommendations
The Committee does not accept the reason given by the Controlling Officer for the failure to avail these documents during the audit process and urges him to ensure that disciplinary action is

taken against erring officers for this lapse. The Committee will await a progress report on the matter.

xi. Supply and Delivery of Register Printer Toner Cartridges and Accessories – Lack of Disposal Details K 1,222,614

Controlling Officer's Response

The Controlling Officer submitted that the toner cartridges were being used for the printing of election related materials. Further, election-related documents were being printed in-house, hence, saving on printing costs. However, the stock bin cards in question were currently available for audit verification.

Committee's Observations and Recommendations

The Committee finds it unacceptable that documents in respect of such huge amounts could not be made available during the time of audit and only to resurface thereafter. The Committee, in this regard, urges the Controlling Officer to institute corrective measures including disciplinary action against the officers who failed to make the documents available at the time of audit in order to avert recurrence of such an irregularity. The Committee, however, recommends the matter for closure subject to audit verification.

xii. Contract for the Supply and Delivery of 64,000 Reams of Bond Paper

- **Failure to Secure Suppliers Contract Obligation Fulfillment**

Controlling Officer's Response

The Controlling Officer informed the Committee that the Special Conditions of the Contract (SCC) were part of the contract. The Committee was further informed that contract management training for all staff had been conducted as a corrective action.

Committee's Observations and Recommendations

The Committee expresses concern over the manner in which the Controlling Officer is approaching the matter. In the first instance, it is against procurement regulations for the Commission to make full payment before the delivery of the goods. Further, a performance security was not demanded by the Commission as required by the contract. In view of the foregoing, the Committee urges the Controlling Officer to institute disciplinary action on the officer(s) who authorised the payments to the suppliers before the goods were supplied. In the same vein, the Committee implores the Controlling Officer to desist from making advance payments to suppliers in contravention of procurement regulations. Furthermore, the non-adherence to the terms and conditions contained in the contracts will not be taken lightly forthwith. In view of the foregoing, the Controlling Officer is urged to insist that a performance security should be demanded before signing contracts. The Committee will await a progress report on the matter.

- **Failure to Award Contract to Best Evaluated Bidder**

Controlling Officer's Response
The Controlling Officer explained that because of the volatile exchange rate, the top three most competitive bidders requested the Commission to resubmit their bids. All the top three bidders were availed an opportunity to resubmit their bids and Sepli Investments Ltd was still the most competitive bidder, hence, the award of the contract. The Committee was further informed that there was a clerical recording error in the minutes of the procurement committee meeting. However, this did not affect the actual ranking of the top three bidders.

Committee's Observations and Recommendations
The Committee urges the Controlling Officer to investigate this matter further as it is not clear why a Company with a bid sum of US$198,400 was rated third while Sepli Investments Ltd with a bid sum of US$222,270 was regarded as the most competitive and rated first. This query, therefore, suggests that there was connivance between officers at the Commission and the supplier. A progress report on the matter will be awaited by the Committee.

- **Failure to Avail Varied Contract**

Controlling Officer's Response
The Controlling Officer informed the Committee that the Commission did not enter into a varied contract because the initial contract was cancelled. However, as a corrective action to avoid the recurrence of this irregularity, the Controlling Officer informed the Committee that contracts due to poor performance would be terminated.

Committee's Observations and Recommendations
The Committee urges the Controlling Officer to investigate this contract further as it is not clear why there was no written variation or addendum on Sepli Investments Limited when varying the contract from US$198,400 to US$222,270. A progress report on the matter will be awaited by the Committee.

- **Delay in Terminating the Contract**

Controlling Officer's Response
The Controlling Officer explained that the procurement of the bond paper was meant for voter registration and other related electoral activities, including the 2021, General Elections. A further provision was made for a possible re-run and subsequent by-election. Therefore, the bond paper was being used in subsequent by-elections and other electoral related activities.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

- **Failure to Obtain Contract Clearance**

Controlling Officer's Response
The Committee was informed that a letter from the Office of the Attorney General was availed to the Office of the Auditor General for audit verification.

Committee's Observations and Recommendations
The Committee urges the Controlling Officer to ensure that full information is provided to the auditors during the audit process to avoid such queries and directs that disciplinary action is instituted on the erring officers for failure to address the matter during the audit process. The Committee nevertheless, resolves to close the matter subject to audit verification.

- **Failure to Withhold VAT**

The Controlling Officer informed the Committee that the Commission did not have adequate human resource to undertake the task of VAT refunds at the time. However, as a corrective measure, the Commission had since requested the Office of the Accountant General to second staff to assist with the VAT refunds. The Commission was also revising its current structure to provide for, among other portfolios, the management of VAT refunds and would present this to the relevant authorities for approval.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

xiii. Contract for Supply and Delivery of 2,500 Megaphones

Controlling Officer's Response
Noting the query, the Controlling Officer submitted that the analysis of bids revealed that none of the bidders who qualified for commercial evaluation quoted in-built battery powered megaphones. He further informed the Committee that the change in price was because of the Type D batteries that were not reflected in the initial amount. The evaluation reports revealed that only battery powered megaphones were evaluated at the commercial stage. However, a distribution list was availed to the auditors and was available for audit verification. As a corrective action to ensure the irregularity does not recur, the Committee was informed that the Commission would ensure that there was increased lead time in the procurement processes.

Committee's Observations and Recommendations
The Committee questions why the Commission allowed the supplier to change the product specifications of the megaphones and include batteries that were not part of the product specification, resulting in the price variation of US$ 27,300. The Committee is concerned that the price of the variation is more than the twenty five percent allowed variation in the *Public Procurement Act.* In this regard, the Committee urges the Controlling Officer to investigate this contract further and if mismanaged, appropriate action including a report on the matter to the relevant law enforcement agencies should be undertaken. The Committee further cautions the Controlling Officer to take interest in the contract management at the Commission and ensure that solicitation and bid documents are adhered to at all costs, in order to avoid the recurrence of

this query. Further, any extra cost or variation to the contract should be borne by the supplier. A progress report will be awaited by the Committee.

xiv. Contract for Supply and Delivery of 760,000 Ballot Box Plastic Seals – Al Ghurair Printing and Publishing LLC – US$ 75,328

Controlling Officer's Response

The Controlling Officer explained that at the time of the audit, the election materials were still in the field awaiting the retrieval and mopping exercise, thus, the quantities that were in stock could not reflect the true picture of the final stock levels. However, the unutilised serialised ballot box plastic seals had since been returned to stores and would be used for subsequent by-elections.

Committee's Observations and Recommendations

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

xv. Irregularities in the Procurement of Voter Education Branded Caps

- **Failure to Avail Contract**
- **Failure to Engage Best Evaluated Bidder**
- **Delay in Delivery of Voter Education Caps**
- **Wasteful Expenditure**

Controlling Officer's Response

The Controlling Officer informed the Committee that the procurement was based on the Local Purchase Order (LPO) as the amount was within the Procurement Committee's threshold. Secondly, the initially evaluated best bidder, Impact Branding, declined the award, citing escalated exchange rates, hence, the second best evaluated bidder, Table Pride Agencies, was awarded the contract.

The Controlling Officer further informed the Committee that the delay to deliver was attributed to the delay in the procurement process. Further, the price of the second best evaluated bidder was higher than that of the lowest evaluated bidder, hence, the variance in expenditure. The Committee was further informed that the initial best evaluated bidder, Impact Branding, was written to and requested to formally communicate to the Commission its decision to decline the award.

Committee's Observations and Recommendations

The Committee observes with concern that this contract is highly flawed. In this regard, the Committee urges the Controlling Officer to investigate this contract further and if mismanaged, appropriate action including a report on the matter to the relevant law enforcement agencies should be undertaken. A progress report on the matter will be awaited by the Committee.

xvi. Supply of Voter Education Branded Bags

- **Failure to Avail Signed Contract**

- **Supply of Poor Quality Bags**

Controlling Officer's Response
The Controlling Officer informed the Committee that the supplier delivered a product with minor deviation from the specifications. However, the bags were still fit for the purpose for which they were intended; thus, the Commission accepted the bags at a discounted unit cost.

Committee's Observations and Recommendations
The Committee directs that the documentary evidence to support this submission is availed for audit verification without further delay subject to which the matter should be closed.

xvii. Contract for the Supply and Delivery of 15 Tablets – Blue Lithium Communications Limited

Controlling Officer's Response
The Controlling Officer explained that the first bidder failed to deliver the Ipads with the correct technical specifications. While the second and third best evaluated bidders declined the offer, citing the escalating exchange rates. This led to the Procurement Committee settling for the fourth evaluated bidder, Blue Lithium.

Committee's Observations and Recommendations
The Committee directed that the documentary evidence to support this submission is availed for audit verification without further delay, subject to which the matter should be closed.

xviii. Contract for the Supply and Delivery of Broadband Global Area Network Prepaid Data and Voice Units for Satellite Phones – Lack of Disposal Details for Vouchers – K 7,758,429

Controlling Officer's Response
The Controlling Officer submitted that the vouchers for the satellite phones were delivered two days before the elections, making it difficult to distribute. Thus, the distribution list was not available. Furthermore, the Commission did not have adequate human resource to undertake the task of Value Added Tax (VAT) refunds at the time.

However, the satellite phones were being used in by-elections and election related activities. Further, the Commission also requested the Office of the Accountant General to second staff to assist with the VAT refunds. Furthermore, the Commission was also revising its current structure, to provide for among other portfolios, the management of VAT refunds and would present this to the relevant authorities for approval.

Committee's Observations and Recommendations

The Committee is concerned that disposal details for vouchers costing K7, 758,429 were not available and contends that such negligence and weak internal controls in the management of stores records at ECZ may result in the loss of public funds through fraudulent activities. In this regard, the Committee directs the Controlling Officer to urgently probe further into this matter and ensure that the disposal details for the vouchers costing K7, 758,429 are traced and availed for audit verification by the third quarter of 2023, failure to which, appropriate action including a report on the matter to the relevant law enforcement agencies should be undertaken. The Committee will await a progress report on the matter.

xix Contract for Supply and Delivery of Critical Election Materials – Ningbo Daren Import and Export Co Ltd

Controlling Officer's Response

The Controlling Officer explained that the supplier declined the Zambian standard contract. Further, the Supplier was the only supplier that had the critical election material at that time. The time constraint of the fixed election date, enshrined in the Constitution, would not allow for a postponement of the electoral activities. Furthermore, the disruption in the global supply chain due to the Covid-19 Pandemic, necessitated the chartering of the cargo plane. However, the Controlling Officer assured the Committee that the Commission going forward, would increase the lead time in the procurement processes, ensure the early identification of suppliers for critical election materials as well as ensure the contract management training for senior staff was conducted as corrective measures.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the Commission is engaging suppliers that are refusing to sign Zambian standard contracts and contends that this bad practice can be a conduit for siphoning public funds. The Committee further finds it unacceptable that the Commission had to wait for the audit for staff to be trained in contract management. The Committee in this regard, sternly cautions the Controlling Officer for this failure and urges him to ensure that contracts are signed in accordance with the Zambian standard and that only trained and qualified staff handle these procurements. The matter is recommended for the Auditor General to keep in view, during future audits.

xix. Contract for the Supply and Delivery of Face Masks, Hand Sanitisers and Size D Batteries – Walkerville Enterprises Limited

- **Questionable Contract Price**

Controlling Officer's Response

With regard to the contract price, the Controlling Officer explained that the bid and payment was quoted in the United States Dollar (USD), although the commercial evaluation indicated the amount in Kwacha. This was for the purpose of comparisons with other bidders that quoted in Kwacha. However, despite this conversion error, the bidder was quoted US$ 48, 906, thus, there were no discrepancies between the quoted amount and the paid amount.

Committee's Observations and Recommendations
The Committee directs that the documentary evidence to support this submission is availed for audit verification without further delay subject to which the matter should be closed.

- **Donation of Face Masks**

Controlling Officer's Response
The Controlling Officer explained that the tender was floated on 1st March and the supplier accepted the offer of award on 23rd April, 2021. Therefore, the Commission had already committed itself to the planned procurement at the point the donation was received.

Committee's Observations and Recommendations
The Committee directs that the documentary evidence to support this submission is availed for audit verification without further delay subject to which the matter should be closed

xxi. Contract for the Provision of Branding Services at the Electoral Commission of Zambia – Sign-Wave Printing Limited K302,635

Controlling Officer's Response
The Controlling Officer submitted that the Commission did not have adequate human resource to undertake the task of VAT refunds. However, the Commission had requested the Office of the Accountant General to second staff to assist with the VAT refunds. The Committee was further informed that the Commission approved a realistic structure but awaited funding from the Treasury.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter**.**

xxii. Procurement of Motor Vehicles above the Entitlement

Controlling Officer's Response
The Controlling Officer informed the Committee that the Commission relied on the provisions of *Section 9 (3)* of the *Electoral Commission Act No 25 of 2016* and the Commission's Conditions of Service. However, the Commission would seek further clarification regarding its independence and autonomy in determining the conduct of elections and the conditions of service for its staff.

Committee's Observations and Recommendations
The Committee observes with concern that the procurement of personal to holder motor vehicles in parastatal bodies and statutory institutions has been subjected to abuse despite the Cabinet Office Circular No 17 of 2016, abolishing the provision of personal to holder motor vehicles in the public service. The Committee observes that the major reason for the abrogation is because the public institutions hold the view that the Cabinet Circular is subservient to the respective Acts of Parliament that determine the conditions of services for the staff in the public service, on the procurement of personal to holder motor vehicles. The Committee, therefore, urges the

Secretary to the Treasury to engage the Secretary to the Cabinet and make it clear to all the parastatal bodies and statutory institutions that the Cabinet Office Circular No 17 of 2016 is a delegated legislation and therefore, supersedes the provision of the respective Acts of Parliament that determine the conditions of services for the staff in the public service, on the procurement of personal to holder motor vehicles. The current status quo is a huge cost to the Government and is hampering the operations of the institutions in some instances. A progress report will be awaited by the Committee.

d) Accounting Irregularities

i. Failure to Obtain Authority to Vary Funds

Controlling Officer's Response

The Controlling Officer informed the Committee that authority was given verbally. He further explained that the lack of decentralised structures at provincial and district levels had necessitated the use of the local authority staff who were employees of the Ministry of Local Government and not answerable to the Commission. However, the Committee was informed that the Commission would endeavor to respond to requests for variations in a timely manner, going forward.

Committee's Observations and Recommendations

The Committee finds the casual manner in which this serious query has been addressed by the Controlling Officer unacceptable. Not only is this conduct in contravention of the *Public Finance Act and the Appropriation Act of 2014*, but it also negatively affects the implementation of budgeted for activities. The Controlling Officer is cautioned to desist from this conduct forthwith and is further urged to adhere to laid down procedures on the variation of funds. The matter is recommended for the Auditor General to keep in view, during future audits.

ii. Unretired Imprest – K 130,111

Controlling Officer's Response

The Controlling Officer informed the Committee that the imprest had since been retired in full.

Committee's Observations and Recommendations

The Committee is disappointed with the laxity exhibited by the Controlling Officer in instituting disciplinary action on the erring officers who contravened the Financial Regulations with impunity. This explains the reason why a lot of queries are emerging at the Commission. The Committee sternly cautions the Controlling Officer for this failure and urges him to institute disciplinary measures against the erring officers so as to serve as a deterrent to would-be offenders. A progress report on the matter will be awaited by the Committee.

iii. Unaccounted for Stores – K 1,908,916/K 2,331,473

Controlling Officer's Response

The Controlling Officer explained that some materials were still in the field at the time of the audit. However, the retrieval of materials from all the districts that were holding materials at the time of the audit was being done. In this regard, most of the equipment had been returned to stores, while some other equipment was being used for the continuous registration of voters. The Committee was further informed that the Commission had also supported the Zambia Statistical Agency (ZSA) with equipment for the 2022, Population Census.

Committee's Observations and Recommendations

The Committee contends that with close supervision, the officers responsible for stores would have secured the stores records in question. In this regard, the Committee urges the Controlling Officer to ensure that internal control measures are strengthened. The Controlling Officer is further urged to ensure that the Public Stores Regulation No. 16 is adhered to by the officers at all times. The Committee further directs the Controlling Officer to ensure that the outstanding stores items and fuel are accounted for without further delay. A progress report on the matter will be awaited by the Committee.

iv. Irregular Drawing of Fuel

Controlling Officer's Response

The Controlling Officer informed the Committee that the lack of decentralised structures at provincial and district levels necessitated the use of local authority staff that were not directly answerable to the Commission. However, the decentralisation budget to Cabinet Office and the Treasury were submitted for audit verification. The Commission had since developed standardised store guidelines for use at district level and had conducted the re-orientation of local authority staff in stores management procedures. Further, the Commission had cautioned the named districts to account for the fuel.

Committee's Observations and Recommendations

The Committee will await a progress report on the matter.

e) Staff and Administrative Matters

i. Irregularities in Recruitment of Temporal Staff

- **Failure to Avail Security Vetting Reports**

Controlling Officer's Response

The Controlling Officer explained that because of the scope and practicality, the Commission was of the opinion that it was laborious, time consuming and not practical to vet temporal staff. The Controlling Officer, however, assured the Committee that the Recruitment Policy would be reviewed in order to address the vetting process for the different categories of staff.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to expedite the review of the Recruitment Policy in order to avoid the recurrence of the query. A progress report on the matter will be awaited by the Committee.

- **Failure to Engage Staff with the Required Minimum Qualifications**

Controlling Officer's Response

The Controlling Officer explained that the incumbent, for the position of Social Media Officer left the Commission. Therefore, the role needed to be urgently filled in order to ensure the continuity of the operations. The Committee further explained that the Commission preferred a person with expertise and experience. However, given the limited availability of specialised expertise for animator, graphic designer and videographer, the Commission engaged them as consultants. They were engaged as temporal staff, therefore, they were no longer with the Commission. Nonetheless, the Controlling Officer assured the Committee that going forward; there would be increased recruitment lead time at the Commission.

Committee's Observations and Recommendations

The Committee finds the Controlling Officer's response unacceptable as it goes against the Commission's own policy. The Committee further contends that this serious irregularity points to the fact that the Commission has a porous recruitment, a situation which the Committee directs the Controlling Officer to curb forthwith, as it sets a bad precedence. The Committee further urges the Controlling Officer to institute disciplinary action on the officer(s) who caused this anomaly. The Committee will await a progress report on the matter.

- **Questionable Recruitment of a Social Media Officer – K24,191**

Controlling Officer's Response

The Controlling Officer explained that the incumbent for the position of Social Media Officer had left the Commission. The role needed to be urgently filled, in order to ensure the continuity of operations. As a result, a person with expertise and experience was preferred. Nonetheless, the Controlling Officer assured the Committee that going forward; there would be increased recruitment lead time at the Commission.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to always ensure that documentation showing how shortlists and interviews of officers at the Commission are conducted are secured forthwith, in order to avoid the continued increase in irregularities. The Committee further urges the Controlling Officer to submit the supporting documentation for audit verification after which the matter should be closed.

ii. Recruitment and Training of Assistant Registration Officers

- **Questionable Recruitment of Assistant Registration Officers – K 7,662,584**

Controlling Officer's Response
The Controlling Officer explained that the fixed election date enshrined in the Republican Constitution meant that the Commission could not postpone the prerequisite electoral activities leading to the General Elections held on 12th August, 2021. Therefore, the high registration turnout during the voter registration, necessitated the urgent recruitment of additional registration officers. In addition, the district was overwhelmed with the registration exercise; hence, the recruitment was centrally done. Nonetheless, the Controlling Officer assured the Committee that going forward; there would be increased recruitment lead time at the Commission. Further, the Commission had commenced the continuous registration of voters.

Committee's Observations and Recommendations
The Committee find it highly irregular that 441 Assistant Registration Officers (ARO) were recruited from Headquarters and trained at a cost of K7, 662,584, when guidance was clear that district local authorities should conduct the recruitment. The Committee therefore, contends that this irregularity can result in the loss of Government funds through the payment of non-existent (ghost) workers. The Committee in this regard urges the Controlling Officer to probe further into this matter. If found wanting in the short listing, recruitment and deployment of the officers, appropriate action should be taken on the officer(s) who authorised the recruitment. A progress report on the matter will be awaited by the Committee.

- **Failure to Avail Short-listing and Recruitment Report**

Controlling Officer's Response
The Controlling Officer informed the Committee that the high voter turnout during the voter registration necessitated the urgent recruitment of addition registration officers. Further, the fixed election date enshrined in the Republican Constitution meant that the Commission could not postpone the prerequisite electoral activities leading to the General Election held on 12th August, 2021. This, therefore, contributed to not having the shortlisting and recruitment report as required. Nonetheless, the Controlling Officer assured the Committee that going forward; there would be increased recruitment lead time at the Commission.

Committee's Observations and Recommendations
The Committee observes with concern that the Commission appears to be encouraging irregular recruitments on account of the election process being urgent, a situation which the Committee finds unacceptable. The Committee urges the Controlling Officer to ensure that a short listing and recruitment report is availed without further delay, failure to which appropriate disciplinary action should be meted out on the erring officer(s). A progress report on the matter will be awaited by the Committee.

- **Recruitment Beyond the Required Number of Officers K 88,000**

Controlling Officer's Response
The Controlling Officer explained that the overwhelming turnout during the Voter Registration process necessitated the engagement of extra support staff. However, twenty - one ARO were omitted. Nonetheless, the continuous registration of voters had commenced and the list to include the twenty - one ARO had been updated.

Committee's Observations and Recommendations
The Committee observes with concern that the Commission appears to be encouraging irregular recruitment on account of the election process being tedious, a situation which the Committee finds unacceptable as it is fluid to fraud. The Committee urges the Controlling Officer to ensure that the matter is probed further in order to avoid the recurrence through instituting stern disciplinary action on those found wanting. It is not clear why the Commission conducted further recruitments beyond the required number. A progress report on the matter will be awaited by the Committee.

- **Sending of Assistant Registration Officers without Requests from the Districts**

Controlling Officer's Response
The Controlling Officer submitted that the overwhelming turnout during the voter registration necessitated the engagement of extra support staff. Therefore, the introduction of the twenty-four hours of operation in all the 116 districts required additional support staff. Nonetheless, the Commission was conducting the continuous registration of voters to avoid the recurrence of the query.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

- **Failure to Avail a Deployment List for Lusaka Officers – K1,039,500**

Controlling Officer's Response
The Controlling Officer informed the Committee that the 258 AROs were deployed in Lusaka District. He further explained that the allocation of the officers was demand driven and therefore, could not be assigned to fixed stations.

Committee's Observations and Recommendations
The Committee urges the Controlling Officer to ensure that the deployment list is availed without further delay, failure to which appropriate disciplinary action should be meted out on the erring officer(s). A progress report on the matter will be awaited by the Committee.

- **Irregular Withdrawal of Cash for the Payment of Allowances - 5,631,491**

Controlling Officer's Response
The Controlling Officer explained that the Commission relied on part time staff who were engaged for specific roles when conducting various electoral activities. In most cases, the part time staff did not have bank accounts because they were not in formal employment. However, the Commission endeavored to seek waivers during such periods, as well as utilise online payment platforms in future where possible.

Committee's Observations and Recommendations
The committee sternly cautions the Controlling Officer to act only within the provisions of the Ministry of Finance Treasury and Finance Management Circular No 1 of 2020 in future, to avoid recurrence of this anomaly. The Committee further urges the Controlling Officer to institute disciplinary action on the officer(s) who authorised the withdraw of this payment. A progress report on the matter will be awaited by the Committee.

iii. Lack of Appointment Letters – Itezhi-tezhi Town Council K 698,350

Controlling Officer's Response
The Controlling Officer explained that the lack of a decentralised structure at provincial and district levels had necessitated the use of local authorities' staff who were not directly answerable to the Commission. The Controlling Officer, however, assured the Committee that the Commission would carry out the orientation of district staff on recruitment procedures.

Committee's Observations and Recommendations
The Committee sternly cautions the Controlling Officer for this omission and urges him to regularise the appointment letters without further delay, in order to address the concern raised. A progress report on the matter will be awaited by the Committee.

9.0 EVELYN HONE COLLEGE

9.1 Audit Findings
An examination of financial and other records maintained at the Evelyn Hone College for the financial years ended 31st December 2019, 2020 and 2021, revealed the following irregularities, to which the Controlling Officer submitted as highlighted below.

a) Budget, Income and Expenditure

Controlling Officer's Response
The Controlling Officer explained that the period under review had a number of constraints in terms of income generation due to the Covid-19 Pandemic. This led to the premature closures of the College and affected the actual income for the period. Additionally, some terms and semesters were deferred to later dates.

The Committee was further informed that despite having an e-learning platform in place, there was a low uptake in the usage of the system by the students. The low uptake was as a result of low sensitisation, students' lacking appropriate gadgets and poor internet connectivity in their locations. However, the sensitisation campaign had been done and more students were accessing the portals that were available. The College had also increased the bandwidth available for the students from 60 mbps in 2021, to 101 mbps in 2022.

In this regard, the Controlling Officer assured the Committee that going forward, the College would not get to a situation where revenue was affected, as adequate measures had been put in place to ensure that all the students were able to access the e-learning platforms.

Committee's Observations and Recommendations
The Committee notes the response but urges the Controlling Officer to ensure that the under budgeting of the College is avoided by among other things, ensuring that the budget projections are realistic as opposed to overstating the College's budget to avoid adversely affecting planned for activities. The matter is recommended for the Auditor General to keep in view, during future audits.

b) Governance Matters - Failure to Prepare Financial Statements

Controlling Officer's Response
The Controlling Officer explained that the non-preparation of the financial statements for the period under review, was due to the non – valuation of the College assets by the Ministry of Works and Supply, as well as the unforeseen outbreak of the COVID 19 Pandemic, which had adverse effects on the operations of the College, such as the rotation of staff, therefore, rendering the preparation of financial statements difficult.

However, in order to remedy the preparation of the backlog of financial statements, the Controlling Officer through Management engaged the Ministry of Works and Supply to conduct a valuation of the College assets. It was only in 2015, that the Ministry managed to value the College's land and buildings. In view of the foregoing, the financial statements up to 2016 had been concluded.

Further, the Ministry of Science and Technology had engaged the Auditor General's Office to audit all the TEVET institutions. Subsequently, Mark Daniel's Chartered Accountants was contracted to audit the College's accounts from 2006 to 2008. On expiry of the contract between the Auditor General's Office and Mark Daniel's Chartered Accountants, the Board sought authority form the Auditor General's Office to engage the Accounting Firm to continue auditing the College's books of accounts, in order to clear the backlog of audits.

In view of the foregoing, the Financial Statements for the years 2017, 2018 and 2019 were being audited by the Accounting Firm and it was envisaged that by December, 2023, the College would have cleared its backlog. The Controlling Officer informed the Committee that by June 2024, the College would have brought all the financial statements up to date.

Committee's Observations and Recommendations

The Committee expresses concern at the failure by the College to prepare the financial statements in question as prescribed by the *TEVET Act No. 13 of 1998,* especially that the financial statements are the only means in which the financial performance of the College can be assessed. In view of the forgoing, the Committee urges the Controlling Officer to institute disciplinary action on the officer(s) responsible for ensuring that the properties in question were valued, in order to have the matter resolved. The Committee further urges the Controlling Officer to sternly caution Management for its failure to engage the external auditors on time. The Committee resolves to keep the matter open until the outstanding financial statements are prepared and submitted for audit verification. In this regard, the Committee will await a progress report on the matter.

c) Procurement Matters - Irregularities in the Procurement of Learning Management System – K16,701,603

Controlling Officer's Response

The Controlling Officer informed the Committee that when the College identified the need to have a Learner Management System in place, the matter was presented to the Management Board for consideration and authority to proceed was duly granted. Further, the Procurement Committee sat to consider the bids and subsequently, the technical evaluation was carried out.

Unfortunately, being the first international procurement that the College was making, the process was not escalated to the Zambia Public Procurement Authority (ZPPA) and the Attorney General for a 'No Objection'. The Committee was informed that the omission was regrettable and going forward, the process would meticulously followed.

The Controlling Officer further informed the Committee that, the contract for the vendor of the Learning Management System was terminated in 2021. Subsequently, the College had developed its own E-Learning System which would aid in the facilitation of continued learning. The E-Learning System was a robust system, which had an online application and registration platform, an E-Library, payment gateways, lecturer – student interaction portals, assessment and assignment platforms among many other applications.

The Controlling Officer further informed the Committee that going forward, Management had since been guided by the Ministry of Science and Technology that all memoranda of understanding and contracts, should be reviewed by the ZPPA and the Attorney General's Office for expert opinion.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the College abrogated the provisions of the *Public Procurement Act No.12 of 2008,* by entering into a contract of such magnitude, thereby; resulting in the huge loss of College funds. The Committee sternly cautions Management for this serious irregularity and urges the Controlling Officer to insist that all the Memoranda of Understanding and contracts should be reviewed by the ZPPA and the Attorney General's Office for expert opinion in order to avert the occurrence of this query. The Committee further urges the

Controlling Officer to institute disciplinary action on the erring officers. A progress report on the matter will be awaited by the Committee.

i. Unclear Reasons of Contract Termination

Controlling Officer's Response

The Controlling Officer explained that the College, realising the breaches in the contract, invoked the termination clause in the memorandum of agreement. This was after a survey was carried out across the various schools and departments, which confirmed the operational gaps in the system. Further, the daily patching up of the system became costly to the College. This created additional operational expenses in terms of overtime, lunch allowances and other expenses, which impacted negatively on the financial performance of the College. The Committee was further informed that although Astria had disputed the termination, the Solicitor General was working on a counter claim which outweighed the Astria claim.

Committee's Observation's and Recommendation's

The Committee finds this state of affairs highly unacceptable and urges the Controlling Officer to ensure that the matter is pursued to its logical conclusion. A progress report will be awaited by the Committee.

e) Accounting Irregularities

i. Payment of Allowances for Activities not Undertaken - K46,065

Controlling Officer's Response

The Controlling Officer informed the Committee that the College was unaware of the lecturer's non-visitation to the designated sites until the auditors conducted the site visits. The feedback mechanism was, therefore, lacking to determine the actual visitation by the lecturers.

However, investigations into the matter had been instituted and if the allegations proved to be true, the Controlling Officer submitted that appropriate disciplinary action against the affected staff would be taken, which would include recoveries.

Additionally, the feedback verification mechanism currently in use by the lecturers carrying out the visitations had been redesigned to provide for a section where the student and the head of the institution/supervisor would endorse as proof, that the exercise was undertaken.

Committee's Observations and Recommendations

The Committee finds it unacceptable that senior officers at the College, such as Heads of Department, could receive money for work that they did not do. The Committee insists that it does not take pleasure in considering queries from an institution that is supposed to be churning out professionals who must observe the financial regulations, among other things. The Committee further contends that had the Auditor General not unearthed the matter, funds could have been lost, a situation which is unacceptable, as the College is only being reactive to the audit. The Committee urges the Controlling Officer to sternly caution Management for this failure and to expedite the investigations in order institute disciplinary action on all the erring officers. A progress report on the matter will be awaited by the Committee.

ii. Questionable Payment of Repatriation Allowances - K867,125

Controlling Officer's Response

The Committee was informed that the payment of repatriation was part of the approved conditions of contract of service for the employees. However, Management had ceased the payment of repatriation for contracts which had been renewed. In this regard, repatriation would only be paid upon the final separation with the employee. The misinterpretation of the clause regarding repatriation was, therefore, regretted and measures had been instituted to make recoveries from the staff that were paid this amount.

Committee's Observations and Recommendations

The Committee resolves keep the matter open under the full recoveries are made. In view of the forgoing, a progress report will be awaited by the Committee.

iii. Wasteful Expenditure – Penalty Charges – K16,637

Controlling Officer's Response

The Controlling Officer explained that the penalties which were paid by the College were for the Workers' Compensation Fund and the Teaching Council of Zambia. With regard to the Workers Compensation Fund, the delay was due to the delayed payment processes as a result of cash flow constraints in 2019 and 2020. Further, the Teaching Council penalty was incurred due to the delayed renewal of accreditation.

However, the system for such returns was currently online, in order to facilitate the timely assessments and submission of returns. Going forward, the Committee was informed that the College had ensured that the renewal of accreditation with the Teaching Council of Zambia was carried out on time.

Committee's Observations and Recommendations

The Committee cautions against the recurrence of this wasteful expenditure and insists that Workers' Compensation Fund obligations among other obligations should be a priority; in order to avoid penalty payments that distort the College's budgeted for income. The Committee urges the Controlling Officer to ensure that the penalties in question are settled without further delay and avoid the recurrence of the query. A progress report will be awaited by the Committee.

iv. Questionable Payments out of Pocket Allowance K70, 417

Controlling Officer's Response

The Committee was informed that fifty percent of the out of pocket allowance was meant to help staff prepare adequately for the said meetings and cater for research expenses, in order for them to make meaningful contributions to the various meetings, workshops, conferences and symposia, among other events. However, the payment of out of pocket allowances for local activities had been discontinued and recoveries would be effected.

Committee's Observations and Recommendations
The Committee finds the financial indiscipline at the College unacceptable. It is inconceivable that Out of Pocket Allowances were paid to officers for attending meetings that did not require an overnight stay such as a meeting at the Central Fire Station, which is right opposite the College. The Committee urges the Controlling Officer to sternly caution Management for this failure and to ensure that disciplinary action is instituted on the erring officers. The Committee further urges the Controlling Officer to strengthen the internal control systems at the College that were evidently weak. A progress report on the matter will be awaited by the Committee.

v. Unaccountable for Stores K 1,141,490

Controlling Officer's Response
The Committee was informed that at the time of audit, the College had concurrent audits going on, which led to some documents being in different locations within the College. Further, given the time limitation for the external auditors, the documents could not be availed to them. However, the documentation in question was available for audit verification.

Committee's Observations and Recommendations
The Committee expresses concern at the failure by the Controlling Officer to account for stores worth such colossal sums of money. The Committee contends that in the absence of receipts and disposal details, there is a high likelihood that that there was abuse. The Committee, in this regard, strongly urges the Controlling Officer to ensure that disciplinary action is instituted on the erring officers and to ensure that measures are put in place to avoid the recurrence of this query. A progress report on the matter will be awaited by the Committee.

f) Management of Liabilities – Failure to Settle Outstanding Bills - K131,301,464

Controlling Officer's Response
The Controlling Officer explained that the College usually experienced a mismatch in cash flows between bursary receivables and privately sponsored students' fees on one hand, and the cash outflows in terms of operational expenses and payments to key creditors such as the Zambia Revenue Authority (ZRA) on the other. This created a financing gap which was being addressed through various income generating activities. In addition, the closure of the College due to the Covid-19 Pandemic affected the revenue generation and collection.

However, despite all the financial constraints, the College was embarking on offering short term courses to the market and in-service students. Additionally, the College had identified other commercial income generating activities such as the hire of facilities, pottery and the sale of paintings, in order to widen the income streams and improve the liquidity position of the College.

The Committee was further informed that the College was streamlining its debt recovery unit, to improve on the recovery of tuition receivables. The Controlling Officer assured the Committee that these initiatives would result into a good liquidity base, required to improve on the ZRA payments. Additionally, the College was paying ZRA on a monthly basis.

Committee's Observations and Recommendations
The Committee resolves to seek an update on the implementation of the initiatives put in place to improve the liquidity of the College and to avoid the accrual of penalties on unpaid statutory obligations. The Committee will await a progress report on the matter.

g) Managing of Payroll and Staff Related Matters - Irregularities in the Staff Establishment Register

i. Staff Occupying Positions not in the Approved Staff Establishment

Controlling Officer's Response
The Controlling Officer explained that the approved staff establishment for the period under review was as follows:

Year	Approved Establishment	Filled Establishment	Variance
2019	300	292	-8
2020	316	285	-27
2021	316	295	-21

In view of the foregoing, the institution was within the approved staff establishment.

Committee's Observation's and Recommendation's
The Committee notes the response and resolves to close the matter subject to audit verification.

ii. Excess Staff on Selected Positions on the Payroll

Controlling Officer's Response
The Controlling Officer informed the Committee that the College's Strategic Plan's vision for 2018 to 2021, was to transform into a University College. Consequently, a new organisationl structure was developed and approved by the Board, which was to run parallel with the old one. However, the new structure could not be implemented in full, but in phases, due to financial constraints. However, the College would endeavor to name the position as provided for in the establishment.

Committee's Observations and Recommendations
The Committee resolves to await a progress report on the matter.

h. Infrastructure Development – Failure to Maintain and Rehabilitate Infrastructure.

i. Botswana Hostel

Controlling Officer's Response
The Controlling Officer informed the Committee that the nature of maintenance and rehabilitation required for this infrastructure, required huge investments. At the time of the audit, the procurement process for the materials for the works at the hostel was being carried out, as funds amounting to K10.5 million had been provided for by the Ministry of Science and Technology, in order to carry out various works at the College.

The Committee was further informed that so far, improvements had been made to the said Hostel environment and the project was on-going. To date K376, 305 had been spent on the rehabilitation.

Committee's Observations and Recommendations
The Committee resolves to keep the matter open until the Hostel is fully rehabilitated. A progress report will therefore, be awaited by the Committee.

ii. New Health Sciences Block

Controlling Officer's Response
The Controlling Officer informed the Committee that the rehabilitation of the College infrastructure would require huge investments. However, the College had endeavored to carry out rehabilitation projects within its financial capacity. In view of the foregoing, the College had allocated funds in the 2023, budget for the phased repair works of the damaged structure.

Committee's Observations and Recommendations
The Committee resolves to keep the matter open until the Hostel is fully rehabilitated. A progress report will therefore, be awaited by the Committee.

10.0 FOOD RESERVE AGENCY

10.1 Audit Finding's
An examination of financial and other records maintained at the Food Reserve Agency (FRA) for the financial year ended 31st December, 2019 to 2021, reviewed the following irregularities, to which the Controlling Officer submitted as highlighted below.

a) Budget, Funding and Expenditure – K1,930,530,968,530

Controlling Officer's Response
The Controlling Officer informed the Committee that the funding over and above the budgetary allocation was as a result of FRA's request for additional funding to purchase crop over and above the budgetary allocation, arising from directives from the Government to procure designated commodities over the 500,000 Metric Tonne (Mt) target, following the overwhelming

response from the farmers. Therefore, the funds over and above the budget were utilised for the purchase of the additional grain and the financing of its associated costs.

The Controlling Officer further submitted that there was a supplementary budget for the funding over and above the budgetary allocations in 2020 and 2021, which were contained in the supplementary estimates of expenditure for the respective years.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

b) Failure to Collect Revenue from Government Institutions -K516,444,371

Controlling Officer's Response
The Controlling Officer informed the Committee that Government institutions such as the then Ministry of General Education (MOGE) and the Disaster Management and Mitigation Unit (DMMU) owed the Agency for maize collected for disasters and school feeding programmes. The Agency continued to release maize to the two institutions despite the non-settlement of the debt because of the importance of their mandates.

However, the Agency had written demand letters to the institutions involved, including the Office of the Secretary to the Treasury to intervene. Furthermore, the Agency had continuous engagement with the MOGE and the Ministry of Finance and National Planning on the recovery of the outstanding amounts. In view of the foregoing, the engagements with the two institutions had been consistent by the Agency.

The Controlling Officer further lamented that even through the two Ministries clearly added impetus that they would honour the debt, there had been no tangible response. In this regard, as of 31st March, 2022, the MOGE owed the Agency K109, 518,352, after a payment of K8 million in December, 2021. Additionally, the DMMU owed the Agency K400, 126,019 as of 31st March, 2022. The Committee was further informed that DMMU had since shown commitment and paid a total of K17.5 Million in December, 2022, towards the outstanding amount. In view of the foregoing, the debt currently stood as follows: DMMU K383.04 million and the MOGE K118.22 million respectively.

Committee's Observations and Recommendations
The Committee is shocked to learn that the two Government Institutions owe the Agency such colossal sums of money and questions why the Agency has failed to collect the outstanding debt, despite the two institutions having budget lines for the procurement of maize. The Committee further observes with concern that from the various correspondences with the two institutions, it appears that the debt will not be liquidated any time soon. In view of the foregoing, the Committee particularly urges the Secretary to the Treasury as chief Controlling Officer, to aggressively pursue this matter to its logical conclusion. The Committee is concerned that the amount that has been paid by the institutions was insignificant compared to what is still owed. A progress report on the matter will, therefore, be awaited by the Committee.

c) Operational Matters

i. Procurement of National Food Strategic Reserves

Controlling Officer's Response
The Controlling Officer explained that in 2019 and 2020 the Agency purchased less than the planned quantities of maize. In 2019, a number of factors played a role in the low maize purchases recorded. For instance, the national production was estimated at two million metric tons with only 956,369 metric tons expected sales. Further, the national average yield recorded in 2019, was 1.29 MT/ha. The Committee was informed that the low yields and low expected production were attributed to drought or prolonged dry spells that affected Southern, Western, Lusaka and part of Central Provinces. As a result of this low production, private sector participation was heightened in all areas that were expecting some maize production. The Controlling Officer further explained that the private sector players offered farmers higher prices than the Agency price of K2,200 per metric ton and paid spot cash. He informed the Committee that the Agency operated on a Government grant budget for the procurement of the designated agricultural commodities and in the seasons in reference, when the Agency purchased less maize than the targeted quantities, the budget line was limited and Management could not increase the price to compete with the private sector, who offered higher prices.

The Committee was further informed that in 2020, the Agency purchased 350,191.50 metric tons of maize against a target of 1,000,000 mt, therefore, representing 35.02 percent performance. The Controlling Officer explained that a number of factors played a role in the quantities recorded in the 2020 to 2021 Crop Marketing Season. These included the rampant smuggling of maize to foreign neighbouring countries. The smuggling was common in Chipata, Lundazi and Chadiza Districts in Eastern Province, Mbala District in Northern Province, Nakonde District in Muchinga Province, Copperbelt and Southern Provinces. Furthermore, aggressive private sector participation in the maize purchases along the line of rail, particularly, Eastern, Lusaka, Central and Southern Provinces was observed. The private sector players, in the later stages of the purchase programme, offered higher prices than the Agency price of K2,200 per metric ton (K110 per bag). It was further observed that some farmers were holding on to their maize in anticipation of higher prices beyond December, 2020. In addition, farmers held on to their maize for food security purposes, following the drought that ravaged the Country in 2019, especially in the southern part of the Country.

The Committee was further informed that the Agency received adequate funding for farmer payments during the crop purchases programme, therefore, farmers were promptly paid.

The Controlling Officer further informed the Committee that as provided for in theg FRA *Act No. 6 of 2020*, the Agency was mandated to meet national shortfalls of the reserves by purchasing the crop from either local or foreign markets. During the period under review, however, the Country had enough carryover maize stock held by the Agency. Therefore, the private sector and the Country was food secure.

In order to improve on the quantities procured, the Committee was also informed that

Management updated the principals on the need for the timely release of funds and making payments to farmers who supplied maize within seven days. This called for setting aside funds for crop procurement by June, prior to the commencement of the crop procurement in July.

The Controlling Officer further informed the Committee that the *FRA Act* stated that one of the mandates of the FRA was to provide market access to Small Scale Farmers in difficult to reach rural areas where involvement of the private sector was minimal. The *Act* in *Section 20(1)(a)* further stated that the Minister shall approve the quantity and type of a designated commodity maintained in , sold, traded, or issued from the National Strategic Food Reserves (NSFR).

In the 2020/2021 agriculture season, the Committee was informed that the Country recorded the highest bumper maize harvest of 3,620,244 metric tones, recording a possible surplus of over 1.2 million metric tonnes based on the national food balance sheet, after netting out the national requirements which included the 500,000 metric tonnes of Strategic Grain Reserves (SGR) administered by the FRA. The Agency by close of the purchase season recorded a total of 947,777.55 metric tonnes, which was twenty-six percent of the national production and 447,777.55 metric tonnes above target. Of this purchase, seventy-percent (663,120.80 metric tonnes was purchased from small scale farmers, in far flung outlying areas, which was the primary mandate of the Agency.

The Controlling Officer further informed the Committee that prior to the attainment of the 500,000 metric tonnes within the month of August, 2021, the Agency through the weekly crop purchase updates, informed in writing, the Ministry of Agriculture and sought guidance on the possibility of stopping the purchases. On the 27th August, 2021, the Ministry of Agriculture authorised the Agency to continue buying maize up to 800,000 metric tones, due to the positive response from the farmers. On 30th September, 2021, the Agency through the weekly crop purchase update, reported to the Ministry of Agriculture and sought guidance to stop the maize purchases as all the indications were that the 800,000 Metric tonnes authorised target, would be met. This was followed up by a letter dated 1st October, 2021, to suspend purchases. However, due to the public outcry from farmers who still had their maize at established and designated FRA satellite buying depots, the Government through Parliament, assured and guided that farmers needed to be served and FRA was to devise a mechanism to ensure that no farmers maize went to waste and that the Country did not equally lose out. In this regard, a letter from the Ministry of Agriculture was issued at the time FRA had purchased 774,887.05 Metric tonnes. The conditionality attached to the additional maize purchase above target was through a letter of authority for FRA to commence maize sales in order to raise funds to pay the farmers off. The Committee was informed that the Agency was content that the release of funds to pay the farmers in advancet, against the 2022, budgetary allocation, was within the ambit of authority for additional purchases.

The Controlling Officer also submitted that in view of the climate change affecting agricultural production and macro-economic global shocks leading to food insecurity, the purchase of such quantities for the NSFR was cushion enough for the Country’s food security, as Zambia had been a reservoir for local and regional food prices and availability stability. The Controlling Officer further informed the Committee that the amended FRA *Act* also provided for the acquisition of trading stock over and above the strategic reserves for the purposes of achieving the financial sustainability of the Agency.

Committee's Observations and Recommendations

The Committee expresses concern at the Agency's failure to meet the procurement target for the National Strategic Food Reserve in 2019 and 2020 and contends that the negative variance records on maize purchases by the Agency, amounts to a breach of duty by the FRA and threatens the food security of the Country, among other things. The Committee, therefore, urges the Controlling Officer to ensure that FRA avoids such huge deficits in maize purchases in order to secure the NSFR. The matter is recommended for the Auditor General to keep in view, during future audits.

ii. Failure to Uplift Issued Loading Orders

Controlling Officer's Response

The Controlling Officer submitted that overtime, the number of registered transporters had been declining due to the following:

- delayed payments arising from insufficient funding from the Treasury;
- increased overhead costs due to the increase in fuel prices. The FRA budget could only support a limited increase in its rates;
- poor road terrain leading to satellite depots; and
- transporters opting for more lucrative businesses such as timber and mine businesses among others.

As a corrective action on the matter, the Committee was informed that the Ministry of Agriculture and the Ministry of Finance and National Planning, were regularly engaged on the matter of paying transporters, as the same transporters were an important component in securing the NSRF. In its quest to mitigate the outstanding transportation bills, the Committee was informed that Management engaged the Ministry of Finance and National Planning and the Ministry of Agriculture to authorise the Agency to conduct a debt swap, such as the issuance of maize to transporters as a form of payment in kind. The Committee was informed that the Agency was authorised to conduct the debt swap in 2022.

The Committee was further informed that Management would endeavor to continue engaging the Ministry of Agriculture and the Ministry of Finance and National Planning, in order to dismantle the transportation bills. In recent times, the Agency had also requested for the services of the Defense Forces in addition to utilising the Agency's internal fleet. The Committee further learnt that efforts to beef up the Agency's internal fleets had been put in place as evidenced in the 2022, approved budget. However, the paying of transporters had since improved as evidenced by the combined payment of payment in kind and the debt swap. Additionally, all the crop for the period in mention was eventually moved and secured.

Committee's Observations and Recommendations

The Committee finds the Agency's failure to uplift the issued loading orders on time unacceptable as it would have resulted in the failure to secure the NSRF and the maize would have gone to waste. The Committee in this regard strongly urges the Secretary to the Treasury to always give this matter the serious attention it deserves and ensure that the transporters are paid on time. The Committee further urges the Secretary to the Treasury to ensure that concrete measures are put in place to avoid the re-occurrence of loading orders not being uplifted. The matter is recommended for the Auditor General to keep in view, during future audits.

d) Infrastructure Development

i. Contract with Advanced African Solutions (ADAS)

- **Failure to Provide Justification for Change in Contract Terms**

Controlling Officer's Response

The Controlling Officer informed the Committee that the change in contract terms was at the insistence of the Contractor in an email from ADAS LLC, to the Ministry of Finance and National Planning, copied to FRA, dated 31st October, 2014. The Controlling Officer explained that a meeting was held on 31st October, 2014 where FRA, the Ministry of Finance and National Planning and the ADAS officials were represented. The request to assign the contract from ADAS LLC to ADAS Mauritius and the variation of the contract from $70,558,491 to $73,000,000 was owing to the escalation in the price of raw materials.

Committee's Observations and Recommendations

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

- **Questionable Change in Financing**

Controlling Officer's Response

The Controlling Officer informed the Committee that the decision to change the financing model was occasioned by the Ministry of Finance and National Planning in a letter dated 6th February, 2018. FRA was not privy to the reasons why the financing model was changed from a loan of eighteen years with an interest rate of 4.5% per annum to direct financing by the National Treasury.

Committee's Observations and Recommendations

The Committee notes the response and recommends that a forensic audit be undertaken on this contract as changing a loan of eighteen years with an interest rate of 4.5% per annum to direct financing by the National Treasury is highly questionable. In this regard, a progress report will be awaited by the Committee.

- **Failure to Obtain Approval by the Council of Ministers**

Controlling Officer's Response
The Controlling Officer explained that following the assessment of the proposal, FRA submitted the evaluation report to the Ministry of Agriculture and copied it to the Secretary to the Treasury, recommending the submission of the proposal to the Council of Ministers for consideration and approval.

He further informed the Committee that in a letter dated 19th February, 2013, the Secretary to the Treasury and the Chairperson of the PPP Technical Committee guided the Agency to enter into negotiations with the firms, which would see the implementation of these proposed projects to a successful conclusion. It was, therefore, Managements understanding that all the procedures were followed prior to the directive from the Ministry of Finance and National Planning.

Committee's Observations and Recommendations
The Committee sternly cautions the Agency against making decisions that are contrary to the provisions of the *Private Public Partnership Act No 14 of 2009.* The Committee further urges the Controlling Officer to ensure that internal controls are strengthened in order to avoid the recurrence of this irregularity. However, disciplinary action should be instituted on the officer(s) who abrogated the Act. The Committee will await a progress report on the matter.

- **Questionable Payments**

Controlling Officer's Response
The Controlling Officer explained that the Agency was the implementing party and the Financier who was the Ministry of Finance and National Planning made all the payments to the contractor. The Controlling Officer further informed the Committee that from the total payment of US$71, 328, 27, the Agency was only privy to the payment of certified works of US$9,271,009.57 which related to the Interim Payment Certificates issued and verified by the Project Manager and endorsed by the FRA. As for the balance, the Committee was informed that the Agency did not have the details of the payments as the Ministry of Finance and National Planning paid directly to the contractor in line with clause 6.1 of the 2018 contract.

Regarding the status of the project, the Committee was informed that the overall progress of works as of 30th November, 2022 was at 49% completion as contained in the project status report. Additionally, the Agency had since written to the Ministry of Finance to get clarification on the issues raised given that most of the decisions were made through the Ministry.

Committee's Observations and Recommendations
The Committee observes with concern that this contract is highly exploitative to the Government especially on the provisions that pertain to interest charges on delayed payments. The Committee further finds it irregular that the contractor was paid over and above the certified works of US$9,271,009.57 verified and endorsed by the FRA. It is in this regard that the Committee recommends that a forensic audit be undertaken on this contract. A progress report on the matter will be awaited by the Committee.

ii. **Various Infrastructure Development's**

- **Rehabilitation of Ablution Block - Kasempa Main Depot – K102,941.87**

Controlling Officer's Response
The Controlling Officer explained that the outstanding works was as a result of inadequate funding. Nonetheless, the outstanding works and its fixtures had been completed and the defects corrected. The toilet was in use as evidenced by the completion certificate.

Committee's Observations and Recommendations
The Committee resolves to close the matter subject to audit verification.

- **Kapiri Mposhi main depot in Central Province -Construction of an Office Block, Ablution Block and guard House at a contract sum of K1,449,202.43 VAT Inclusive**

Controlling Officer's Response
The Controlling Officer explained that the works had stalled due to lack of funding during the duration of the project. He informed the Committee that the Agency was unable to pay the contractor on time for works done and this led to the contractor abandoning the works, and the contract being mutually terminated. However, a site inspection had since been conducted and the final accounts were being concluded. The Committee was informed that the outstanding works would be completed as funds had been made available in the 2023, FRA budget.

Committee's Observations and Recommendations
The Committee urges the Controlling Officer to ensure that the outstanding works are expeditiously completed and closely supervised. Going forward, the Committee urges the Controlling Officer to only undertake projects when funds have been secured in order to avert irregularities such as this one. The Committee will await a progress report on the matter.

- **Monze Main Depot - Rehabilitation of Seven Sheds (EEC, DMC and 5 CIDA Sheds) at a Contract Sum of K1,691,920.32 VAT Inclusive**

Controlling Officer's Response
The Controlling Officer submitted that the irregularity was as a result of the non-performance by the contractor which led to the termination of the contract. However, the completion of the outstanding works was underway and would be completed in the second quarter of 2023. The Committee was informed that the materials for the said works had been requisitioned from central stores and had been delivered to the site as noted in the completion certificates of work done.

Committees Observations and Recommendations
The Committee is dismayed by the laxity exhibited by the Agency in supervising the contractor which led to the termination of the contract, on account of non performance. The Committee further contends that this serious irregularity is as a result of poor project monitoring. The

Committee, in this regard, urges the Controlling Officer to take concrete steps to address the project monitoring challenges that FRA is evidently facing. The Committee further urges the Controlling Officer, to take disciplinary action against the officers who did not monitor the construction of this project. The Controlling Officer is further urged to ensure that the project is expeditiously implemented and closely supervised. Further, that the contractor must be blacklisted from future Government contracts for failure to perform. A progress report on the matter will be awaited by the Committee.

11.0 HEALTH PROFESSION COUNCIL OF ZAMBIA

11.1 Audit Findings

An examination of financial and other records maintained at the Health Professions Council of Zambia (HPCZ) headquarters in Lusaka and three regional offices namely, Livingstone, Kasama and Ndola, for the financial years ended 31st December, 2019, 2020 and 2021, revealed the following irregularities, to which the Controlling Officer submitted as highlighted below.

a) Budget, Income and Expenditure K 56,212,515

Controlling Officer's Response

The Controlling Officer explained that the difference between the budgeted income and the actual income during the period under review was affected by several factors as submitted below.

- The cancellation of licensure examinations, through policy pronouncements, after budgeting for 2019 at a total of sum of K 6,830,000.00, which the Council did not actualise.

- The failure by over 2000 public health facilities to register and subsequently renew their licences with a projected income of around K1, 127,340. This was despite engagements at various levels such as the Ministry of Health with the Permanent Secretary, PHD and DHD in each of the years under review.

- Policy pronouncements affected the prescribed fees applicable to foreign practitioners with resident permits. This resulted in the application of fees applicable to Zambians instead of non-Zambians as subscription fees and led to a projected income loss of around K 1,100,000 in each year under review.

- The impact of the Covid-19 Pandemic reduced economic activities. The high reduction in the projected practitioner registration led to over K 24,051,890 projected income losses. Furthermore, there were about 257 voluntary closures of private facilities. This affected the Council's fund base loss of around K 6,829,460.

Committee's Observations and Recommendations

The Committee is concerned that the Council's income is below budget and observes that this may result in the failure to meet its operational costs. Further, the implementation of Government programmes and activities may also be adversely affected. The Committee, therefore, urges the Controlling Officer to enhance supervision over the Council and ensure that the Council budgets realistically as opposed to overstating the Council's budget. The Committee further urges the Controlling Officer to put in place new initiatives in order to mitigate the negative effects of the under collection of income. The Committee will await a progress report on the matter.

b) Operational Matters

i. Failure to Monitor Health Facilities

Controlling Officer's Response

The Controlling Officer informed the Committee that the erring facilities were continuously been engaged for appropriate action. He further explained that *section 40* of the *Health Professions Act of 2009,* stipulated that "a licensed health facility shall display a copy of the licence in a prominent place at the health facility". However, the Council had faced challenges with public facilities who claimed that they did not have permanent offices and were using shared work spaces which made it difficult for the display of all their practicing certificates. Other facilities opted to place their certificates in one accessible place in a given department.

In addition, *section 47 (3)* of the *Act* provided that "a health facility shall be inspected prior to the issuance of a licence and at least every twenty-four months thereafter". To this effect, the Council conducted annual compliance monitoring inspections to assess and enforce compliance with regulations and health care standards. The compliance was done against set targets for both public and private health facilities for a given year. The targeted facilities in each of the ten provinces were sampled based on parameters such as when the facility was last visited and compliance levels in the province with regards to the renewal of licenced facilities, compliance levels with regards to the quality of health care services provided and the time of the year when the compliance activity in a given region was planned for as well as special circumstances such as epidemics and other disasters.

However, due to resource constraints, the Council could only conduct compliance monitoring for a given number of facilities in a year.

Committee's Observations and Recommendations

The Committee is disappointed to note that the Council did not carry out monitoring activities in health facilities and observes with concern that this failure is at variance with the provisions of the *Health Professions Act No 24 of 2009.* The Committee in this regard, sternly cautions the Council for its failure as regulator to enforce the provisions of the law. The Controlling Officer is urged to closely supervise the Council and ensure that the monitoring activities are conducted as and when the need arises. The Controlling Officer is further urged to ensure that the health facilities adhere to the provisions of the Act, failure to which appropriate action should be taken for non compliance, in accordance with the Act. The matter is recommended for the Auditor General to keep in view, during future audits.

ii. Failure to Register Health Facilities

Controlling Officer's Response

The Controlling Officer explained that as of 31st December, 2021, the Council had licensed a total of 2,480 health facilities out of the 3,266 health facilities in the Country. 1,834 were public health facilities and 646 were private health facilities, therefore, leaving a balance of 786 health facilities unregistered.

The Committee was further informed that *section 37* of the *Health Professions Act No 24 of 2009,* provided that "a person who intends to operate a health facility shall apply to the Council for a licence in the prescribed manner and form, upon the payment of the prescribed fee". In view of the foregoing, the Council could not assess the public facilities minus a formal application. Further, public facilities were often opened before the application for registration and licencing was done. The Controlling Officer assured the Committee that the Council had taken proactive measures by engaging the Ministry of Health and constituting a Liaison Committee to remedy the challenges in the registration of public health facilities.

Committee's Observations and Recommendations

The Committee resolves to keep the matter open until the remaining 786 health facilities are registered in accordance with the *Health Professions Act No 24 of 2009.* A progress report on the matter will be awaited by the Committee.

iii. Failure to Renew Licenses

Controlling Officer's Response

The Controlling Officer informed the Committee that in 2021, 590 private health facilities were expected to renew their licences. As of 31st December, 2021, 546 private health facilities (92.5%) had been renewed, thirty nine private health facilities (6.6%) had closed and five private health facilities (0.8%) had not renewed their licenses. In view of the foregoing, the five facilities were issued with notices of violation of conditions of their licences and given time to undertake remedial measures as provided by law.

In contrast, 1,772 public health facilities were expected to renew their licences for 2021, but as of 31stDecember, 2021, only 381 public health facilities (21.5%) renewed their licenses whilst 1,391 (78.5%) remained un-renewed. The Committee was informed that the Council had continuously engaged the Ministry of Health on the low renewal rate of licenses by public health facilities. In these engagements, the Council had proposed the following measures:

- the central deduction of the applicable fees payable by all licenced health facilities. These fees should be paid directly to HPCZ;
- there should be policy guidance for the inclusion of the HPCZ renewal fees are in the health facility budgets, during their annual planning meetings;
- compliance to licence renewal and the provision of quality health services should be

considered as Key Performance Indicators (KPI) for DHDs; and

- there was need to create a Liaison Committee on engagements when opening public facilities.

Committee's Observations and Recommendations
The Committee is alarmed to note that 2,421 health facilities did not renew their licenses during the period under review, contrary to the provisions of the *Health Professions Act No 24 of 2009.* The Committee is further disheartened to note that whereas the Council is grappling with inadequate financial resources for its operations, revenue remains uncollected through the collection of license fees. It is in this regard that the Committee urges the Controlling Officer to evoke the provisions of the Act for failure to renew licenses without further delay in order to ensure compliance. The Committee further urges the Controlling Officer to ensure that the identified measures to promote the renewal of licenses by public health facilities are fully implemented by the Ministry. A progress report on the matter will be awaited by the Committee.

c) Staff Matters - Failure to Fill Vacant Positions

Controlling Officer's Response
The Controlling Officer explained that the recruitments were being done in a phased manner subject to resource availability. However, as of February, 2023, the positions of four inspectors, three registration officers and one internal auditor had been filled.

Committee's Observations and Recommendations
The Committee resolves to keep the matter open until the positions in question are filled. In view of the foregoing, the Committee urges the Controlling Officer to actively engage the Treasury on a specific time frame within which the other positions will be filled, in order to facilitate the smooth running of the Council. The Committee will await a progress report on the matter.

d) Accounting and Other Irregularities

i. Irregular Payment of Salary Advances – 1,724,400

Controlling Officer's Response
The Controlling Officer explained that section 88 of the Council's Terms and Conditions of Service stipulated that "An employee with a running advance may be granted a special advance in emergencies and exceptional circumstances", therefore, twenty-two officers had obtained advances on this basis, upon approval. However, after further clarification and guidance from the Auditors, the Council immediately restricted salary advances to one advance, which should be settled before obtaining another one. The Council further put measures in place to ensure that an employee's was within the forty percent of their net pay after deductions.

Committee's Observations and Recommendations
The Committee sternly cautions Management against the recurrence of this query. The matter is recommended for the Auditor General to keep in view, during future audits.

ii. Inadequately Supported Payments – K702,729

Controlling Officer's Response

The Committee was informed that at the first verification by the auditors, the support documents were missing from the payments as most of the payments related to meetings held via Zoom, hence, the acquittal sheets could not be provided. However, the documents were provided on the secondary verification with the auditors on 28th October, 2022.

Committee's Observations and Recommendations

The Committee expresses concern that the failure to provide supporting documents can be a conduit for fraudulent activities as the authenticity, validity and completeness of the transactions cannot be ascertained. The Committee in this regards, implores the Controlling Officer to ensure that appropriate disciplinary action is taken against the officers responsible for this lapse. A progress report will be awaited by the Committee.

iii. Unaccounted for Stores and Fuel K 2, 473,403

Controlling Officer's Response

The Controlling Officer explained that in 2020, the Council had automated its system to account for stores items using the PASTEL Inventory Module. The System allowed generating Goods Received Notes (GRN) reports when stores items were received from the supplier which also generated a Supplier Invoice/Voucher. With the automated System in place, the Committee was informed that the Council was able to monitor stock movements, stock levels and also track stock issues through system generated issue notes.

The Committee was further informed that the Council conducted a walk-through test with the auditors for further review on the final verification meeting held on 28thOctober, 2022, in order to ascertain the effectiveness of the automated system relating to the accounting of the recorded K 2,473,403, stores related items. In view of the foregoing, the matter was cleared as the System was able to provide the required reports.

The Committee was further informed that the Council procured fuel directly from the vendor (TOTAL Zambia), through the use of Tom Cards for purposes of local logistical and administrative errands. The Council also obtained the receipts and statements from the vendor which were periodically verified and reconciled with the Council's internal retirement reports before any replenishment. This function was under administration but had been moved to stores as a corrective measure, in order to strengthen and ensure the full accountability of the process from the purchase of fuel to its disposal.

Committee's Observations and Recommendations

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

e) Administrative Matters - Weaknesses in the Management of Assets

i. Unaccounted for Assets – K 238,112

Controlling Officer's Response

The Committee was informed that further physical asset verification was conducted with the auditors from 30thOctober, 2022 to 3rd November, 2022. From the total recorded thirty-six transactions totaling K238,112, a total amount of K 190,028, relating to the assets, was verified and resolved leaving a balance of fifteen transactions costing K48,084 not located. This was because the items were either not in a good working condition or obsolete.

Committee's Observations and Recommendations

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

ii. Failure to Inscribe Government Assets

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Controlling Officer's Response

The Controlling Officer informed the Committee that all the assets were previously coded with paper glue stickers which could have possibly fallen off or faded. He, however, assured the Committee that the recommendation by the auditors for inscription would be immediately undertaken. The procurement of an asset labelling machine with a much permanent inscriber was underway.

Committee's Observations and Recommendations

The Committee expresses concern that the Controlling Officer has to be reminded to inscribe the assets, a matter which is mandatory for all Government assets. The Committee further contends that the failure by the Council to mark Government assets is a serious omission for which the Controlling Officer should institute disciplinary action against the erring officers as such a lapse could result in the loss of Government assets through theft. The Committee impresses upon the Controlling Officer to ensure that the matter is resolved as promised, before the end of the third quarter of 2023. The Committee will await a progress report on the matter.

iii. Lack of Title Deed

Controlling Officer's Response

The Committee was informed that the process to secure the title deeds for the HPCZ plot in Kasama had commenced. As of May, 2022, Management provided the auditors with payment documentation made to the Ministry of Lands, for purposes of securing the title deed. As of October, 2022, the Ministry of Lands shared a letter of offer to which the Council was preparing the necessary documents for response.

Committee's Observations and Recommendations

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

12.0 JUDICIARY

12.1 Audit Findings

An examination of financial and other records for the financial year ended 31st December, 2021, maintained at the Judiciary Headquarters and selected stations, revealed the following irregularities, to which the Controlling Officer submitted as highlighted below.

a) Budget and Income - K41, 196, 295

Controlling Officer's Response

The Controlling Officer explained that during the financial year ended 31st December, 2021, the Judiciary had an under-funding of K41, 196, 295. However, the under-funding was beyond the Judiciary's control, as funding was done by the Ministry of Finance and National Planning.

Committee's Observations and Recommendations

The Committee is cognisant of the fact that the fiscal space of the Country is constrained. However, considering the important role that the Judiciary plays in the delivery of justice, the Committee strongly urges the Secretary to the Treasury to give the institution priority when funding the various Government entities. The matter is recommended for the Auditor General to keep in view, during future audits.

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b) Operational Matters

i. Delay in the Delivery of Justice

Controlling Officer's Response

The Controlling Officer explained that the Auditor General`s observations was of a global approach and did not take into account the different stages of adjudication. Therefore, the factors on record in the 2,757 cases did not take into account the various actors, and factors at play before matters were determined. Furthermore, the rules relied on were not in operation during the period under review, and as such, could not be given in a retrospective effect.

With regard to the fifty civil cases spanning the period 2003 to 2013, the Controlling Officer explained that these cases were still active and not subject to the provisions of SI Number 58 of 2020, which the Auditor General relied on. Be that as it may, the challenges in these cases ranged from recusals by various adjudicators necessitating the transfer of cases, retirements by some of the adjudicators handling these matters, adjournments by either parties for various reasons and inadequate infrastructure. However, the current status was that these matters were active and had been brought to the attention of the Judge in charge.

These reasons equally applied to the 1,094 cases spanning the period 2004 to 2019. Regarding the 1,514 cases spanning the period 2020 to 2021, the Controlling Officer clarified that these matters were still active as no party had made their final submissions. Therefore, the threshold cited by the Auditor General had not yet kicked in. The period only started to count once parties made their final submissions. In view of the foregoing, the Auditor General's finding on this score was not supported by law.

With regard to the ninety nine criminal cases, the Controlling Officer further informed the Committee that, some case numbers had been duplicated**.** In view of the forgoing, the correct number was fifty-eight and these matters were active and could not be said to be inordinately delayed.

The Controlling Officer further explained that when it came to the adjudication of these matters, the Judiciary was not the only player. The adjudication was guided by the rules of Court which had to be balanced with the interest of the other stakeholders namely, the State, the defence and other litigants, who may from time to time make applications necessitating adjournments in a bid to attain justice.

Cognisant of the fact that there was a backlog, the honourable Chief Justice, through his Advisory Committee on Backlog, developed the rules that were aimed at expediting the disposal of cases. Further, his Lordship through his Advisory Committee had constituted the Performance Management Unit to monitor the efficiency of the delivery of justice. In order to also deal with the backlog, the Committee was informed that his Lordship through his Advisory Committee would from time to time encourage the reference of appropriate matters to mediation and sufficient time would be allocated on the judicial calendar, for a mediation settlement week.

Committee's Observations and Recommendations

The Committee finds it ironic that the Controlling Officers response was not clarified during the audit process and contends that this points to the fact that the auditors were not given the requisite cooperation during the audit process to which disciplinary action should be instituted on the erring officers. Nonetheless, the Committee observes that even with this clarification, there is still a backlog as a result of the delayed delivery of justice to the affected litigants, contrary to the provisions of *Section 118 (2) of the Constitution of Zambia (Amendment) Act No. 2 of 2016*. The Committee contends that this delay may result in, among other things, the loss of confidence in the operations of the judicial system by the stakeholders. It is, in this regard that the Committee urges the Controlling Officer to ensure that the highlighted measures put in place, yield the desired results of mitigating the delays in the delivery of justice. The Committee will await a progress report on the matter.

ii. Inadequate Court Rooms and Judges Chambers

Controlling Officer's Response

The Committee was informed that the Government was cognisant of the Judiciary's infrastructural needs. Despite the limitation in financial resources available to improve, rehabilitate or construct judicial infrastructure across the Country, the Controlling Officer explained that efforts were underway to improve the judicial infrastructure. This was clearly shown by the current works to improve the infrastructure in phases such as the newly acquired former Germany Embassy building, for the Family and Children's Division of the High Court. This building when rehabilitation works were concluded, would proposed to house three Court rooms and seven Judges' Chambers. Furthermore, the Judiciary was currently undertaking rehabilitation works in provincial centers such as Solwezi, Kasama and Mansa. This would increase courtrooms and chambers to five at high court level.

Committee's Observations and Recommendations
The Committee is concerned that the Secretary to the Cabinet and the Secretary to the Treasury have not adequately addressed the serious deficit of court rooms and judge's chambers in the Judiciary, important for the delivery of justice in the Country. The Committee therefore, urges them both to address the matter as a matter of extreme urgency. The Committee further urges them to ensure that the rehabilitation works are expeditiously completed and closely supervised to avoid poor workmanship. A progress report on the matter will be awaited by the Committee.

iii. Unaccounted for Exhibits - Muchinga Province

Controlling Officer's Response
The Controlling Officer informed the Committee that the exhibits in question were all accounted for in that exhibits such as assorted guns, ivory and ammunition cartilages were handed over for storage to the respective institutions mandated by law to handle them.

Committee's Observations and Recommendations
The Committee sternly cautions the Controlling Officer to desist from not giving the auditors the necessary cooperation during the audit process. The Controlling Officer is reminded that her role requires constant checks and balances through the internal audit function; therefore, such lapses are unacceptable. The Committee further directs that all the supporting documents are availed for audit verification without further delay after which the matter should close.

c) Procurement Matters

i. Failure to Withhold Value Added Tax K 1,351,475

Controlling Officer's Response
The Committee was informed that Judiciary had a total fleet of 255 motor vehicles, most of which were Toyota, spread across the Country. These motor vehicles were serviced by companies such as the Toyota Zambia, Vehicle Centre, Unstolic Resource Limited, Southern Cross Motors Limited, High Bis Zambia Limited, Imperial Motors Zambia Limited and Action Auto Zambia Limited.). Therefore, the Service Level Agreements (SLAs) allowed the Judiciary to make payments on account. The SLAs also gave the Judiciary a credit facility which ranged from K150, 000 to K400, 000.

The Controlling Officer further explained that the Judiciary was only invoiced after vehicles had been serviced and confirmed by the Judiciary's transport officer's team. Once confirmation was done, the Judiciary's accounts maintained with its respective providers were debited with tax, inclusive of the invoiced amount. It was at the time of issuing an invoice that the tax point crystallised, in line with the tax guide, issued by the Zambia Revenue Authority (ZRA). In return, the service provider paid Value Added Tax (VAT) to ZRA. The Committee was informed that the tax point was the point at which tax became deductible. Therefore, with the aforesaid in mind, it was the duty of the service provider to deduct tax and send it to ZRA, which had been done.

With regard to In-wit Systems Limited, the Controlling Officer explained that the supplier was written to in September, 2022, informing him to refund the component paid to the Company. The supplier requested that the amount in question be paid in two instalments beginning with K20, 000 by 17th February, 2023.

Committees Observation's and Recommendation's
The Committee notes the response and urges the Controlling Officer to ensure that the refund is made without further delay and sternly cautions Management against the recurrence of this serious omission. The Committee will await a progress report on the matter.

ii. Questionable Transportation of Household Goods using Hired Transport

Controlling Officer's Response
The Controlling Officer explained that the truck in question was meant to shift magistrates and members of staff and not Judges, contrary to what was perceived in the audit query. Furthermore, during the financial year ended 2021, the truck was scheduled to shift 125 Magistrates and members of staff countrywide, throughout the year.

Committee's Observations and Recommendations
The Committee finds it unacceptable that this clarification was not availed to auditors during the audit process and is further concerned that no disciplinary action has been taken against the erring officers. The Committee urges the Controlling Officer to ensure that officers at the Judiciary give the audit process the seriousness that it deserves and therefore, urges him to institute disciplinary action against all the erring officers. The Committee will await a progress report on the matter.

d) Weaknesses in Asset Management - Wasteful Expenditure - Failure to Utilise the Container – K 43,100

Controlling Officer's Response
The Committee was informed that the Judiciary engaged the then Ministry of Works and Supply to provide the bill of quantities for purposes of converting the container into a conducive storage facility. The Ministry of Works and Supply provided the bills of quantities and Management was in the process of procuring the required materials to enable the Ministry execute the works.

Committees Observations and Recommendations
The Committee expresses disappointment that the action was only taken after the auditors raised the query. It is shocking that such a simple task of converting the containing into a conducive storage facility, will take over two years to address, therefore, denying the Ndola High Court the opportunity of securing documents among other things. The Committee sternly cautions the Controlling Officer for this laxity and directs that the matter be addressed by the second quota of 2023. A progress report on the matter will be awaited by the Committee.

e) **Infrastructure Development**

i. Abandoned Project – Luangwa Court Building K217,957 /K 403,200

Controlling Officer's Response

The Controlling Officer informed the Committee that the contract expired. However, through the engagement of the Ministry of Infrastructure, Housing and Urban Development, a bill of quantities was prepared for the remaining works and other associated works for completion. The Controlling Officer, further explained that following the conclusion of the procurement processes, a new contract was awarded to Try-mate Zambia Limited, dated 12th October, 2022, at a contract sum of K 2,997,939.26. The contractor was currently on site and received an advance payment of 25% of K 749,484.82. The work progress was above 60% and the contract was for twenty weeks.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the construction of the Local Court officer block has stalled for nine years, four months and contends that the status quo would have remained the same had the auditors not unearthed the matter. The Committee further contends that this serious irregularity is as a result of poor project monitoring, whose poor workmanship has resulted in the loss of public funds incurred through rental costs of K 403,200, as a result of the non completion of works. The Committee, in this regard, urges the Controlling Officer to take concrete steps to address the project monitoring challenges that the Judiciary is evidently facing. The Committee further urges the Controlling Officer, to institute disciplinary action against the officers who did not monitor the quality of work during construction. The Controlling Officer is further urged to ensure that the project is expeditiously implemented and closely supervised. A progress report will be awaited by the Committee.

ii. Poor Maintenance of Properties

Controlling Officer's Response

The Controlling Officer informed the Committee that the Judiciary had engaged the Ministry of Infrastructure Housing and Urban Development at the provincial head offices, to assess the buildings in all the provinces and capture all the defects required for the rehabilitation and modernisation of the buildings as well as prepare the bills of quantities to enable the Judiciary commence the procurement processes for the rehabilitation and modernisation of work, funds permitting. Therefore, the exercise for the physical assessment and preparation of the bills of quantities as well as the drawings (scope of works) was earmarked to be concluded in the second quarter of 2023.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to ensure that the bills of quantities are expeditiously prepared by the Ministry of Infrastructure, Housing and Urban Development in order to commence the procurement processes for the rehabilitation and modernisation works. The Committee further urges the Controlling Officer to engage the Secretary to the Treasury for the financing of the modernisation and rehabilitation of the Court infrastructure. The Committee will await a progress report on the matter.

13.0 MUKUBA UNIVERSITY

13.1 Audit Findings

An examination of financial and other records maintained during the financial years ended 31st December, 2019, 2020 and 2021, revealed the following irregularities, to which the Controlling Officer submitted as highlighted below.

a) Budget and Income

Controlling Officer's Response

The Committee was informed that in the period under review, the University budgeted to collect revenue in amounts totaling K95, 369,378 from tuition, accommodation and other fees, against which amounts totaling K72, 530,995 were collected. Further, the University had anticipated enrolling 7,854 students against which only 3,943 students were enrolled resulting in an adverse variance of 3,911 students. The Committee was further informed that the University had seen a steep drop in the student enrollment numbers when only educational courses were on offer. However, the introduction of pure and health sciences had changed the narrative, as the University had seen a steady rise in student enrolment numbers, a trend Management desired to maintain for the foreseeable future.

Committee's Observations and Recommendations

The Committee is concerned that the University's income is below budget and observes that this may result in the failure to meet its operational costs. The Committee urges the Controlling Officer to enhance supervision over the University and ensure that it is profitably managed. Going forward, the University must also budget realistically as opposed to overstating the University's budget based on anticipated student enrolments. The matter is recommended for the Auditor General to keep in view, during future audits.

b) Governance – Operating without Council

Controlling Officer‘s Response

The Controlling Officer informed the Committee that the appointment of the University Council was the preserve of the Minister of Education's Office. In view of the foregoing, the names of the nominated officers were submitted to the Minister's Office for scrutiny.

Committee‘s Observations and Recommendations

The Committee is concerned that the University has been operating without a Council for so long, therefore, making the University vulnerable to making critical decisions. The Committee implores the Minister of Education to appoint the University Council without further delay in accordance with the provisions of the *Higher Education Act No 4 of 2013*. The Committee resolves to await a progress report on the matter.

c) Information and Communication Technology

i. Lack of Information Technology Strategic Plan

Controlling Officer's Response

The Controlling Officer explained that Management completed the formulation of the 2022 to 2026, Strategic Plan in the first half of 2022. The draft Information Technology (IT) Strategy Plan was in place and awaiting Council approval.

Committee's Observations and Recommendations

The Committee cautions against the delay to formulate the IT Strategic Plan. The Committee observes that the failure to have this Plan in place exposes the University to security vulnerabilities. In this regard, the Committee urges the Controlling Officer to ensure that the Plan is approved without further delay and a progress report will be awaited the Committee.

ii. Lack of An Off-Site Storage Facility for Back-ups

Controlling Officer Response

The Committee was informed that the University had engaged ZAMREN to provide Cloud Services on a dedicated server of 32GB RAM, 1TB Storage and backup services at a negotiated total cost of K165, 000 per annum, in order to address the lack of an Off-site Backup facility. The plan was to have the contract signed and concluded by the end of February 2023, in order for the services to come into effect on 1st March, 2023, once all procurement modalities were finalised.

Committee's Observations and Recommendations

The Committee will await a progress report on the matter.

iii. Lack of a Business Continuity and Disaster Recovery Plan

Controlling Officer's Response

The Committee was informed that a new Information Communication Technology (ICT) Network Operating Centre (NOC), with additional servers and network equipment had been commissioned. The ICT department was in the process of extending the campus network and had planned to install managed network switches at critical end-points.

Furthermore, additional storage devices had been procured in order to enable the institution deploy aid services on the servers to enhance business continuity. The Committee was further informed that staff capacity building was ongoing in order to address the effective delivery of ICT services. Additionally, the cloud services earlier alluded to, would also aid in supporting the business continuity processes.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the University does not have a Business Continuity and Disaster Recovery Plan, therefore, making it vulnerable to loss of critical information. The

Committee urges the Controlling Officer to put the Plan in place without further delay in accordance with the Public Service Information Communication Technology Standards Business Continuity and Disaster Recovery Plan guideline .The Committee will await a progress report on the matter.

d) Accounting Irregularities

i. Failure to Prepare Annual Reports

Controlling Officer's Responses

The Controlling Officer explained that the University had been unable to prepare the comprehensive financial statements during and post transition but had been able to prepare the income and expenditure reports. This was due to the delayed transfer of assets from its predecessor COSETCO, whose asset register was managed by the Ministry of Works and Supply, to Mukuba University, as a newly established entity. This, therefore, made it impossible to prepare the financial statements because the value of both moveable and immoveable assets inherited by Mukuba University could not be ascertained.

The Committee was further informed that in 2020, the Ministry of Higher Education engaged the Valuation Department at the Ministry of Works and Supply, to conduct the valuation of all the assets at the University. The valuation exercise was conducted and concluded in June, 2021 and the report was submitted to the Ministry of Higher Education in August, 2021. Though an official handover of the report to the University was yet to take place, the University had gone ahead to adopt the report in readiness for the preparation of the financial statements for the financial years 2021 and 2022.

Consequently, the preparation of the manual financial statements had since commenced, whilst the newly acquired accounting package, SAGE 200 Evolution, was being populated with data. The Committee was informed that Management planed on having the draft financial statements ready for audit by the end of March, 2023, for both the 2021 and 2022, financial years. In the interim, the income and expenditure reports were prepared for the years 2019, 2020 and 2021, for incorporation in the annual reports.

Committee's Observations and Recommendations

The Committee resolves to keep the matter open until the annual reports are prepared and submitted to the Office of the Auditor General for verification. A progress report, will, therefore, be awaited by the Committee.

ii. Failure to Collect Revenue

- **IHS Zambia Limited – K155,136**

Controlling Officer's Response

The Controlling Officer explained that the lease contract between Mukuba University and IHS Zambia Ltd was signed in 2014, for a period of fifteen years effective 1st October, 2014. The lease was expected to expire on 30th September, 2029.

The contract stipulated that the lease payments were to be paid quarterly in advance with the lease charges being adjusted upwards according to the Annual Consumer Price Index of the previous year, specifically, every October of each year. The Committee was further informed that the reconciliation of the account, therefore, showed that from the start of the contract, the University had collected a total of K161, 846, against invoice totals of K216, 128.90. Therefore, the outstanding debt as of 31st January, 2023 stood at K54, 282.89 and not K155, 136 as stated in the audit findings. The University had since written to IHS Zambia Limited, demanding the payment of the outstanding debt.

- **Versatile Foods Limited – K41,553**

The Controlling Officer explained that the contract with the vender was terminated on account of the debt accrued. Furthermore, The Registrar's Office was actively engaged in talks with the proprietors of Versatile Foods Limited, in order to ensure that the debt owed was paid off. The Committee was further informed that Versatile Foods had committed to pay off its debt of K41, 533, in twelve equal installments beginning in the month of February, 2023.

Committee's Observations and Recommendations

The Committee expresses concern at the laxity exhibited by the Management of the University as attempts to follow up on the outstanding debt were only undertaken after the audit. The Committee, therefore, urges the Controlling Officer to ensure that the Management at the University is sternly cautioned for this failure. The Committee further urges the Controlling Officer to ensure that the lease payments are adhered to by both parties. The Committee will await a progress report on the matter.

iii. Failure to Maintain a General Revenue Cash Book

Controlling Officer's Response

The Committee was informed that all the revenue collections had been updated in the cashbooks maintained for all bank accounts held by the institution and going forward, the computerisation would be accounted for and reconciled under the specific revenue ledgers and cashbooks.

Committee's Observations and Recommendations

The Committee finds it highly irregular that the University failed to maintain a General Revenue Cash Book, which failure can result in the failure to prepare bank reconciliations. The Committee sternly cautions Management for this failure and urges the Controlling Officer to institute disciplinary action on the accounting officer(s) who failed in their duties. A progress report will be awaited by the Committee.

iv. Failure to Maintain Expenditure Ledgers

Controlling Officer's Responses

The Committee was informed that the cashbooks were maintained and used to capture all the expenditures. Further, expenditure ledgers were being maintained under the expense codes defined in the chart of accounts. The Controlling Officer further explained that the system was still being populated with the data captured manually in readiness for the preparation of the financial statements.

Committee's Observation and Recommendations

The Committee sternly cautions Management against the recurrence of this query and recommends that disciplinary action is meted out on the erring officers. A progress report will be awaited by the Committee.

v. Failure to Prepare Bank Reconciliations

Controlling Officer's Response

The Committee was informed that bank reconciliations for both the operations and capital accounts were prepared and submitted for audit verification. However, due to the observations made and adjustments required to be made, the reconciliations were withdrawn. Nonetheless, the adjustments and corrections had since been made for the two accounts and were available for audit verification.

Committee's Observations and Recommendations

The Committee highly questions the qualification of the accountants at the University as it is apparent that they are failing to undertake the work that they are employed for. In this regard, the Committee urges the Controlling Officer to institute disciplinary action on the erring officers as such lapses can result in the University's failure to detect fraud. The Committee further urges the Controlling Officer to ensure that only qualified accountants are employed in the Accounts Department at the University. The Committee will await a progress report on the matter.

e) Administrative Matters

i. Failure to Recover Funds-Purchase of Staff Laptops – K153,000

Controlling Officer's Response

The Controlling Officer explained that the recovery of K153, 000 from the affected employees, would be affected once the letters of authority were issued by the Office of the Registrar.

Committee's Observations and Recommendations

The Committee observes that Management is taking a weak approach to effecting the recoveries from the officers. It is inconceivable that the University has not effected recoveries four years after the laptops were procured. This delay may result in the loss of funds. The Committee, therefore, urges the Controlling Officer to sternly caution the Registrar for the laxity in which the matter is being handled. The Committee further urges the Controlling Officer to ensure that all the possible channels are employed to effect the recoveries, including reporting the matter to the relevant law enforcement agencies. A progress report will be awaited by the Committee.

ii. Wasteful Expenditure-Penalty Charges – K61,655

Controlling Officer's Response
The Controlling Officer explained that the delay in the payment of the NAPSA contributions for the period under review was due to the delay in receipt of the grants from the Treasury to facilitate the payment of the statutory obligations. However, in order to avoid such occurrences in future, the Committee was informed that Management had since put in place measures, through the creation of a reserve fund which would cater for statutory obligations, such as NAPSA, in the event that the grant was not received on time.

Committee's Observations and Recommendations
The Committee urges the Secretary to the Treasury to prioritise the funding of the University grant, in order to avoid the recurrence of this irregularity. The matter is recommended for the Auditor General to keep in view, during future audits.

f) Staff Matters

i. Failure to Fill Vacant Positions

Controlling Officer's Response
The Controlling Officer informed the Committee that the University's approved establishment register stood at 205 positions for a fully-fledged University. The Committee was informed that one of the prerequisite conditions leading to the independence or de-linkage of Mukuba University from the Copperbelt University's transitional management was that the University would endeavor to be financially sustainable and only recruit staff within the available funds and resources.

In view of the foregoing, Management adopted a phased approach in the recruitment of staff with the first lot of academicians, technical and other staff being employed in January 2020. The remaining vacant positions would only be filled as and when there was need and more importantly, subject to Treasury Authority. Further, the recruitment of staff would also be commensurate with the increase in the student population.

Committee's Observations and Recommendations
The matter is recommended for the Auditor General to keep in view, during future audits.

ii. Casualisation of Employees – K 664,080

Controlling Officer's Response
The Committee was informed that the five general workers cited were successfully interviewed for permanent positions in December, 2021, as per the University Recruitment guidelines. However, the appointment of the said general workers could not take effect because the tenure of the caretaker Council had come to an end. The Committee was informed that the general workers had since been appointed on permanent and pensionable conditions of service as of 31st January, 2023, following the guidance provided by the Emoluments Commission.

Committee's Observations and Recommendations
The Committee sternly cautions against the recurrence of this irregularity as it may result in unnecessary costly litigations. The Committee resolves to close the matter subject to audit verification.

iii. Asset Management-Failure to Secure Title Deeds – K38,240,000

Controlling Officer's Response
The Committee was informed that Management had made huge strides in securing title deeds for the Mushindamo land. As of 31st January 2023, the Mushindamo land had been surveyed, the lease agreement drawn and due for submission for title processing. It was, therefore, anticipated that the title deeds would be ready for collection from the Ministry of Lands by the end of March, 2023. The Committee was informed that the original title deeds for the main campus had since been secured.

Committee's Observations and Recommendations
The Committee resolves to keep the matter open until all the title deeds in question are obtained as prescribed by law. The Committee will, therefore, await a progress report on the matter.

g) Infrastructure Management and Projects

i. Failure to Meet Water Demand-University Water Reticulation System

Controlling Officer's Response
The Controlling Officer explained that water reticulation remained one of the major challenges the University was facing. The Committee was informed that at the time of audit, six boreholes were non-functional because one borehole had been declared uneconomical due to the low water yields another one had an electrical malfunction and there was one that also malfunctioned mechanically. The Committee was further informed that two other boreholes were decommissioned due to the non-availability of water. However, the malfunctions had since been rectified and the boreholes were fully functional. The Committee was further informed that the sixth borehole was located on a Chinese construction site which was yet to be handed over to the University and, therefore, not connected to the campus's main water supply line.

Furthermore, eight out of twelve boreholes were currently operational. Additionally, an industrial borehole was recently drilled and handed over to the University by a well-wisher, which would see an improvement in the water supply for both students and staff once fully connected.

With regard to the water storage facilities, the Committee was informed that the University had increased the water storage capacity from 94,500 liters at the time of audit to 121,600 liters by procuring 2x12, 500 liter water tanks and 10x220 liter drums. Further, an underground water storage tank with a storage capacity of 100,000 *liters* was planned for construction in phase two of the construction works being supervised by the Zambia Education Project Implementation Unit (ZEPIU). Therefore, the construction of the water tank would greatly increase the water storage capacity at the institution. However, the Controlling Officer lamented that other than the insufficient water storage capacity, the natural ground water was not sufficient to sustain the University water demand. In view of the foregoing, Management had since applied for the Constituency Development Fund (CDF) funding, in order to connect the University to an alternative water source from Nkana Water and Sanitation Company.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

ii. Wasteful Expenditure–Unutilised Solar Panels and Pumps –KK176,545

Controlling Officer's Response
The Controlling Officer explained that one of the three procured pumps were installed, but stolen. In view of the foregoing, the matter was reported but internally resolved because the Security Company engaged at the time, took responsibility for the loss and replaced the stolen pumps. The Controlling Officer further informed the Committee that the remaining two pumps were not installed as the University needed to procure batteries and inventors that were not included on the initial order. However, Management had commenced the procurement processes for the batteries and inventors for the pumps and would beef up security to avoid any theft.

Committee's Observations and Recommendations
The Committee finds it unfortunate that it had to take an audit for Management to attend to such a simple matter. The Committee urges the Controlling Officer to caution Management for this failure. A progress report will be awaited by the Committee.

iii. Unreimbursed Funds K974,172

Controlling Officer's Response
The Controlling Officer informed the Committee that the refund would be made to the University once funds were made available by the Treasury.

Committee's Observations and Recommendations
The Committee finds it unacceptable that the Ministry of Education has not reimbursed the funds to the University and is particularly concerned that planned activities were not implemented by the University as a result of the expenditure incurred to operationalise the project. The Committee sternly cautions the Controlling Officer for this lapse and urges him to ensure that the Ministry's commitment to reimburse the funds in question is honored. A progress report will be awaited by the Committee.

iv. Poor Maintenance of Buildings

- **Library**

Controlling Officer's Responses
The Controlling Officer explained that the cited indoor and outdoor air conditioning units were not functional due to the low voltage available at the University. The Committee was informed

that a power substation which was suppose to power the air conditioning units was scheduled for construction under phase two of the infrastructure development projects managed by ZEPIU. However, due to non-funding of the projects, the contractors pulled out and the projects had stalled. Nonetheless, Management was actively engaged through ZEPIU, in following up on the completion of the projects and the commissioning of the air conditioners in the library and the lecture theatre.

Committee's Observations and Recommendations
The Committee finds it unfortunate that the students were exposed to a poor studying environment as a result of the non functioning indoor and outdoor air conditioning units. The Committee urges the Controlling Officer to ensure that funds are secured to guarantee the completion of the projects and the commissioning of the air conditioners in the library and the lecture theatre in order to address the concern raised. The Committee will await a progress report on the matter.

- **Lecture Theatre**

Controlling Officer's Response
The Committee was informed that the collapsed gutters were replaced at a total cost of K49, 532. Furthermore, a maintenance plan had been drawn to ensure that the entire infrastructure was maintained.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification**.**

14.0 MULUNGUSHI UNIVERSITY

14.1 Audit Findings
An examination of financial and other records maintained at the Mulungushi University for the financial years ended 31st December, 2020 and 2021, reviewed the following irregularities, to which the Controlling Officer submitted as highlighted below.

a) Budget and Income K 2,613,848

Controlling Officer's Response
The Controlling Officer explained that that the K2, 613,848 related to other external grants which were not received due to the COVID-19 Pandemic as they were activity based. Further, the K68, 246,866 was a combination of boarding, lodging and other income which could not be collected as students were not accommodated and fed on campus due to the Covid-19 Pandemic.
The Committee was further informed that the business centre income was negatively impacted during the COVID-19 Pandemic period because students were the University's major customers and were not on campus. Furthermore, the Universities graduation ceremonies were held virtually which also affected income from graduation ceremonies.

Committees Observations and Recommendations
The Committee notes the response but urges the Controlling Officer to put in place measures to ensure that revenue generation is improved and to also ensure that the University remains sustainable in unforeseen eventualities. The matter is recommended for the Auditor General to keep in view, during future audits.

b) Governance

i. Irregular Appointment of Council Member

Controlling Officer's Response
The Committee was informed that the Council that had the member in question was dissolved and the University awaited the appointment of the new Council.

Committees Observations and Recommendations
The Committee observes with concern that the University did not adhere to the provisions of the *Higher Education Act No. 4 of 2013* and is further concerned that the University currently lacked corporate governance in the absence of the Board. The Committee in this regard, urges the Controlling Officer to institute disciplinary action on the officers who abrogated the provisions of the *Higher Education Act No. 4 of 2013.* The Controlling Officer is further urged to ensure that the appointing authority responsible for the appointment of the Council is engaged without further delay. A progress report on the matter will be awaited by the Committee.

ii. Failure to Fill Vacant Position of the Vice Chancellor

Controlling Officer's Response
The Controlling Officer informed the Committee that the University was awaiting the appointment of the Vice Chancellor.

Committees Observations and Recommendations
The Committee is concerned that the University has been operating without a Council for over eighteen months and the Controlling Offer has failed to provide a satisfactory response as to why this is the case. The Committee cautions the Controlling Officer for this failure and urges the Controlling Officer to expeditiously engage the appointing authority to appoint the Council without further delay in order for the position of the University Chancellor to be filled. A progress report on the matter will be awaited by the Committee.

c) Financial Analysis

i. Statement of Comprehensive Income

Controlling Officer's Response
The Controlling Officer attributed the cause of the irregularity to be the non performing income lines due to the COVID-19 Pandemic. However, Management was projecting a surplus for the year ending 2022.

Committees Observations and Recommendations
The Committee urges the Controlling Officer to ensure that concrete measures are put in place to ensure that the losses being experienced are eliminated. A progress report on the matter will be awaited by the Committee.

ii. Statement of Financial Position-Current Ratio below Threshold

Controlling Officers Response
The Controlling Officer informed the Committee that Management would continue striving to improve the ratio.

Committees Observations and Recommendations
The Committee is concerned that the University's current ratio is below the recommended threshold of 2:1 and observes that this state of affairs may result in the University's inability to meet its current obligations. The Committee, therefore, urges the Controlling Officer to put in place measures to ensure that the Current ratio met the recommended threshold. A progress report on the matter will be awaited by the Committee.

d) Operational Matters –Delays in the Accreditation of Academic Programmes

Controlling Officers Response
The Committee was informed that thirty-four programs were still undergoing accreditation by the Higher Education Authority (HEA) and the Authority had since given an assurance to get back to the University in due course. However, the University had applied to the Ministry of Education to obtain a go ahead to grant the accreditation.

Committees Observations and Recommendations
The Committee observes with concern that the University is offering thirty-four programs not accreditation by the Higher Education Authority (HEA) and contends that this status quo is disadvantaging the students and adversely affecting the institution's image by offering programmes that are not accredited. The Committee urges the Controlling Officer to prevail over this serious irregularity and ensure that the programmes in question are accredited by the relevant institution by the third quota of 2023. A progress report on the matter will be awaited by the Committee.

e) Procurement-Circumvention of Tender Procedures

Controlling Officer's Response – K770,135
The Controlling Officer explained that Management took note and would ensure that it adhered to the procurement plan and the ZPPA regulations. The Committee was further informed that action was taken on the erring officers.

Committees Observations and Recommendations
The Committee finds it unfortunate that the Vice Chancellor is spearheading financial misconduct by making decisions in excess of his jurisdiction. The Committee is particularly

concerned that the Vice Chancellor ignored well stipulated procurement guidelines and observes that such circumvention of tender procedures can result in the loss of public funds due to inflated purchase prices. The Committee urges the Controlling Officer to ensure that the procurement guidelines are always adhered to by the officers at the University, in order to avoid the risks highlighted. The matter is recommended for the Auditor General to keep in view, during future audits.

f) Accounting Irregularities

i. Unsupported Payments –K390,781

Controlling Officers Response
The Committee was informed that the supporting documents for the ten payments worth K305, 870 had since been retrieved and were available for audit verification. However, for the twenty-seven payments for Livingstone campus, the Controlling Officer explained that the procurement was done through imprest, hence the orders and Goods Received Notes (GRNs) were not available. However, going forward, Management had endeavored to ensure that the procurement of goods and services would be done centrally from the main campus since the School of Medicine and Health Sciences did not have a procurement unit.

Committees Observations and Recommendations
The Committee expresses concern with the poor record keeping at the University. It is further disheartening that no disciplinary action has been taken against the erring officers. The Committee urges the Controlling Officer to strengthen record keeping at the University as well as to institute disciplinary measures against the erring officers. The Committee resolves to await a progress report on the matter.

ii. Irregular Use of Accountable Imprest – K 100,308

Controlling Officer's Response
The Controlling Officer informed the Committee that at the School of Medicine and Health Sciences situated at the Livingstone campus, Management had ensured that the procurement of goods and services was done centrally from the main campus, since the School did not have a procurement unit. However, Management had put in place controls of paying suppliers directly and restricting the use of accountable imprest. Further, as a lasting solution, the Committee was informed that the University intended to create a procurement sub-committee in order to eliminate such flaws.

Committees Observations and Recommendations
The Committee expresses concern at the University's failure to adhere to Government regulations. The Committee observes that the irregular use of accountable imprest may lead to non competitive procurement; therefore, it shall not be entertained. The Committee, in this regard, urges the Controlling Officer to ensure that the erring officers are disciplined and to also ensure that imprest at the University is managed in accordance with applicable regulations. The Committee will await a report on the disciplinary process. In the meantime, all the relevant

documents should be presented to the Auditor General for verification.

iii. Irregular Payment of Lunch Allowances K 69,950

Controlling Officer's Response
The Controlling Officer explained that lunch allowances were paid to the staff administering and invigilating exams and to those carrying out registration or carrying out activities that exceeded into lunch time. The University did not provide meals to members of staff and in order not to disrupt exams that were in progress, members of staff were paid such lunch allowances in order to enable them buy food and eat while invigilating or conducting registration and carrying out any other activities that exceeded into lunch. Going forward, however, the Committee was informed that Management would take the matter for approval, once the Council was appointed.

Committees Observations and Recommendations
The Committee observes that such omissions can result in the loss of funds through fraud and should, therefore, not be tolerated. The Committee in this regard, strongly recommends that the officers who authorised these payments should be disciplined and that the payment of this irregular allowance should be discontinued forthwith in line with the Conditions of Service and Circular in question. The matter is recommended for the Auditor General to keep in view, during future audits.

iv. Unaccounted for Stores – Main Campus K 6,287,443

Controlling Officer's Response
The Committee was informed that all the stores documentation regarding the receipt and disposal details had been retrieved and were available for audit verification.

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

v. Failure to Remit Statutory Obligations – K16,244,373

Controlling Officers Response
The Controlling Officer informed the Committee that while the University staff numbers had been growing to cater for its growing needs, funding to the University had not increased proportionately and had not been at gross, which was noted by the Public Accounts Committee (PAC) which made the following recommendation for the audit, ending 31st December, 2019.
"However, the Committee is concerned that if the Treasury does not fund the University with the gross amount required, the University will not be able to pay the statutory obligations as and when they fall due. In this regard, the Committee directs the Secretary to the Treasury to ensure that the university is fully funded."

The Committee was further informed that the University was making a monthly remittance of K500,000 to ZRA as the auditors noted from the ledgers.

As for the observation regarding the NAPSA obligation, the Committee was informed that the University was current on all its monthly returns and remittances. Therefore, the NAPSA liability that the University carried on its books related to the penalties and interest for the former National College for Management and Development Studies which in itself was a liability for the Government of the Republic of Zambia and not the Mulungushi University.

Committees Observations and Recommendations
The Committee will await a progress report on the matter**.**

15.0 NATIONAL HERITAGE CONSERVATION COMMISSION

15.1 Audit Findings

An examination of accounting and other records for the financial years ended 31st December, 2019, 2020 and 2021, revealed the following irregularities to which the Controlling Officer submitted as highlighted below.

a) Budget and Income - K1,119,037

Controlling Officer's Response
The Controlling Officer explained that the 2021 grants were fully funded as indicated in the table below.

Year	Authorised Provisions K	Actual Released K	Under Funding K
2019	13,500,120	13,500,120	-
2020	13,428,454	13,428,454	-
2021	13,428,454	12,309,417	1,119,037
Total	**40,357,028**	**39,237,991**	**1,119,037**

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

Controlling Officer's Response

- **The Under Collection of Revenue**

The Controlling Officer informed the Committee that the under collection was as a result of the COVID -19 Pandemic in 2020 and 2021. Regrettably, the 2021 revenue estimates were not revised to consider of the continued impact of the COVID 19, thus the budget was overstated. Going forward, the Controlling Officer informed the Committee that the Commission would improve to project realistic budget estimates.

Committee's Observations and Recommendations
The Committee is concerned that the Commission's income is below budget and observes that this may result in the failure to meet its operational costs. The Committee, therefore, urges the Controlling Officer to enhance supervision over the Commission and ensure that the

Commission budgets realistically as opposed to overstating its budget. The Committee further urges the Controlling Officer to put in place new initiatives in order to mitigate the negative effects of the under collection of income. The Committee will await a progress report on the matter.

b) Governance Matters–Failure to Appoint the Commission

Controlling Officer's Response

The Controlling Officer explained that the National Heritage Conservation Commission had a functional Board up to August 2020 when its term ended. It was, therefore, regrettable that the Commission operated without a Board from September, 2020 to November, 2022. However, the Minister of Tourism appointed the Board effective 16th December 2022.The Controlling Officer assured the Committee that in future, the Minister would be prompted to appoint the Board on time whenever the Board was dissolved.

Committee's Observations and Recommendations

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

c) Operational Matters

i. Failure to Prepare Annual Reports

Controlling Officer's response

The Controlling Officer explained that the reports in question were prepared but not submitted to the office of the Minister because the Financial Statements were not audited. However, the Financial Statements had since been submitted to the Office of the Auditor General for audit review and subsequently, would be included in the annual reports for submission to the Minister of Tourism.

Committee's Observations and Recommendations

The Committee observes with concern that in the absence of annual reports, it is difficult to undertake a systematic assessment of the Commission's performance. Therefore, the Committee finds it unacceptable that the Commission failed to adhere to the requirements of the *National Heritage Conservation Commission Act of 1989.* The Committee in this regard, urges the Controlling Officer to mete out disciplinary action against the officers responsible for the failure to prepare the financial statements and subsequently the annual reports. The Committee will await a progress report on this matter.

ii. Zambezi Source Tourism Development Project (TDP) - Delayed Completion of the Project - Phase III –K2,645

Controlling Officer's Response

The Controlling Officer explained that Phase III of the project delayed to complete as per schedule due to variations of works and some omission in the original contract which was noticed at a later stage. However, the Provincial Permanent Secretary guided and the Provincial

Tender Committee approved the variation of works by K35, 245.88. The Contractor had since been notified to commence works.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

iii. Infrastructure Development -Tourism Concession Agreement – Mumbuluma Falls

Controlling Officer's Response
The Controlling Officer explained that this concessionaire had not done any works since 2019 when the contract was signed. However, in 2020, a meeting was had with them in which a commitment of K35,000 was made towards the Concession fees leaving, a balance of K97,000. Construction works had not been undertaken, and contacting the Concessionaire had been a challenge as they could not be reached. Therefore a recommended was made to the Board to terminate the concession.

Committee's Observations and Recommendations
The Committee finds it irregular that it had to take an audit for Management to notice the anomaly and recommend to the Board the termination of the concession agreement. The Committee in this regard contends that this concessional agreement was not being closely monitored by the Commission before the concessionaire seemingly disappearing twelve months after the expected completion date of phase III of the project. The Committee urges the Controlling Officer to ensure that this matter is urgently addressed to its logical conclusion. A progress report on the matter will be awaited by the Committee.

iv. Tourism Concession Agreement – Kalambo Falls

Controlling Officer's Response
The Controlling Officer submitted that the concessionaire had been engaged regarding the outstanding fees and variable charges and only paid K15,000 towards the concession fees citing poor visitations to the Lodge due to the poor road infrastructure. Thus, it was now recommended to the Board to terminate the concession agreement.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

v. Infrastructure – Management of Heritage Sites

- **Failure to Conserve Heritage Sites**

Controlling Officer‘s Response
The Controlling Officer informed the Committee that status quo of the sites as indicated by the Auditors was as a result of budget constraints faced by the Commission. Therefore, a number of sites had not been surveyed and protected. Nonetheless, the Commission had initiated a phased approach in surveying and protecting these sites funds allowing.

Committee's Observations and Recommendations

The Committee observes that this is a serious omission as it undermines the intentions of the law on the establishment of heritage sites. The Committee sternly cautions Management for the laiser faire attitude exhibited towards conserving the heritage sites in question, especially that this is the core mandate of the Commission. The Committee in this regard urges the Controlling Officer to urgently prevail over this matter and ensure that the necessary funding for protecting the sites is secured. A progress report on the matter will be awaited by the Committee.

- **Encroachment of Heritage Sites - Libala Limestone National Monument – Lusaka**

Controlling Officer's Response

The Controlling Officer informed the Committee that the Commission through its surveyor had surveyed the land and had proved that the bar and carwash were outside the site boundaries. The Commission had issued eviction letters to other encroachers. In addition and had written to the Lusaka City Council to have the sites numbered.

Committee's Observations and Recommendations

The Committee finds it unacceptable that such a matter is only pursued after the audit and sternly cautions the Controlling Officer to be proactive when dealing with matters of this nature. The Committee urges the Controlling Officer to urgently prioritise the eviction of the encroachers and to institute disciplinary action on the officers responsible for inspecting and monitoring the site for failing in their duty. A progress report on the matter will be awaited by the Committee.

d) Procurement of Goods and Services - Irregular awarding of Trading Space without Board Approval - Multham Butchery

Controlling Officer's Response

The Controlling Officer informed the Committee that a draft contract between Multhum Butchery and NHCC had been prepared and was yet to be submitted to the Board for approval.

Committee's Observations and Recommendations

The Committee observes that this is a serious omission for which disciplinary action should be undertaken on the erring officer. A progress report will be awaited by the Committee.

a. Accounting Irregularities

i. Failure to Collect Rental Income

Controlling Officer's Response - K 569,532

The Committee noted that some clients that were owing the Commission as of 31st July 2022, had since settled part of the rental arrears. The Commission was pursuing payments of the balances as at 31st January, 2023 amounting to K 524,116.

Committee's Observations and Recommendations

The Committee observes that the Commission has been bemoaning inadequate funds and therefore, finds Management's failure to collect funds due to the Commission through rentals unacceptable, for which disciplinary action should be instituted on the officers responsible for collecting the rentals. The Committee further urges the Controlling Officer to ensure that debt collection measures are put in place in order to recover the outstanding debt without further delay. The Controlling Officer is also urged to ensure that the tenancy agreements are reviewed and strictly adhered to in order to avoid further debt. A progress report on the matter will be awaited by the Committee.

ii. Failure to Recover Damages

Controlling Officer‘s Response
The Controlling Officer informed the Committee that the Commission was unable to recover the damages on account that Santchile Tours had vacated the premises of business and could not be located anywhere in Zambia. Efforts had been made by engaging the Commissions lawyers who had since confirmed that they were unable to trace the company.

Committee‘s Observations and Recommendations
The Committee finds it unacceptable that legal action was not taken to recover the money owed to the Commission before the Company vacated the premises. It is inconceivable that Management had to wait for the external auditors for this matter to be attended to. The Committee further finds the Controlling Officers submission that the Company cannot be located in the Country inadmissible and unacceptable. The Committee in this regard urges the Controlling Officer to aggressively pursue the Company by reporting the matter to investigative wings and the Credit Bureau among other avenues. The Committee further urges the Controlling Officer to institute disciplinary action on the officers who failed to collect the money due to the Commission. The Committee will await a progress report on the matter.

e) Managements of Assets

i. Failure to Secure Title Deeds

Controlling Officer's Response
The Controlling Officer informed the Committee that Management had started the process of securing the title deeds and the consent papers had since been signed by the sellers.

Committee‘s Observations and Recommendations
The Committee will await a progress report on the matter.

ii. Management of Sale of Boarded Assets - Failure to Submit Board of Survey Report

Controlling Officer's Response
The Controlling Officer informed the Committee that the Commission had since prepared and submitted the Board of Survey Report to the Secretary to the Treasury.

Committee's Observations and Recommendations
The Committee resolves to close the matter subject to audit verification.

iii. Sale of Boarded Items Below the Reserve Price

Controlling Officer's Response
The Controlling Officer explained that the Committee reduced the prices because at the time of auctioning the assets, the assets had been severely vandalized, therefore, the Committee found it necessary to reduce the prices.

Committee's Observations and Recommendations
The Committee finds it unacceptable that this information was not availed to the auditors during the audit process. Additionally, the Committee is concerned that no disciplinary action has been taken against the erring officers who did not pay attention to the audit process, a state of affairs which in the view of the Committee is unacceptable. Therefore, the Committee urges the Controlling Officer to sternly caution Management and emphasise that Management has an obligation to ensure that the relevant information is availed to the auditors during the audit process. Further, disciplinary action should be taken against the erring officers. The Committee resolves to await a progress report on the matter.

f) Management of Liabilities

i Failure to Remit Statutory Contributions

Controlling Officer's Response
The Controlling Officer explained that the Commission's failure was as a result of inadequate funding from the Treasury as far back as 1991, when the Government then introduced the Cash Budget Funding disbursements. The grants received were only able to meet the net salaries and in other cases no grants were received at all. However, despite the underfunding, the Commission had paid part of their outstanding obligations as indicated in the table below.

	Amount outstanding	Paid	Balance As at /02/2023
ZRA	57,578,199	365,818.69	57,212,380.31
NAPSA	8,789,872	-	8,789,872.00
ZSIC	7,206,976	269,846.17	6,937,129.83
NHIMA	189,528	189,254.62	273.38
	73,764,575	824,919.48	72,939,655.52

Committee's Observations and Recommendations
The Committee finds the justification for the delay in paying the statutory contributions to ZRA and NAPSA misplaced given that the deductions are made from the respective officers' emoluments. Whereas the institution is currently facing numerous financial challenges, statutory obligations must be prioritised to avoid the recurrence of the query. Therefore, the Committee

urges the Controlling Officer to ensure that statutory obligations are prioritised henceforth. Further, the Committee directs that the Commission should develop and implement other innovative ways of generating income in order to be up-to date with the statutory obligations. The Committee resolves to await a progress report on the matter.

16.0 NATIONAL PENSION SCHEME AUTHORITY (NAPSA)

16.1 Audit Findings

An examination and review of information systems, accounting and other records maintained at NAPSA headquarters and selected stations for the period under review, revealed the following irregularities to which the Controlling Officer submitted as highlighted below.

a) Management – Irregular Payment of Housing Allowance

Controlling Officer's Response

The Controlling Officer explained that the enactment of the *Employment Code Act of 2019*, made it mandatory for employers to either pay housing allowance, provide housing or arrange a mortgage facility. The Committee was informed that the *Act* defined a basic pay as "the standard rate of pay before additional payments such as allowances and bonuses for a period not exceeding one month". In view of the foregoing, the Chief Executive Officer's contract for the period 5th April, 2016 to 4th April, 2019, had a basic pay amount of K146,000, which was determined by the rationalisation and harmonisation process. Subsequently, the Chief Executive Officer was offered a new contract running from 5th April, 2019, to 4th April, 2022 with the basic pay of K173, 547.86.

The Controlling Officer was further informed that in compliance with *Section 92* of the *Employment Act*, the new contract made provision for payment of housing allowance which was approved by the Board. The Committee was informed that housing allowance formed part of the contractual provisions regarding employees on fixed term contracts of employment. Therefore, in the case of Directors, there was no provision of housing allowance prior to the rationalisation and harmonisation process. This only took effect in 2020 and was, therefore, not an irregular payment.

Committees Observations and Recommendations

The Committee finds the Controlling Officer's response inadmissible and condemns the failure of NAPSA to adhere to the guidance from the Public Service Management Division as well as Management's failure to apportion the housing allowance from the all-inclusive salaries that that were being paid. The Committee sternly cautions Management for this failure as well as the recurrence of the query. The matter is recommended for the Auditor General to keep in view, during future audits.

b) Budget and Income

Controlling Officer's Response

The Controlling Officer noted the Audit.

Committees Observations and Recommendations
The Committee notes the positive variance of K11, 034,541,099 and resolves to close the matter subject to audit verification.

c) Financial Analysis

Controlling Officer's Response
The Controlling Officer informed the Committee that the Authority was making efforts to collect the outstanding debt through the debt collection section. Further, the net exchange loss was attributed to the change in market forces and the Authority was limited to hedge through derivatives. Nonetheless, from time to time, the Authority matched foreign exchange assets to liabilities in order to minimise the losses which were unrealised losses. Regarding the international standard of fair valuation of assets the Controlling Officer submitted that the accounting treatment was as provided for in the IFRS standards and accruals principle. He informed the Committee that this was the correct accounting treatment as per IFRS standard (Accruals Concept). Therefore, the transactions had to be recorded in the period they occurred despite the time period the cash was received.

Regarding the increased receivables as a result of the non collection of rentals, Value Added Tax (VAT) refunds and dividends, the Controlling Officer informed the Committee that the cause of increased receivables was attributed to the failure by the Zambia Revenue Authority (ZRA) to meet their statutory obligations. However, a letter of claim was sent to ZRA engaging them on the matter.

Committee's Observations and Recommendations
The Committee notes the Controlling Officers response and resolves to await an update on the collection of the outstanding rental income. However, the Committee is concerned with the length of time it has taken the Authority to engage ZRA on the VAT refunds. The Committee observes that the refunds dated back to 2019 but ZRA was only engaged in 2023. The Committee sternly cautions Management for this failure and urges the Controlling Officer to address this matter to its logical conclusion. The Committee will await a progress report on the matter.

d) Operational Matters – Review of Implementation of the 2018 – 2021 Strategic Plan – Failure to Achieve Strategic Objectives
With regard to the failure to reduce the operating expenses, the Committee was informed that the Authority used the actuarially recommended cap of 15% as a measure of expenditure. The approved Authority budget was used as the target and the Authority endeavored to spend below the target. On the failure to increase collections, the Controlling Officer explained that the Authority used the contribution income to measure the increase in collections. The targets were determined actuarially and were based on the economic environment.

Regarding the failure to increase compliance to eighty percent, the Controlling Officer informed the Committee that the Authority used the employer compliance rate to measure the increase in compliance. The targets were determined as a benchmark on expected performance improvement during the strategic period.

Furthermore, on the failure to increase the satisfaction of the members and other stakeholders to eighty-five percent, the Controlling Officer informed the Committee that the *National Pension Scheme (Amendment) Act No. 20 of 2022*, supported the closure of the unpaid Zambia National Provident Fund (ZNPF) accounts, as assented to by the Republican President on 6th December, 2022. Therefore, the customer survey results highlighted below showed the increased satisfaction of the members above the eighty-five percent.

Year	**Yearly Target**	**Actual**	**Range**
2018	80%	84%	
2019	80%	86%	
2020	80%	86%	
2021	85%	87%	

With regard to educating the potential employers/members, the Controlling Officer informed the Committee that the Authority continued with the physical sensitisation programmes, as web based programmes were difficult to measure the impact. Further, the sensitisation in schools was not achieved as the programmes were not conducted in schools, colleges, and places of higher learning. The Committee was however, informed that the Authority managed to conduct sensitisation talks with professional bodies such as the Zambia Institute of Chartered Accountants (ZICA), the Zambia Institute of Human Resources Management (ZIHRM) and the Zambia Institute of Purchasing and Supply (ZIPS) among others, as this was a cost-effective method.

On exploring and implementing new technology applications to improve efficiency, the Controlling Officer explained that the implementation was not done because there was a national policy, documents, and payments. The Authority contributed towards the National and Civil Registration Management System (INRIS) project and was awaiting the National Registration Office to actualise the project.

With regard to the benefits paid within the services charter timelines, the Committee was informed that the Authority used the average benefits turnaround times to determine the actual, for the timelines set in the strategic plan. The achieved actuals were, therefore, below the set targets and, thus, achieved.

Year	**Avg Yearly Target**	**Avg Actual**	**Range**
2018	30	24	
2019	15	20	
2020	15	12	
2021	15	9.3	

Committee's Observations and Recommendations

The Committee finds it unacceptable that some strategic objectives were not achieved in the Strategic Plan. The Committee therefore, strongly urges the Controlling Officer to caution Management for this failure. He is further urged to ensure that going forward; the Strategic Plan of the Authority is fully implemented in order for the Authority to assess its effectiveness and overall performance. The Committee will await a progress report on this matter.

e) Contributions – Irregularities in the Membership Database

i. Shared National Identity Number

Controlling Officer's Response

The Controlling Officer attributed the cause to a discrepancy in member records where one national registration card number was associated with multiple members, as a consequence of a flow in the pension's administration system that did not restrict a national registration card number already existing in the database, from being used in subsequent member registrations.

However, Management had over the years introduced a series of controls around the member registration process, including the validation on the National Registration Cards (NRCs) field. This control prevented record duplication at the data input stage and had, therefore, curbed the observed problem of shared NRCs for new member registrations.

The Controlling Officer further informed the Committee that Management was scheduled to roll out a member Know Your Customer (KYC) update and verification exercise within the first quota of 2023. This exercise was expected to resolve the remaining cases that were largely in respect of inactive members (different names) and yet, they shared the same NRC numbers and thus, could not be resolved from internally available data.

The Controlling Officer further informed the Committee that from the 134,929 cases noted by the audit team, Management had resolved 88,151 cases. This, therefore, reduced the number of unresolved cases to 46,778. The Committee was informed that efforts to clear the remaining cases were ongoing and included a dedicated KYC project team that had been setup by Management to sanitise the member database.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that management expeditiously cleanses the legacy database so that there is no opportunity for the Authority to pay wrong people, especially those with duplicate details. The Committee directs that a time frame should be provided when the exercise will be completed. The Committee directs that all documents in support of the submission should be submitted to the Auditor General for verification. The Committee will await an update on the matter.

ii. Duplicate Membership

Controlling Officer's Response

The Controlling Officer explained that the anomaly of members having more than one social security number was occasioned by inadequate system controls in the pension administration system at the inception of the scheme's operations in 2000. As a result, the same NRC number would be used multiple times to register the same member or a totally different member in cases where the NRC number was issued to more than one citizen by the Department of National Registration, Passport and Citizenship. Therefore, this observation and the preceding one were similar as they were all caused by the same NRC number being used to generate multiple records resulting in the NRC number being linked to more than one social security number.

However, as a corrective measure, the Committee was informed that, since the underlying cause of duplicate memberships and shared NRC numbers was the same, Management implemented data input validation controls that blocked an NRC number already existing in the database from being used to process another member registration application. Management had also setup the KYC data cleansing project team. The Committee was informed that these controls had curbed the generation of duplicate registrations, thereby, stemming the growth of members with duplicate records and social security numbers. Furthermore, Management was essentially working at rectifying the legacy duplicate records.

In view of the foregoing, the number of unresolved records stood at 4,571 from the 56,804 noted during the audit. The Committee was informed that the outstanding cases were mostly in respect of record and social security numbers with the same NRC number, but associated with two distinct members. Management was, therefore, pursuing the resolution of these cases on a record basis, through the employers under which the affected members worked.

Committee's Observation's and Recommendation's

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

f) Weaknesses in Contributions – Failure to Remit NAPSA Contributions by Employers

Controlling Officer's Response

The Controlling Officer explained that the cause of the weakness in contributions was as a result of financial difficulties of employers. He, however, submitted the corrective measures submitted below.

- Reduced Central Government Debt. In December, 2022, the National *Pension Scheme Amendment Act No. 20 of 2022,* was assented to. The Act addressed the downward revision of the applicable penalty rate. Furthermore, the Act had also provided for a waiver of penalties under conditions that would be prescribed by statutory instrument. The Controlling Officer was hopeful that this process incentivised the prioritisation of liquidating the NAPSA debt by all institutions; Government and private/entities.

- Engaged with the Ministry of Local Government and Rural Development**.** The Committee was informed that the Public Administration and Defense, compulsory the social security sector, which also included the local authorities, accounted for 14.64% of the unpaid contributions. The Committee was informed that eighty-six local authorities had arrears. Further, fort-two councils were prosecuted in 2022, sixteen were paying for arrears under the Time to Pay Agreements and thirteen were on Court Consent Orders. The Committee was informed that the debt for local authorities had marginally declined with some councils adhering to the payment of current contributions, paying on Time to Payment Agreements and court orders for arrears. In view of the foregoing, K24,803,267.76 in payment, was received as arrear payments in 2022. The Committee was informed that pursuant to the Presidential directive, the Authority was engaging the Ministry of Local Government and Rural Development on the debt owed by local authorities in order to find a lasting solution to the noted problem.

- Reduced Debt from Large Institutions. The Committee was informed that penalties relating to the late paid contributions accounted for 62.67% of the total outstanding debt of K26, 670,072,237.11. The Committee was informed that the top three outstanding sectors had a share of about 63.47% of the outstanding penalty on paid contributions debt. The three sectors were largely the central Government, Government agencies and quasi institutions. The other sectors were accounting for 36.53% of the penalty debt. The Committee was further informed that employers with significant arrears under the category of Government agencies and quasi institutions such as UNZA, Zamtel, TAZARA and Times Printpak among others in 2022 paid K53, 151,705.74 in arrears.

- In December, 2022, the *National Pension Scheme Amendment Act No. 20 of 2022,* was assented to. The Act addressed the downward revision of the applicable penalty rate. Additionally, the Act provided for a waiver for penalties under conditions that would be prescribed by statutory instrument. This process incentivised the prioritisation of liquidating the NAPSA debt by all institutions; Government and private entities.

- Intensified compliance activities. The Committee was informed that some of the compliance activities conducted included 9,137 inspections, 4,913 prosecutions, the issuance of demand notices and sensitisation.

Committee's Observations and Recommendations

The Committee is alarmed to note that the Authority is being owed K26, 670, 072,237 in unpaid contributions and accumulated penalties by employers in contravention of the *National Pension Scheme Act No 40 of 1996.* The Committee observes with concern that the failure to deduct statutory contributions by the respective institutions as required by law can result in the lack of social protection for the employees. The Committee finds this status quo unacceptable given that the deductions are made from the respective officers' emoluments. The Committee the urges the Secretary to the Treasury to ensure that all the statutory obligations are prioritised henceforth and that the outstanding obligations and penalties are settled without further delay. The Committee will await a progress report on the matter.

g) Investments – Real Estates

i. Failure to Improve Rental Collection Efficiency – K 174,477,747

Controlling Officer's Response

The Controlling Officer explained that the irregularity was mainly due to the weak procedure when on boarding new tenants. However, the Authority had put in place strategies to improve rental collection efficiency by the introduction of an enhanced vetting criterion for on-boarding new tenants, through a more robust KYC process. As of the fourth quota of 2022, the reported debt of K175 million in quota one of 2022, had been reduced to about K149 million. Furthermore, efforts were being made to locate former tenants through engagements with ZRA, PACRA and CRB.

Committee's Observations and Recommendations

The Committee observes that the Authority invested colossal sums of money in property investment; therefore, the core source of income for the Authority is rental payments. The Committee in this regard, finds the failure of the Authority to put in place a proper system of checking the quality of tenants before engaging them and failure to put in place strategies to improve the rental collection efficiency unacceptable, as this threatens the social protection of employees. The Committee sternly cautions Management for this failure and urges the Controlling Officer to institute disciplinary action on the officers responsible for ensuring that the rentals on the commercial and residential properties were collected for failing in their duty. The Committee further urges the Controlling Officer to ensure that the outstanding rentals are collected without further delay. The Controlling Officer is also urged to ensure that the tenancy agreements are reviewed and strictly adhered to in order to avoid further debt. A progress report on the matter will be awaited by the Committee.

ii. Failure to Collect Current Rentals on Commercial and Residential Properties

Controlling Officer's Response

The Controlling Officer submitted that the irregularity was as a result of the following:

- the Provident House in Kafue had been sold;
- the Rhodian Court flats in Ndola were sold to sitting tenants prior to the audit period;
- the Profound flats in Ndola were sold to sitting tenants prior to the audit period;
- the Kingstone Building and the Petauke Provident House required urgent repairs which culminated into a redevelopment proposal. However, due to lack of a budget the redevelopment could not be undertaken.

However, with regard to the Kingstone building, the Committee was informed that the Authority had commenced the assessments of the refurbishment works in order to inform the costs for the proposed works. On the other hand, the Authority was considering disposing off the Petauke Provident House.

Committee's Observations and Recommendations

The Committee expresses concern at the failure by the Management to avail this information to the auditors during the audit process. The Committee implores the Controlling Officer to ensure that appropriate disciplinary action is taken against the officers responsible for this lapse and urges him to ensure that all supporting documentation is verified by the Auditor General. A progress report on the matter will be awaited by your Committee.

iii. **Livingstone Area Office- Outstanding Rentals K 5,483, 579**

Controlling Officer's Response

The Committee was informed that the irregularity was mainly due to weak procedures when on boarding new tenants. However, the Authority had put in place strategies to improve the rental collection efficiency by the introduction of enhanced vetting criteria for on boarding new tenants, through a more robust KYC process and debt policy.

Committee's Observations and Recommendations

The Committee finds Management's failure to collect the funds due to the Authority through rentals unacceptable for which disciplinary action should be instituted on the officers responsible for collecting the rentals. The Committee further urges the Controlling Officer to ensure that debt collection measures are put in place in order to recover the outstanding debt without further delay. The Controlling Officer is also urged to ensure that the tenancy agreements are reviewed and strictly adhered to in order to avoid further debt. A progress report on the matter will be awaited by the Committee.

- **Absentee Tenants in Investment Properties - K 396,498**

Controlling Officer's Response

The Controlling Officer informed the Committee that the cause was due to weak procedures when on-boarding new tenants. However, the Authority had implemented enhanced vetting criteria for on-boarding new tenants through a more robust KYC process and debt management policy. Furthermore, the Authority had taken action through the court and achieved the repossession of six offices out of the reported twenty offices occupied by absentee tenants. The same was done by the court sheriffs and office furniture was retrieved. Unfortunately, due to the bad state of the items, they could not be sold to enable the recovery of the amounts owed by the subject offices, through the proceeds.

Committee's Observations and Recommendations

The Committee observes that this query is as a result of the poor monitoring of the tenants in question by the Authority. It is inconceivable that the Authority failed to collect rentals in amount totaling K396, 498 before the tenants vacated the rooms. The Committee in this regard, urges the Controlling Officer to institute disciplinary action on the officers responsible for this lapse. The Committee further urges the Controlling Officer to ensure that debt collection measures are put in place in order to recover the outstanding debt without further delay. The Controlling Officer is also urged to ensure that the tenancy agreements are reviewed and strictly adhered to in order to avoid further debt. A progress report on the matter will be awaited by the

Committee.

iv. Mongu Area Office – Outstanding Rentals K 700,320

Controlling Officer's Response

The Committee was informed that the quality of tenants was the cause for the outstanding rentals. However, the Authority had continued to implement various strategies to enhance the collection of rentals which included the issuance of demand letters, the execution of payment plans, enhanced tenant engagements and the prosecution of defaulting tenants. This, had, resulted in the reduction of the reported total debt of K700, 320 to K684, 713.73 as of 31st December, 2022.

Committee's Observations and Recommendations

The finds Management's failure to collect funds due to the Authority through rentals unacceptable for which disciplinary action should be instituted on the officers responsible for collecting the rentals. The Committee further urges the Controlling Officer to ensure that debt collection measures are put in place in order to recover the outstanding debt without further delay. The Controlling Officer is also urged to ensure that the tenancy agreements are reviewed and strictly adhered to in order to avoid further debt. A progress report on the matter will be awaited by the Committee.

v. ECL Mall – Kitwe K4,076,486

Controlling Officer's Response

The Controlling Officer informed the Committee that the cause was due to the quality of tenants. However, the Authority had continued to implement various strategies to enhance the collection of rentals which included the issuance of demand letters, the execution of payment plans, enhanced tenant engagements and the prosecution of defaulting tenants. This had resulted in the reduction of the report2ed total debt of K4, 076,486 to K3, 468,928.11 as of 31st December, 2022.

Committee's Observations and Recommendations

The Committee finds Management's failure to collect funds due to the Authority through rentals unacceptable for which disciplinary action should be instituted on the officers responsible for collecting the rentals. The Committee further urges the Controlling Officer to ensure that debt collection measures are put in place in order to recover the outstanding debt without further delay. The Controlling Officer is also urged to ensure that the tenancy agreements are reviewed and strictly adhered to in order to avoid further debt. A progress report on the matter will be awaited by the Committee.

- **Low Trading Occupancy**

Controlling Officer's Response

The Committee was informed that the low trading occupancy was caused by the state of the market and the market saturation in the location. However, the Authority had continued with the initiatives to source the tenants for the Mall in the Edgar Chagwa Lungu (ECL) Business Park. This included extensive advertisement, canvassing, the partitioning of big spaces and the engagement of leasing agents.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

- **Low Office Occupancy**

The Controlling Officer was informed that the low office occupancy was as a result of the state of the market and market saturation in the location. However, the Authority had continued with the initiatives to source tenants for the office block at the ECL Business Park. This included extensive advertisement, canvassing and the engagement of leasing agents. As a result, the office complex occupancy had increased from the reported 37.8% to 45.95% as of 31st December, 2022.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

v. Failure to Meet Return of Investment Target – Real Estates

Controlling Officer's Response
The Controlling Officer informed the Committee that the failure was due to low rental rates, occupancy levels and rental debtors. However, the Authority was implementing, periodic reviews of the rentals in line with the market conditions, effective tenant management strategies and diligent tenant screening, which would help avoid the breach of contract, especially on rental payments.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

vi. Failure to Execute Court Judgments

Controlling Officer's Response
The Committee was informed that the failure to execute the court judgments was because of the failure to locate tenants due to the following reasons:

- Some former tenants vacated the demised premises and their whereabouts were unknown;
- some former tenants were deceased;
- some former tenants only existed on paper and were non-operational with no assets to seize; and
- Some former tenants are liquidated.

However, the Authority had continued to make efforts in locating the former tenants through engagements with ZRA, PACRA and CRB and conducting PACRA searches to determine the addresses for the former tenants. Additionally, the authority was also utilising the CRB internal database to obtain contact details for former tenants and engaging ZRA to furnish the Authority with contact information for the former tenants. In view of the foregoing, some former tenants had been located and had commenced payments towards the arrears or had fully paid the rental arrears. Recommendation had also been made to write-off the debt that was not recoverable.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

vii. Undeveloped Land

- **Lilayi Land**

- **Valuation Reports**

Controlling Officer's Response
The Controlling Officer explained that the irregularity was due to the fact that the Authority received an all inclusive offer price for the land and bulk services. However, the Authority would endeavor to ensure that the entire cost including those of bulk services were recovered through the sale of serviced plots.

Committee's Observations and Recommendations
The Committee finds it unacceptable that the valuation of the bulk services was not done and contends that such omissions can be a conduit for fraud and therefore, should not be entertained forthwith. The Committee urges the Controlling Officer to sternly caution Management for this failure. The Committee further urges the Controlling Officer to ensure that that the entire cost including those of bulk services are recovered through the sale of serviced plots. The Committee will await a progress report on the matter.

- **Failure to Avail a Due Diligence Report**

Controlling Officer's Response
The Committee was informed that the due diligence report was not done. However, the Authority through its enhanced investments policy would ensure that due diligence reports were done for all the investments. Internally, the Committee was informed that a paper was done and approved by the Board. Going forward, this had been strengthened by the review of the investment policy.

Committee's Observations and Recommendations
The Committee is disappointed that the Authority entered into transactions without carrying out a due diligence for the investment. The Committee contends that such omissions may be deliberately orchestrated by officers with improper interest in the transaction, therefore, such irregularities should not be entertained forthwith especially that the act is in contradiction with the Public Finance Management Act No 1 of 2018. The Committee, therefore, calls for disciplinary action to be taken against the officers responsible for this omission. Further, the Committee directs that control measures should be instituted to avert recurrence of such

irregularities. The matter is recommended for the Auditor General to keep in view, during future audits.

- **Delay to Utilise the Land**

Controlling Officer's Response
The Committee was informed that the land was under development and the development had reached eighty-two percent completion. The Authority was in the process of commencing the sale of the serviced plots.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

ix. **Makeni Land – Failure to Utilise the Land**

Controlling Officers Response
The Controlling Officer informed the Committee that the Authority was conducting engineering and design consultancy services. Various design options for the land had been obtained and the Authority was developing options for the disposal of the land.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

x. **Questionable Purchase of Baobab Land**

Controlling Officer's Response
The Controlling Officer informed the Committee that the matter raised was awaiting the determination of the court. He further submitted that the contract of sale contained an indemnity clause allowing for the recovery from the vendors in case of any loss relating to the land or arising from litigation. The litigation was still ongoing and the matter had been referred back to the High Court for re-trial. The trial was set for the 22^{nd} and 24^{th} of March, 2023.

Committee's Observations and Recommendations
The Committee notes that the matter is before the High Court and therefore, resolves to await a progress report.

- **Attorney Generals Observation Number Four**

Controlling Officers Response
The Committee was informed that the records at PACRA were not up to date. However, a search was done and documents would be availed to the vendor with a request to update the records at PACRA. The Committee was further informed that, the completion of the conveyance had been attained and the certificate of title had been obtained in NAPSA's name. In this regard, there were no encumbrances on the land.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

- **Attorney Generals Observation Number Five**

Controlling Officer's Response
The Committee was informed that the matter raised by the auditors was awaiting determination from the Court. The Controlling Officer further explained that the contract of sale contained an indemnity clause allowing for the recovery from the vendors in case of any loss relating to the land or arising from litigation. The litigation was still ongoing. The Committee was informed that the matter had been referred back to the High Court for re-trial and trial was set for the 22nd and 24th of March, 2023.

Committee's Observations and Recommendations
The Committee notes that the matter is before the High Court and therefore, resolves to await a progress report.

- **Attorney Generals Observation Number Six**

Controlling Officer's Response
The Committee was informed that there was a Court injunction against any further developments on the land. The injunction was still in force and trial was set for the 22nd and 24th of March, 2023.

Committee's Observations and Recommendations
The Committee notes that the matter is before the High Court and therefore, resolves to await a progress report.

xi. Society Business Park Building

- **Failure to implement EIZ's Recommendations**

Controlling Officer's Response
The Controlling Officer informed the Committee that the report was still a draft. However, Management invited the Engineering Institution of Zambia (EIZ), to make a presentation on 13th January, 2022, six days after receipt of the draft report from EIZ. Management during the presentation informed EIZ that the authority was in receipt of another report indicating that the office block had been worked on and had achieved the design safety.

After the presentation, Management proposed for a peer review of the Hopkas Consulting Report by KMC, EIZ, Hopkas Consulting Ltd, BICON Consulting Ltd and NAPSA on 13th June, 2022, in order to provide a detailed commentary and response as well as chart the way forward. However, EIZ and Hopkas Consulting ltd did not attend the meeting despite the earlier confirmation.

As a result of the conflict between the reports From KMA and EIZ/Hopkas Consulting, the Controlling Officer submitted that NAPSA had taken the following precautionary steps in line with the safety recommendation of the EIZ draft report:

- evacuated the occupants and suspended the use of the office block building; and
- requested BICON consulting Ltd to evaluate the structural performance of the entire society development building; and
- NAPSA was in the final stages of the tender to engage an independent engineer to provide a detailed evaluation of the structural performance of the entire society house development and propose corrective measures.

However, as things stood, the Management was in the process of contracting a structural engineering firm to evaluate the entire development and propose a way forward. The final resolution would be decided by Management, once a report that contained information of the entire development was provided by the independent engineer currently under procurement.

Committee's Observations and Recommendations
The Committee urges the Controlling Officer to attach premium to this serious query and ensure that it is addressed to its logical conclusion. A progress report on the matter will be awaited by the Committee.

xii. Purchase of Society House

Controlling Officer's Response
The Controlling Officer informed the Committee that the Authority undertook a cost benefit analysis arising from the cost escalation whose payback period was beyond the concession period. However, as a corrective measure, the Authority acquired the property as a real estate asset.

Committee's Observations and Recommendations
The Committee is concerned that the due diligence to show the benefits of the acquisition of the property verses its leasing was not done by the Authority before and after the purchase of the Society House in order to show how the investment was to be recouped as well as the payback period. The Committee contends that the onus rests on Management to ensure that such lapses are avoided at all costs. The Committee, therefore, calls for disciplinary action to be taken against the officers responsible for this omission. The Committee further directs that control measures should be instituted to avert the recurrence of this irregularity. The matter is recommended for the Auditor General to keep in view, during future audits.

i) Listed Equity – Failure to Declare Dividends

Controlling Officer's Response
The Controlling Officer explained that the three listed investee companies were based on the quarterly performance as of 31st December, 2020 and 2021, respectively. However, the Authority had continued to monitor the performance of the investee companies in line with the investments

strategic plan and an exit on the non-performing investee companies would be done as prescribed in the investments strategic plan. The Committee was further informed that during the periods 2020 and 2021, the Authority received dividends amounting to K52, 173,696 and K81, 936,466 from nine out of sixteen listed companies.

Committee's Observations and Recommendations

The Committee is concerned with the Authority's failure to recoup profits from the investee companies and is particularly concerned that pension funds may be lost as a result of the non-performing investee companies. In view of the foregoing, the Committee urges the Controlling Officer to ensure that the NAPSA Board and Management closely supervise the investee companies in order to maximise returns from them. The Committee further urges the Controlling Officer to ensure that going forward, due diligence to ascertain the credibility, financial and technical capabilities of investee companies is undertaken before entering into investments with them. The Committee will await a progress report on the matter.

h) Failure to Declare Dividends – CopperNet Solutions

Controlling Officer's Response

The Committee was informed that the CopperNet Solutions Limited was currently non-operational and searches conducted at Patents and Companies Registration Authority (PACRA) revealed that the Company last filed its annual returns in 2014. However, the Authority was exploring other ways of recovering the debt by pursuing the directors of Phantom Exchange Limited, in their individual capacities, to the fullest extent permissible by law.

Committee's Observations and Recommendations

The Committee finds it highly irregular that the Board and Management of the Authority made a decision to be a guarantor to a loan obtained by Phantom Exchange Limited who had the intent of defaulting on the loan repayment, therefore, resulting in NAPSA taking up the liability. The Committee is concerned that this may result in the loss of pension funds. The Committee contends that this irregularity borders on fraud and therefore, recommends that a forensic audit be conducted on this transaction without further delay. The Committee will await a progress report on the matter.

I) Failure to Collect Interest – K87, 054,631

Controlling Officer's Response

The Committee was informed that the failure to collect interest was attributed to the National Road Fund Agency (NRFA) defaulting on the terms and conditions of the Escrow Account Agreement which required the Agency to remit the funds to NAPSA every last day of each calendar month, as per standing order. The Committee was further informed that the repayment amount was increased from K 66 million to K 100 million, in order to facilitate the liquidation of the outstanding arrears. The Controlling Officer further informed the Committee that NAPSA had further commenced the enforcement of the rights in the Escrow Account Management Agreement, in order to facilitate the recovery of the outstanding arrears.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to escalate this matter to the Secretary to the Treasury in order to facilitate the liquidation of the outstanding arrears without further delay. The Committee will await a progress report on the matter.

j) Mosi –oa-Tunya Hotel- Irregular Engagement of Foreign Contractors US$ 97,339,000

Controlling Officer's Response

The Controlling Officers noted the response.

Committee's Observations and Recommendations

The Committee is disappointed to note that local contractors were not empowered in this contract contrary to the provisions of the *National Construction Council Act No 10 of 2020*. The Committee urges the Controlling Officer to caution Management against the recurrence of this serious irregularity. The matter is recommended for the Auditor General to keep in view, during future audits.

k) Livingstone Bus Terminus and Livingstone Market

i. Failure to Operationalise Commissioned Project

Controlling Officer's Response

The Controlling Officer informed the Committee that following the official commissioning of the two facilities by the then former Vice President of the Republic of Zambia, Mrs Inonge Wina, on 7^{th} August, 2021, the Livingstone Market and Bus Station Management Company (LMBSMCL) an SPV 100% owned by NAPSA, commenced the preparations to facilitate the operationalisation of the two facilities in line with the principal and financing agreements. However, the Livingstone City Council did not adhere to the terms and conditions of the principal and financing agreement in order to pave way for the SPV to run the bus station and modern market.

Following the agreements between NAPSA, the Ministry of Local Government and the Local Authority, it was resolved that the bus station and the modern market be handed over to the Local Authority which was done on 10^{th} October, 2022. The Committee was informed that the two facilities had since commenced operations as of 1^{st} February, 2023.

Committee's Observations and Recommendations

The Committee is concerned with the failure to operationalise the commissioned project and particularly finds it unacceptable that this failure deprived NAPSA of a return on its investment. The Committee urges the Controlling Officer to ensure that the loans are recovered without going beyond the expected period of returns. A progress report on the matter will be awaited by the Committee.

ii. **Irregular Variation of the Contract (Agreement)**

Controlling Officer's Response
The Controlling Officer explained that there was no variation of K9.8 million to the financing agreement between NAPSA and the Ministry of Local Government. Therefore, the cost of K9.8 million was relating to the development of the Bus Terminus and Market Management System (BTMMS) earmarked to be installed by the SPV as a cashless model to enhance the efficiency, transparency and accountability in revenue collection and facilitate the recovering of the loan facility.

Following the handover of the bus station and modern market to the local authority, the Committee was informed that the model of using the BTMMS was adopted by the local authority and hence, the cost of the system was included in the demand for loan recovery to the Ministry of Local Government.

Committee's Observations and Recommendations
The Committee resolves to close the matter subject to audit verification.

l) Asset Management

i. **Poor Maintenance of Buildings**

Controlling Officer's Response
The Controlling Officer noted the audit.

Committee's Observations and Recommendations
The Committee finds it unacceptable that it had to take an audit for the Authority to realise that the buildings in question had to be maintained. The Committee sternly cautions the Controlling Officer for this lack of seriousness and urges him to ensure that the Authority's Maintenance Policy is enhanced and that the buildings under the Authority are well maintained especially that NAPSA has invested colossal sums of money in property. The Committee will await a progress report on the matter.

ii. **Construction of Housing Units in Solwezi**

Controlling Officer's Response
The Controlling Officer informed the Committee that the contractor had declared a dispute. Therefore, the matter had been referred for arbitration.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

m) Accounting and Other Irregularities – Internal Audit Report – Edgar Chagwa Lungu (ECL) Mall

i. Misappropriation of Funds K 143,625

Controlling Officer's Response
The Committee was informed that the cause of the misappropriation was fraud. However, the Authority had since recovered the amounts involved. Furthermore, the Authority had enhanced controls in the validation and receipting of payments.

Committee's Observations and Recommendations
The Committee resolves to close the matter subject to audit verification.

ii. Loss of Investment Return – K1,801,372

Controlling Officer's Response
Regarding the loss of investment return, the Controlling Officer informed the Committee that the query was as a result of delayed issuing of sweeping instructions to the Bank. However, in order to correct the situation, the NAPSA staff had been availed with viewing rights and the account would be monitored daily, in order to trigger the sweep out instruction to the ABSA Premium Account for investments. In view of the foregoing, the funds were transferred to the ABSA Premium Account for investments.

Committee's Observations and Recommendations
The Committee is concerned that the Authority lost K1, 801,372, due to the none transfer of revenue to the Investment Premium Account. The Committee sternly cautions Management against the recurrence of this serious anomaly and recommends that disciplinary action should be instituted on the officer(s) responsible for monitoring, for failure to perform their duty. The Committee will await a progress report on the matter.

n) Staff Matters

i. Payment of Management Procurement Committee (MPC) Allowances- K 6,267,960

Controlling Officer's Response
The Controlling Officer informed the Committee that high value and high risk tenders were previously handled by the Central Tender Committee of the Zambia National Tender Board, whose function had been delegated to respective procuring entities as established in the *PPA No.12 of 2008* as repealed and replaced by the Z*PPA No.8 of 2020*. In this regard, the Management Procurement Committee (MPC) was a standing Committee whose functions were not defined by NAPSA (herein also referred to as the Authority), as part of the conditions of services but a mandate provided for formal appointment pursuant to the *ZPPA Act*. The Committee was informed that this also applied to the respective sub committees.

In view of the aforementioned and pursuant to Section 7 of the Cabinet Circular No. 3 of 2013, sitting allowances for these Committees were paid in order to encourage efficiency and commitment as a necessity for a results based approach. Additionally, the Procurement Committees allowances as evidenced under Section 7 of Cabinet Circular No. 3 of 2013 were provided for.

Moreover, in a letter dated 2nd March, 2021, clarity was sought from the ZPPA by the Authority, concerning the payment of sitting allowances to various committees. In their response dated 9th March, 2021, ZPPA advised that the payment of sitting allowances to various committees were determined by Cabinet Office. In this regard, the reference for the payment of sitting allowances for both MPC and sub committees was in line with the cabinet circulars.

The Committee was further informed that the NAPSA Procurement Policy Procedure Manual provided for the payment of sitting allowances to members of the MPC and ad-hoc sub committees accordingly as prescribed by the Authority. These allowances were subject of the Authority's annual budget approval authorised and sanctioned by the NAPSA Board of Directors However, the Committee was informed that the Authority was no longer paying these allowances.

Committee's Observations and Recommendations
The matter is recommended for the Auditor General to keep in view, during future audits.

ii. Questionable Payments – Performance Management System (PMS) - K 27,556,082

Controlling Officer's Response
The Committee was informed that this irregularity was as a result of the failure to provide corporate and individual assessments. However, a schedule from the system used for individual performance assessments showing individual performance scores was available for audit verification.

Committee's Observations and Recommendations
The Committee is concerned that the Controlling Officer failed to provide the necessary documents to close this matter during the audit process and sternly cautions Management against such conduct. The Committee directs that the supporting documents be availed for audit verification subject to which the matter should close.

iii. Failure to Act on Actuary Recommendations

Controlling Officer's Response
The Controlling Officer attributed the failure to act on the recommendations to a lack of an actuarial report for the Authority to interpret.

Committee's Observations and Recommendations
The Committee finds the Controlling Officer's response unacceptable as it goes against its own Act for which it was established. The Committee sternly cautions the Controlling Officer against abrogating the provisions of the *National Pension Scheme Act No. 40 of 1996* and recommends

that disciplinary action be instituted on the officer(s) who abrogated the Act with impunity. The Committee further urges the Controlling Officer to ensure that the actuary's recommendations are implemented without further delay. The Committee will await a progress report on the matter.

iv. Corporate Social Responsibility – NAPSA Stars Football Club

- **Lack of Board Charter**

Controlling Officer's Response
The Controlling Officer assured the Committee that the Authority would ensure that a Board Charter was developed and implemented.

Committee's Observations and Recommendations
The Committee finds it unacceptable that Management overlooked putting in place a Board Charter, necessary for guiding the Football Club on how to account for funds. The Committee sternly cautions Management for this failure and urges the Controlling Officer to prioritise developing and implementing the Board Charter. The Committee will await a progress report on the matter.

- **Unsupported Payments of Board Allowances K369,710**

Controlling Officer's Response
The Committee was informed that the irregularity was as a result of lack of a board charter as well as the non-documentation of all board and committee meetings. However, in an effort to correct the situation, the Controlling Officer informed the Committee that the Authority would develop and implement a board charter that would guide the number of meetings.

Committee's Observations and Recommendations
The Committee sternly cautions the Controlling Officer for the lapse of not putting in place a Board Charter and contends that in the absence of minutes and registers it is very difficult to confirm that these meetings actually took place. Therefore, there is a high likelihood that payments were made for meetings that did not take place. The Committee, therefore, urges the Controlling Officer to expedite the implementation of the Board Charter and to ensure that the payments of the Board allowances are supported without further delay failure to which disciplinary action should be instituted on the erring officers. The Committee will await a progress report on the matter.

- **Lack of a Strategic Plan**

Controlling Officer's Response
The Committee was informed that the lack of a Strategic Plan was due to the delay in developing one. However, the Strategic Plan was developed and put in place.

Committees Observation's and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

- **Board Involvement in Management Roles**

Controlling Officer's Response
The Controlling Officer informed the Committee that there was need for the Board to strengthen financial controls given the weak controls put in place. However, the Board had been delinked from the financial management of the Authority.

Committee's Observations and Recommendations
The matter is recommended for the Auditor General to keep in view, during future audits.

- **Unsupported Payments – K882,769**

Controlling Officer's Response
The Controlling Officer explained that the lack of time by the auditors to verify information provided by the auditee, led to overstating the number of payments for which there was supposedly no supporting documentation. However, the few payments for which there was genuinely no supporting documentation could be attributed to weak financial management controls. Nonetheless, the Committee was informed that the financial management policy was put in place and qualified accounting staff had been employed.

Committee's Observations and Recommendations
The Committee urges the Controlling Officer to ensure that the payments are supported without further delay subject to which disciplinary action should be instituted on the erring officers. The Committee will await a progress report on the matter**.**

- **Unretired Imprest – K 3,292,885**

Controlling Officer's Response
The Controlling Officer explained that the unretired imprest was due to weak financial management controls. However, the Authority put in place a Pastel based control where the non-retirement of imprest was recovered from the payroll. Further, the Authority would also employ qualified accounting staff. The Committee was further informed that the officer concerned with this state of affairs was charged with gross negligence and discharged from employment.

Committee's Observations and Recommendations
The Committee notes that an officer was charged with gross negligence and discharged from employment. However, the Committee insists that Management should effect recoveries from the affected officers without further delay and disciplinary action instituted for abrogating the provisions of the Financial Regulations. A progress report on the matter will be awaited by the Committee.

- **Irregular Use of Imprest – K 2, 602,014**

Controlling Officer's Response
The Controlling Officer informed the Committee that the irregular use of imprest was as a result of unqualified staff in financial accounting. However, in order to avert the irregularity from recurring, qualified accounting staff had been employed**.**

Committee's Observation's and Recommendation's
The Committee finds it unacceptable that NAPSA would employ unqualified staff in financial accounting especially that the Authority is entrusted with colossal sums of public funds by virtue of its mandate. The Committee if particularly concerned that had the Auditor General not unearthed these serious irregularities, the status quo would have remained the same. The Committee strongly recommends that the Board and Management of the Authority be firmly cautioned for this serious lapse. The Committee further directs that disciplinary action should be instituted on the erring officers involved in the irregular use of imprest. The Committee will await a progress report on the matter.

- **Irregular Payment of Winning Bonuses – K 2,115,209**

Controlling Officer's Response
The Committee was informed that the auditors lacked time to verify information such as the winning bonuses for players and officials that were embedded in the individual contracts for the concerned players and officials. However, the winning bonuses were paid as per the contracts for the concerned players/officials except for the international games for which board approval was required.

Committee's Observations and Recommendations
The Committee finds it unacceptable that supporting evidence is only being availed after the audit, therefore, rendering the evidence to be unauthentic and unreliable. Further, it can be assumed that such documents were forged for the purposes of satisfying the audit process. The Committee cautions the Controlling Officer against this serious lapse and recommends for disciplinary action to be instituted against the officers who did not pay attention to the audit process. The Committee will await a progress report on the matter.

- **Unapproved Payments – K 817,138 and U$S 5,130**

Controlling Officer's Response
The Controlling Officer explained that this issue stemmed from a lack of understanding of the accounting procedures due to the use of unqualified accounting staff. However, in an attempt to combat this matter, the Committee was informed that the qualified accounting staff had been employed, therefore, adherence to the financial management policy would be undertaken. Furthermore, payment vouches were being approved by the appropriate officers.

Committee's Observations and Recommendations
The Committee observes that this is a very serious matter for which disciplinary action should be

instituted on the erring officers. The Committee will await a progress report on the matter.

- **Uncompetitive Procurements**

Controlling Officer's Response
The Committee was informed that the uncompetitive procurements were due to lack of Procurement Policy. However, the Authority developed the Procurement Policy to guide procurements and incorporated the Policy in the financial management policy which was currently being used.

Committee's Observations and Recommendations
The Committee is concerned with the number of irregularities surrounding the management of the NAPSA Stars Football Club and contends that the abrogation of the public finance management and procurement regulations may be deliberate in order to siphon public funds for fraudulent activities. Further, the lack of disciplinary action on the erring Officers is not helping the situation. The Committee urges the Controlling Officer to firmly caution Management for these lapses and to ensure that disciplinary action is instituted on the officers responsible for abrogating the Public Procurement Regulation in question. The Controlling Officer is further urged to ensure that internal control systems are strengthened to avoid the further loss of public funds. The Committee will await a progress report on the matter.

- **Unrecovered Advances – 160,360**

Controlling Officer's Response
The Committee was informed that the salary advance recoveries were made from all the employees. However, the payroll reports extracted and presented to the auditors were incomplete as they were missing some variable data such as housing allowances, loan deductions and other statutory deductions. The Controlling Officer further informed the Committee that the vendor for the old payroll (Dove Payroll) had been engaged to extract the full detailed payroll reports, showing all the applicable variables such as incomes and deductions. The Committee was informed that there was no salary advance outstanding and unrecovered.

Committee's Observations and Recommendations
The Committee reiterates its concern on the submission of evidence after an audit. The Controlling Officer is strongly urged to ensure that the payroll system is effectively used and closely monitored. The Committee further cautions the Controlling Officer against this query recurring and directs him to submit the supporting documents to the Auditor General for verification, subject to which the matter should be closed.

- **Unaccounted for Stores –K462,255**

Controlling Officers Response
The Committee was informed that the unaccounted for stores were due to lack of an Inventory Management Policy. However an Inventory Management Policy had been developed and was being implemented.

Committee's Observations and Recommendations
The Committee is dismayed by the response from the Controlling Officer. The Committee strongly urges the Controlling Officer to institute disciplinary action on the officers responsible for this irregularity and to put in place mechanisms to ensure that henceforth, officers perform their duties according to the Public Stores Regulations. The Committee directs the Controlling Officer to ensure that the stores in question are accounted for without further delay and availed to the Auditor General for verification. The Committee resolves to await an update on the matter.

- **Unaccounted for Funds – K9,408**

Controlling Officer's Response
The Controlling Officer attributed the unaccounted for funds to weak financial management controls. However, the Authority had enhanced controls by implementing a maker/checker process and by using the Pastel Accounting System to post transactions, as well as employ a qualified accounting staff. Further, the officer responsible for the irregularity was charged with gross negligence and discharged from employment.

Committee's Observations and Recommendations
The matter is recommended for the Auditor General to keep in view, during future audits.

- **Wasteful Expenditure on Separation of Player – K483,959**

Controlling Officer's Response
The Committee was informed that the poor management of employment contracts was due to the use of unqualified staff. However, an Administration Manager conversant with employment contracts had been employed, as well as a director with the requisite human resource experience to sit on the board and provide oversight.

Committee's Observations and Recommendations
The Committee sternly cautions against this irregularity and resolves to close the matter subject to audit verification.

17.0 NURSING AND MIDWIFERY COUNCIL OF ZAMBIA

17.1 Audit Findings
An examination of financial, accounting and other relevant records for the financial year ended 31st December 2021, carried out at the Nursing and Midwifery Council of Zambia (NMCZ) and selected stations, revealed the following irregularities, to which the Controlling Officer submitted as highlighted below.

a) Budget and Income K 9,816,697

Controlling Officers Response
The Controlling Officer clarified that the 2021 budget, was prepared based on the assumptions and estimates prevailing at that time of the Covid-19 Pandemic as guided by the Board.

Therefore, the easing of the Covid-19 restrictions and subsequent opening of training institutions was the major reason for the positive variance. Consequently, the Council recorded an increase in the number of examination candidates and hence, an increase in examination fees than anticipated. In addition, there was an increase in compliance on the indexing of nursing and midwifery students as well as the opening of new training institutions.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

b) Corporate Social Responsibility

Controlling Officer's Response
The Controlling Officer explained that payments to any transaction was made to the beneficiary's bank account. Therefore, in this particular case, the instruction to transfer the funds to Mr. Simon Mikula came from the Church and the Church Choir confirmed to have received the funds.

The Controlling Officer further submitted that the Council was in the process of developing a Corporate Social Responsibility (CSR) Policy to guide its CSR initiatives. Further, in line with Clause 23 of the Council's Board Charter, the Board approved a budget of K150, 000 in 2021, towards CSR activities. Currently, CSR activities were approved by the Registrar on a case-by-case basis, in line with Clause 23 of the Board Charter and section *8 (1) (b*) of the *Nurses and Midwives Act* of *2019,* which empowered the Registrar to make decisions on the day-to-day administration of the Council.

Committee's Observations and Recommendations
The Committee contends that without proper guidelines, the CSR may be subjected to abuse. This is because the current status quo lacks transparency in the selection of beneficiaries as a result; funds may not be used for the intended purpose. The Committee therefore, urges the Controlling Officer to ensure that the CSR Policy is expeditiously developed and implemented in order to avoid the reoccurrence of this query. A progress report on the matter, will be awaited by the Committee.

c) Accounting Irregularities

i. Irregular Provision of Lunch to Members of Staff – K 351,240

Controlling Officer's Response
The Controlling Officer explained that the provision of lunch to staff was based on *Section 23(1*) of the *Employment Code Act No.3 of 2019,* which provided for the rights and obligations of the parties to a contract and included the minimum particulars of the contract as set out in the second schedule of the Act. The Committee was further informed that *Clause 3(h)* of the *Second Schedule* also provided that where applicable, the particulars of food to be provided to an employee should be placed in the contract.

However, as a corrective measure, the Controlling Officer informed the Committee that the provision of lunch to members of staff had been included as an express term in the conditions of service, following approval by the Board on 30th December, 2022.

Committee's Observations and Recommendations
The Committee is greatly concerned that the Controlling Officer failed to provide this response and explanation to the auditors during the audit process and sternly cautions the Controlling Officer against such conduct. The Committee directs that the supporting documents must be availed for audit verification, subject to which the matter should close.

ii. Questionable Payment of Sitting Allowances – K 881,205

Controlling Officer's Response
The Controlling Officer explained that the authority to pay sitting allowances was derived from the *Nurses and Midwives Act No.31 of 1997,* (since repealed and replaced by *Section 5* of the First Schedule of the *Nurses and Midwives Act No.10 of 2019*). He further submitted that the Minister of Health approved the allowances for the staff of the Council sitting as secretariat, during all Board meetings in accordance with the *Act*.

Committee's Observation's and Recommendation's
The Committee observes that while Management has sufficient time to avail the necessary information required to address the query during the audit process, the Council is only availing this information after the audit process, a situation which the Committee finds unacceptable. The Committee is of the view that stern disciplinary action must be instituted against the officers responsible for failing to cooperate with the auditors during the audit process. The Committee further directs that the supporting documentation should be submitted for audit verification after which the matter should be closed.

d) Procurement Matters

i. Single Sourcing – K172,081

Controlling Officer's Response
The Controlling Officer informed the Committee that K99, 147.52 from the K172, 081, was single sourced for the repair works of the Toyota Land Cruiser ABT 3529, dated 31st December, 2021. He further informed the Committee that the matter was noted as a mis-procurement by the Council's Procurement Committee and the necessary disciplinary proceedings were instituted against the erring officer in line with the Council's Disciplinary Code and the Zambia Public Procurement Act, 2020.

In order to prevent future mis-procurements, the Committee was informed that Management had conducted a capacity building training with support from the ZPPA, for the end users, on the ZPPA regulations and procurement procedures.

Committee's Observations and Recommendations
The Committee finds the single sourcing a clear indication that there are weak internal controls on procurement management at the Council, arising from poor supervision. The Committee urges the Controlling Officer to ensure that internal revenue management controls are tightened to avoid the recurrence of the irregularity. The matter is recommended for the Auditor General to keep in view, during future audits.

ii. Irregular Splitting of Procurements

Controlling Officer's Response
The Controlling Officer clarified that there were two different purchases, for two different products, meant for different categories of nursing students. He further explained that the purchase was for resale and not stocking and was based on the demand and need that arose at the time.

Therefore, the purchase requisitions were raised based on the need and recognition. In this regard, the notion of taking open bidding as the only competitive procurement method was incorrect. Simplified bidding was also a competitive procurement method. In view of the foregoing, the notion of open bidding was misplaced, as the schedule referred to in the audit query should be read together with Section 12(1), of the Public Procurement Regulations of 2011.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

e) Staff Matters

i. Sale of Motor Vehicle to the Registrar

- **Irregular Procurement of Personal to Holder Vehicles K1,120,835**

Controlling Officer's Response
The Controlling Officer explained that the Registrar's conditions of service were determined by the Board, as provided for under *Section 4(2)* of the Nurses *and Midwives Act, 1997* (since amended) and *Section 8(2) of the Nurses and Midwives Act of 2019.*

However, going forward, the Controlling Officer informed the Committee that the conditions of service for the Council would be in line with the requirements of the *Emoluments Commission Act* as guided in Cabinet Office Circular Number 14 of 2022.

Committee's Observations and Recommendations
The Committee observes with concern that the procurement of personal to holder motor vehicles in parastatal bodies and statutory institutions has been subjected to abuse despite the Cabinet Office Circular No 17 of 2016, abolishing the provision of personal to holder motor vehicles in the public service. The Committee observes that the major reason for the abrogation is because

the public institutions hold the view that the Cabinet Circular is subservient to the respective Acts of Parliament that determine the conditions of services for the staff in the public service, on the procurement of personal to holder motor vehicles. The Committee, therefore, urges the Secretary to the Treasury to engage the Secretary to the Cabinet and make it clear to all the parastatal bodies and statutory institutions that the Cabinet Office Circular No 17 of 2016 is a delegated legislation and therefore, supersedes the provision of the respective Acts of Parliament that determine the conditions of services for the staff in the public service, on the procurement of personal to holder motor vehicles. The current status quo is a huge cost to the Government and is hampering the operations of the institutions in some instances. A progress report will be awaited by the Committee.

- **Questionable Calculation of Depreciation**

Controlling Officer's Response
The Controlling Officer informed the Committee that the Ministry of Works and Supply (now Ministry of Transport and Logistics) was engaged, to explain the perceived undervaluation. However, a response from the Ministry was still being awaited.

Committees Observations and Recommendations
The Committee observes with concern that the entire transaction is highly flawed and may result into the loss of funds by the Council due to the undervaluation. The Committee in this regard, urges the Controlling Officer to institute a forensic audit into this matter, in order to rule out connivance between Management and officers from the Ministry of Transport and Logistics, among other things. A progress report will be awaited by the Committee.

18.0 PUBLIC SERVICE PENSIONS FUND

18.1 Audit Findings

An examination of financial and other records maintained at the Public Service Pensions Fund (PSPF) for the financial years ended 31st December, 2020 and 2021, revealed the following irregularities, to which the Controlling Officer submitted as highlighted below.

a) Budget and Income K 1,101,880,742 /K2,740,368,304

Controlling Officer's Response
The Controlling Officer informed the Committee that the 2020 and 2021 budgeted allocations were 100% funded with supplementary funding in order to ensure that the retiring members were not destitute. The Committee was further informed that the funding helped reduce the waiting period from over two to three years to less than six months. The Fund was also working on ensuring that the waiting period was reduced to three months.

With regard to the sources of income, the Committee was informed that the Fund recorded a significant increase in investment income. The Committee was informed that the Fund's strategy had been to grow the net assets and investment income, in order to help reduce the actuarial deficit and ease the pressure on the Treasury, to meet pension benefit obligations, especially the monthly pension bill, which had been growing since more members were retiring.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

a) Analysis of Financial Statements -Inadequate Dependency Ratio

Controlling Officer's Response
The Controlling Officer informed the Committee that when NAPSA was established in 2000, it was believed that the PSPF was closed to new entrants. As a result of the gap in interpreting the law, public service workers who joined work in and after 2000, after the commencement of the operations of NAPSA, were not covered by PSPF. This, therefore, misaligned the dependency ratio from the desired 1:5 as highlighted.

Therefore, in order to address the situation, the Committee was informed that the PSPF, under pension reforms, made proposals to open the scheme to new entrants so that the liquidity and dependency ratios were improved. However, the reforms were currently at stakeholder engagement stage.

Committee's Observations and Recommendations
The Committee observes with concern that the PSPF has been reduced to dealing with legacy entrants as a result of the gap in interpreting Article 187 of the Constitution as well as (g) of the Second Schedule of the NAPSA Act, therefore, misaligning the dependency ratio from the desired 1:5. The Committee in this regard implores the Secretary to the Treasury to prevail over this matter and ensure that the stakeholders' engagement on the pension reforms is expedited to a positive conclusion, in order to turn the misfortunes of PSPF around. A progress report on the matter will be awaited by the Committee.

b) Operational Matters

i. Deteriorating Actuarial Position

Controlling Officer's Response
The Controlling Officer informed the Committee that the actuarial deficit continued to increase because of the inadequate dependency ratio arising from the presumed closure of the Fund to new entrants, therefore, leading to reduced funds available for investments, among other things.

Further, in the last actuarial valuation, the Committee was informed that the actuaries made recommendations, which were analysed and handled as follows:

- Lump Sum Cash Injection
  This recommendation had been implemented and the Government had provided a budget line every year, towards dismantling the outstanding pension arrears.

- Additional Regular Contributions
  This recommendation was being pursued through the proposed pension reforms referred

to above.

- Implementation of the Reduction of Benefits on Early Retiremen
  This recommendation was not in line with Article 187 of the Constitution.

- Commutation Factors not Being a Fair Reflection of the Value of the Pension in Payment
  This recommendation was not in line with Article 187 of the Constitution.

With the above recommendations in mind, the Controlling Officer informed the Committee that the Fund proposed pension reforms, however, the recommendations were at stakeholder engagement stage.

Committees Observations and Recommendations
The Committee is concerned with the inordinate delay it has taken to conclude the stakeholders' engagement on the pension reforms, in order to turn the misfortunes of the PSPF around. The delay has resulted in the continued increase of the actuarial deficit because of the inadequate dependency ratio, arising from the presumed closure of the Fund to new entrants. The Committee in this regard, urges the Secretary to the Treasury to prevail over this matter and ensure that the stakeholders' engagement on the pension reforms is expedited to a positive conclusion, in order to turn the misfortunes of PSPF around. A progress report on the matter will be awaited by the Committee.

ii. Failure to Recover Outstanding Loans – K 24,406,861.85

Controlling Officer Response
The Controlling Officer informed the Committee that Management had reassessed and resubmitted deduction inputs for most of the non-performing microfinance loans. In view of the foregoing, the status of the 462 cases was as follows:

- Fully Paid Loans
  Twenty-four clients had fully paid up the outstanding balance.

- Retired/Separated Clients
  Sixty-five clients had since retired and a follow up was being made to ensure that the outstanding balances were recovered from their pension benefits as the loans were pension – linked.

- Active with Loan Balances Reducing
  133 loans had started performing as can be witnessed by the reduction in the loan balances.

- Non-Performing
  240 loans were still non-performing, despite making recoveries from some of the cases. This was mainly as a result of clients being highly indebted. Therefore, the full recoveries could not be made. However, the clients were being contacted in order to sensitise them on the negative impact of their actions on their retirement benefits.

Furthermore, Management had continuously been monitoring the performance of the loans in order to ensure that immediate corrective actions were taken for defaulting clients. This could be seen by the status of the cases at the time of the audit. Additionally, through the newly employed Credit Officer, the affected clients had been engaged to make good of the balances.

Committee's Observations and Recommendations

The Committee notes that the mere employing of a Credit Officer is not enough if internal controls and close supervision on loan recoveries are not enhanced. The Committee in this regard, urges the Controlling Officer to ensure that internal controls are strengthened in order to avoid the recurrence of the query. Further, monthly updates on the loan recoveries must be conducted by Management without fail. Furthermore, other measures should be put in place to manage the risk of non-performing loans besides the hiring of a Credit Officer. The Committee directs that the officers responsible for recovering the loans in question must be disciplined for failure to perform their duties. A progress report on the matter will be awaited by the Committee.

iii. Management of Investment Properties - Failure to Secure Title Deeds for the Fund

Controlling Officer's Response

The Controlling Officer informed the Committee that the PSFP would ensure that the titles were followed up with Mongu Municipal Council and the Ministry of Lands for the Solwezi Plot respectively.

Committee's Observations and Recommendations

The Committee resolves to keep the matter open until the title deeds in question are obtained as prescribed by law. The Committee will await a progress report on the matter.

c) Staff Matters-Issuance of Unsecured Loans – K3,607,987

Controlling Officer's Response

The Controlling Officer informed the Committee that the title deeds of the properties pledged, were in the custody of the Fund, as per conditions of service. The Fund's legal team, had therefore, been tasked to ensure that all the properties pledged as collateral, were registered, in order to secure the Fund's interest. The Committee was further informed that in the interim, documents had been lodged for the placement of caveats at the Ministry of Lands.

Committees Observations and Recommendations

The Committee expresses concern that it has to take an audit for PSPF to maintain a register of properties pledged as security, to secure the Fund's interest. The Committee urges the Controlling Officer to sternly caution Management for this recklessness. The Committee will await a progress report on the placement of caveats on the affected properties.

19.0 TANZANIA ZAMBIA RAILWAYS AUTHORITY

19.1 Audit Findings

An examination of financial and other records for the financial years ended 30th June, 2019 to 30th June, 2021, maintained at the Tanzania Zambia Railway Authority (TAZARA) Headquarters in Dar es Salaam, Lusaka and Mpika offices, revealed the following irregularities, to which the Controlling Officer submitted as highlighted below.

a) Budget and Income –K1,056,511,924

Controlling Officer's Response

The Controlling Officer informed the Committee that the income targets were based on the premise of the two shareholding Governments recapitalising the Authority. The Authority had planned to have nineteen locomotives and 800 wagons operating daily, have the periodic repairs of the rolling stock as well as plans to rehabilitate fourteen locomotives using the recaptalised funds, in order to generate the targeted income.

However, only the Tanzanian Government released the funds, therefore, making it difficult for the Authority to undertake the planned for revenue generating activities. In view of the foregoing, in the period under review, the Authority only managed to rehabilitate seven locomotives.

The Controlling Officer further lamented that in view of the difficulties in securing contribution towards recapitalisation, the Authority had, in the short term, introduced other revenue generating measures such as:

- open access that allowed other operators such as Calabash and AFCID, to operate on the TAZARA rail line by paying access fees;
- hiring reliable rolling stocks such as locomotives and wagons; and
- leasing idle assets such as land and buildings.

The Committee was further informed that going forward and as a long-term measure, the Ministry of Transport and Logistics, through the Council of Ministers was going to consider a revitalisation plan for the Authority, which had been approved by the Board. Furthermore, private investors were being considered to partner with the two Governments in the revitalisation of TAZARA.

Committee's Observations and Recommendations

The Committee is concerned that the negative variance is as a result of the Zambian Government's failure to honor its obligation to recapitalise the Authority. The Committee contends that this compromises the going concern of the Company and in turn, adds to its operational challenges. The Committee calls upon the Secretary to the Treasury, to urgently honor the Governments financial obligation into TAZARA, in order to enable the Authority undertake the planned for revenue generating activities. The Committee further urges the Controlling Officer to ensure that the revitalisation plan is expeditiously implemented. The

Committee will await a progress report on the matter.

b) Over Expenditure without Board Approval

Controlling Officer's Response

The Controlling Officer explained that the cited amount of over expenditure was an aggregation of over expenditure on a number of line items over a three-year period. The lines included locomotive maintenance, train service and personnel expenses. The Controlling Officer further informed the Committee that the *TAZARA Act section 15 subsection 3(f)* empowered the Managing Director to vary funds where the amount of such variation did not exceed twenty percent of the approved expenditure of that item and provided that it was notified to, and ratified by, the Board. Therefore, the 'over expenditure' that made up the cited amount of K276, 202,450 was within the threshold for the Managing Director.

Additionally, the increase in these line items was mainly due to the fluctuation of the local currencies against the United States Dollar (USD). The Committee was informed that most of the spare parts for the repair of locomotives/wagons/coaches were acquired from overseas thereby, demanding the use of the foreign currency. Furthermore, the fuel and lubricant prices increased in the period under review leading to increased costs.

The Controlling Officer further explained that due to the TAZARA operations being carried out in the two Countries with different local currencies, the employees' salaries were pegged in USD in order to achieve equal pay for equal work. Further, it was the Authority's policy to adjust the local currency salaries whenever one local currency depreciated by twenty percent or more, in order to maintain parity.

Committee's Observations and Recommendations

The Committee expresses concern that the supporting evidence to show that the excess expenditure of K 276,202,450 was notified to and ratified by the Board in compliance with the financial policies and regulations, was not availed at the time of the audit. In view of this, the Committee urges the Controlling Officer to take the audit process seriously and be proactive to avoid the recurrence of such queries. The Committee also urges the Controlling Officer to ensure that disciplinary action is instituted on the erring officers as well as ensure that all the supporting documents on this matter are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

c) Financial Analysis – Statement of Comprehensive Income for the Financial Years Ended 30th June, 2019, 2020 and 2021

i. Poor Working Capital

Controlling Officer's Response

The Controlling Officer explained that the issue of poor working capital was a historical problem for the Authority hence, the two shareholding Governments intention to provide recapitalisation funds. Since the Tanzanian Government managed to provide its share and the Zambian

Government only began to provide partial payments towards the plan in 2021, the authority had over the years, accumulated accounts payables, thereby, dampening the working capital.

The Committee was further informed that going forward and as a long-term measure, the Ministry of Transport and Logistics, through the Council of Ministers was going to consider a revitalisation plan for the Authority which had been approved by the Board. Furthermore, private investors were being considered to partner with the two Governments in the revitalisation of TAZARA.

Committee's Observation's and Recommendation's
The Committee is concerned that the Zambian Government's lack of commitment to recapitalise TAZARA, is threatening the existence of the Authority as a going concern. It is inconceivable that the authority has over the years, accumulated accounts payables, thereby, dampening the working capital as a result of Zambia's failure to honor its obligation. The Committee calls upon the Secretary to the Treasury to urgently honor the Governments financial obligation into TAZARA. The Committee further urges the Controlling Officer to ensure that the revitalisation plan is expeditiously implemented. A progress report on the matter will be awaited by the Committee.

ii. Accumulated Losses – K 4,471,000,000

Controlling Officer's Response
The Controlling Officer explained that the losses were due to the Authority not raising enough income to cover the costs as cited by the Auditor General. However, due to the short-term revenue measures introduced and earlier alluded to, the Authority had improved its income to a point of posting profits of K43 million and K7 million in 2019 and 2021 respectively.

The Controlling Officer further informed the Committee that Management was encouraged by the results of these measures and expected that with the proposed revitalisation plan, the Authority would be in a position of reversing the accumulated losses, thereby, protecting the equity base.

Committee's Observations and Recommendations
The Committee observes with concern that the Authority has continued to accumulate losses and might cease to be a going concern unless concrete measures are taken to increase the Authority's revenue and reduce its costs. In view of the foregoing, the Committee urges the Secretary to the Treasury to ensure that the Authority is recapitalised in order to improve its current status. The Committee contends that TAZRAZ is a key player in one of the major sectors of the economy in the Country and therefore, its recapitalisation must be urgently addressed. The Committee will await a progress report on the matter.

d) Operational Matters

i. Inadequate Locomotives and Coaches

Controlling Officer's Response

The Controlling Officer explained that the Authority lacked recapitalisation over the years and this made it difficult for the institution to give credibility to its capital expenditure budget which could have seen the rehabilitation and purchase of new locomotives and coaches. The Committee was informed that currently, the Authority was operating a fleet procured forty years ago and hence, had a high maintenance cost as spares were scarce.

The Controlling Officer further lamented that the institution‘s target of running nineteen locomotives and coaches was based on the pledge by the two shareholding countries which was not honored. This affected the available funds to have all the targeted nineteen locomotives serviced, thereby, affecting the tonnage of cargo the Authority could transport. The Committee was informed that on average, the Authority operated twelve locomotives during the period under review, four of which were for passenger locomotives and eight for cargo.

Committee's Observations and Recommendations

The Committee observes with concern that the inadequate locomotives and coaches are affecting the Authority's ability to raise the much needed revenue for its operations. In this regard, the Committee urges the Controlling Officer to ensure that the matter is laid before the Council of Ministers for consideration of recapitalising TAZARA, in order to improve the Authority's operations for revenue generation. The Committee will await a progress report on the matter.

ii. Failure to Meet Production Targets

- **Mununga Quarry – Mpika**

Controlling Officer's Response

The Committee was informed that the reason behind the low production at Mununga Quarry in Mpika was due to old machinery which often broke down. Therefore, considering the limited capital injection, the Authority had to phase the purchase of new equipment, hence the new machinery at Mbeya quarry in Tanzania.

Furthermore, in order to ensure the effective use of the Mununga asset, the Controlling Officer explained that the Authority was seeking to enter into a Public Private Partnership (PPP) for the mining of the quarry. To this effect, the Authority was re-advertising the tender after the earlier company awarded proved incapable.

Committee's Observations and Recommendations

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

- **Concrete Sleeper Plant at Kongoro Quarry – Mbeya**

Controlling Officer's Response

The Controlling Officer informed the Committee that the excavator, drilling rig and dump trucks at the plant were procured from the funds that Tanzania, as a shareholding Government, released to the Authority. However, with the delay by the Zambian Government honouring its pledged share, it had been difficult for the Authority to maintain a healthy working capital. The lack of a healthy working capital, therefore, made it difficult for the Authority to procure the necessary inputs required to manufacture the concrete sleepers, thereby, affecting the production capacity of the plant.

The Committee was further informed that going forward and as a long-term measure, the Ministry of Transport and Logistics through the Council of Ministers was going to consider a revitalisation plan for the Authority which had been approved by the Board. Furthermore, private investors were being considered to partner with the two Governments in the revitalisation of TAZARA.

Committee's Observations and Recommendations

The Committee is concerned that the Zambian Government's lack of commitment to recapitalise TAZARA is threatening the existence of the Authority as a going concern. The lack of a healthy working capital, therefore, makes it difficult for the Authority to procure the necessary inputs required to manufacture the concrete sleepers, thereby, affecting the production capacity of the plant. The Committee calls upon the Secretary to the Treasury to urgently honour the Governments financial obligation into TAZARA. The Committee further urges the Controlling Officer to ensure that the revitalisation plan is expeditiously implemented. A progress report on the matter will be awaited by the Committee.

iii. Wasteful Expenditure on Avoidable Accidents - K 85,420,510

Controlling Officer's Response

The Controlling Officer informed the Committee that in a bid to minimise accidents, the Authority had in the period under review prioritised track maintenance by repairing the permanent way and rolling stock within its limited available resources. The Authority had also invested in the production of concrete sleepers though not at full capacity. The Authority also invested in the training of operatives in order to ensure the adherence to safety standards.

It was, therefore, regrettable that the old tracks and equipment coupled with limited investment in maintenance had not made it easy for the Authority to achieve zero accidents. The Committee was informed that the rail track had sections that were prone to dilapidation due to adverse weather conditions. Further, the TAZARA rail track was a single line and whenever an accident occurred, the line was closed until after repairs were undertaken as a safety precaution hence, the cited loss of revenue.

Committee's Observations and Recommendations

The Committee expresses grave concern at the failure by the Authority to prioritise safety by ensuring that the Authority implements measures to minimise avoidable accidents and subsequently the loss of revenue and unnecessary disruptions of services. The Committee in this regard, urges the Controlling Officer to make sure that the matter is laid before the Council of Ministers for consideration of recapitalising TAZARA, in order to address this serious concern. The Committee will await a progress report on the matter.

e) Procurement Matters

i. Lack of Contracts

Controlling Officer's Response
The Controlling Officer explained that the Authority had running contracts with the two cited companies. However, at the time of the audit, the contracts had expired and were in the process of being renewed. The contracts had since been renewed and were available for audit verification.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

ii. Uncompetitive Procurements – K 171,995

Controlling Officer's Response
The Controlling Office informed the Committee that Management had warned the officers who erred and did not follow laid down procurement procedures.

Committee's Observations and Recommendations
The Committee sternly cautions Management against the reoccurrence of this query. The matter is however recommended for closure subject to audit verification.

f) Accounting Irregularities

i. Unaccounted for Stores – K911, 162

Controlling Officer's Response
The Controlling Officer informed the Committee that the cited items were purchased and put into immediate use as they were urgently required. Therefore, the items were received by the end user units and not stores. Nonetheless, Management had taken disciplinary action against the erring officers for flouting procedures.

Committee's Observations and Recommendations
The Committee sternly cautions Management against the reoccurrence of this query. The Committee urges the Controlling Officer to ensure that the accounted for stores are availed for audit verification, subject to which the matter should close.

ii. Failure to Collect Rentals

Controlling Officer's Response
The Controlling Officer explained that the cited debts were accumulated five years prior to the period under review. In this regard, efforts to collect the receivables had proved futile in that the debtors had ceased operating. However, Management had since drafted a board paper to have the receivables written off. The Controlling Officer further explained that through these efforts, the Authority had also seized assets belonging to some of the debtors and amounts would be recovered through the selling off of the asset. Furthermore, Management had been directed to enhance collection measures.

Committee's Observations and Recommendations
The Committee observes that TAZARA has been bemoaning inadequate funds and therefore, finds Management's failure to collect funds due to the Authority through rentals unacceptable. The Committee urges the Controlling Officer to ensure that the debt collection measures put in place yield the desired results. The Controlling Officer is further urged to ensure that going forward; rent is current with the sitting tenants in order to avoid further debt. A progress report on the matter will be awaited by the Committee.

f) Administrative Matters

i. Failure to Secure Title Deeds

Controlling Officer's Response
The Controlling Officer explained that the Authority had been pursuing the title deeds and through these efforts, the tile deeds for Kasama and Kapiri Mposhi had been obtained. The Authority would continue making efforts to obtain the remaining title deeds.

Committee's Observations and Recommendations
The Committee notes the response and directs the Controlling Officer to continue making the necessary follow-ups on the issuance of the title deeds in question. The Committee will await a progress report on the matter.

ii. Cutting and Sawing of Overgrown Eucalyptus and Pine Trees – Questionable Engagement

Controlling Officers Response
The Controlling Officer informed the Committee that effective disciplinary action had been taken against the officers who flouted the procurement procedures. The contract was awarded to the individual who had in the preceding period, been helping with the cutting of the overgrown trees with the payment being in form of the cut pieces of timber.

Committee's Observations and Recommendations
The Committee sternly cautions Management against the reoccurrence of this query. The matter is however, recommended for closure subject to audit verification.

iii. TAZARA Construction Unit

Controlling Officer's Response
The Committee was informed that the lack of financing for capital expenditure affected the ability of the Authority to maintain and replace old machines. This had led to the failure by the construction unit to operate at full capacity. The Committee was further informed that all the machines and equipment at the Construction unit were bought in 1980 and had never been replaced since, making it difficult to find spare parts on the market for maintenance.

The Committee was further informed that going forward and as a long-term measure, the Ministry of Transport and Logistics through the Council of Ministers was going to consider a revitalisation plan for the Authority which had been approved by the Board. Furthermore, private investors were being considered to partner with the two Governments in the revitalisation of TAZARA.

Committee's Observations and Recommendations
The Committee urges the Controlling Officer to ensure that the revitalisation plan is expeditiously implemented, to enable the unit achieve its objective. A progress report on the matter will be awaited by the Committee.

iv. TAZARA and the Copperbelt University Academic Business Partnership Agreement

Controlling Officer's Response
The Controlling Officer informed the Committee that following the signing of the memorandum, the detailed implementation plan with regards the 100% waiver of fees was not fully discussed and put in place, hence, the delay to enrol members of staff with the Copperbelt University (CBU). However, following a meeting held in November, 2022, between the University and TAZARA, this was resolved and a clear costing to the Authority fully resolved. The Committee was informed that TAZARA was scheduled to enrol six students at the University and the selection process for the six students was underway.

The Committee was further informed that the delay in the University to settle the cited rental balance was due to the unresolved cost of renovations that the University wanted set off. To this effect, reconciliation were undertaken and Management had been making follow-ups to ensure the CBU payed its agreed outstanding rent in time.

Committee's Observations and Recommendations
The Committee resolves to await a progress report on the matter.

h. Staff Matters - Failure to Remit Statutory Obligations

Controlling Officer's Response
The Controlling Officer explained that the failure was attributed to cash flow challenges that the Authority was addressing with the cited statutory bodies. However, in a bid to resolve the matter,

Management had entered into a Memorandum of Understanding (MoU) on the settlement of the outstanding amounts, to which the authority was adhering to until the Chambeshi bridge accident. The Committee was further informed that the Zambian Government had in the 2023, financial year, released a total of K72.6 million towards the MoU with the Zambian statutory institutions. Thus, the two shareholding Governments were working towards fully addressing this issue.

Committee's Observations and Recommendations

The Committee expresses disappointment at the Authority's failure to remit these statutory obligations on time, as failure to do so results in the imposition of huge penalties, which could lead to the loss of public resources. This will affect the Authority's financial position and consequently, its ability to execute planned programmes. The Committee, therefore, urges the Controlling Officer to ensure that the statutory obligations are honored on time to avoid penalties being charged on the Authority. The Committee resolves to keep the matter open until the outstanding statutory obligations are settled. Therefore, a progress report on the matter will be awaited by the Committee.

*2*0.0 TROPICAL DISEASES RESEARCH CENTRE

20.1 Audit Findings

An examination of accounting and other records maintained at the Tropical Diseases Research Centre (TDRC), carried out in May, 2022, revealed the following irregularities, to which the Controlling Officer submitted as highlighted below.

a) Budget, Funding and Expenditure – K21,473,747

Controlling Officer's Response

The Controlling Officer noted the audit.

Committee's Observations and Recommendations

The Committee is concerned that the Center's income is below budget and observes that this may result in the failure to meet its operational costs. Going forward, the Management of the Centre is urged to budget realistically, as opposed to overstating the Institution's budget. The Committee, further, urges the Controlling Officer to ensure that the Center devises realistic and achievable revenue targets in order to avoid such huge deficits. The matter is recommended for the Auditor General to keep in view, during future audits.

b) Operational Matters – Failure to Obtain Authority – External Grants

Controlling Officer's Response

The Controlling Officer informed the Committee that Management would ensure that approvals were obtained from the Minister of Health before any money was accepted.

Committee's Observations and Recommendations

The Committee notes with dismay the action by the TDRC Management to receive funds without seeking prior authority from the Minister, contrary to the provisions of the *Tropical Diseases Research Centre Act No. 31 of 1982.* The Committee contends that this serious irregularity may result in the possible misuse of funds obtained externally. The Committee urges the Controlling Officer to institute disciplinary action on the erring officers and to sternly caution Management to desist from this practice but endeavor to follow laid down legal provisions forthwith. The Committee will await a progress report on the matter.

c) Procurement of Goods and Services

i. Supply of Uninterrupted Power Supply (UPS) Units – K49,867

Controlling Officer's Response
The Controlling Officer informed the Committee that the remaining unit was delivered on the 1st September, 2022.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

ii. Supply of A4 Reams of Bond Paper – Undelivered Paper

- **Irregular Payment to the Supplier K 66,960**

Controlling Officer's Response
The Controlling Officer explained that the payment for the bond paper was made only after authorisation from the Procurement Committee and the signing of the contract with the supplier. He informed the Committee that authorisation was granted on 20th August, 2021 and the contract with the supplier was signed on the 31st August, 2021, while the payments were made on the 13th September, 2021 and 8th October, 2021 respectively.

Committee's Observations and Recommendations
The Committee finds the act of making a payment before signing the contract questionable and mistrustful as it may be evidence of an improper relationship between the Centre and the supplier. The Committee urges the Controlling Officer to fully investigate the matter and appropriate disciplinary action should be taken. The Committee resolves to await a progress report on the matter.

- **Undelivered Paper**

Controlling Officer's Response
The Controlling Officer informed the Committee that the supplier, Trade Mix Kvazar was based in Ukraine. Therefore, the break out of war in Ukraine frustrated the contract (force majeure) and impeded the delivery of the bond paper as per contract terms, which consequently, led to the delay in the delivery.

The Controlling Officer further informed the Committee that despite the delay in delivery, Trade

Mix Kvazar informed the Center that they had relocated to Turkey and remained committed to ensuring that the delivery of paper was made, and that the bond paper was in Turkey awaiting shipping to Zambia. However, after the earthquake in Turkey, the contact with the contracted Company was lost, further aggravating the situation.

Committee's Observations and Recommendations
The Committee finds the response by the Controlling Officer unacceptable and inadmissible and highly questions the rationale of engaging a foreign company for the supply of bond paper which can be locally accessed. The Committee further observes that the expected delivery period for the bond paper was within four to six weeks, which was before the breakout of the war in Ukraine. The Committee, therefore, recommends that the matter be reported to the relevant investigative wings for further probing and possible prosecution. The Controlling Officer is further urged to enhance supervision at the Centre in order to avoid the recurrence of the query. A progress report on the matter will be awaited by the Committee.

- **Circumvention of Procurement Procedures K 363,997**

Controlling Officers Response
The Controlling Officer explained that the procurements in question related to laboratory supplies, mainly reagents that were used for Covid-19 testing. He informed the Committee that the procurements were made during the peak of Covid-19 Pandemic and were done in response to the frequent demands or requests by the end users (laboratories). Therefore, the purchase requisitions were made at different times when the need arose. The Committee was further informed that the rate at which the supplies were consumed was very high as the Centre was catering for both the general public and the Ministry of Health, as a national testing centre. As a result of the frequent requests to test, the Controlling Officer informed the Committee that the procurements appeared as though they were splitting when in fact not. However, Management would ensure that procurement guidelines and regulations were adhered to all the time.

Committees Observations and Recommendations
The Committee finds it unfortunate that the Director made a decision in excess of his jurisdiction and ignored well stipulated procurement guidelines. The Committee contends that such circumvention of tender procedures can result in the loss of public funds due to inflated purchase prices. In this regard, the Committee strongly urges the Controlling Officer to ensure that procurement guidelines are always adhered to by officers at TDRC in order to avoid the risks highlighted. The Committee, however, resolves to close the matter subject to audit verification.

d) Management of Liabilities – Failure to Settle Obligations K 41,962,327

Controlling Officer's Response
The Controlling Officer informed the Committee that the outstanding obligations related to penalties that had accrued over a period of years occasioned by the late or non-remittance of the Government monthly grant by the Ministry of Finance and National Planning, to the Centre.
However, Management had since been in engagement with the Secretary to the Treasury, to assist in settling the outstanding amounts or better still, waive them. Management had also begun

the process of entering into an amnesty agreement with ZRA, with the view of settling the balance of K11, 599, 139.

The Committee was further informed that the Centre had a running agreement with NAPSA, in order to clear the sum of K305, 719.26 from the outstanding balance of K29, 970, 561 which was the principal amount. The Controlling Officer also explained that the balance on the terminal benefits related to a former employee who did not show willingness to collect the funds as she was on secondment to TDRC, from the Ministry of Health.

Committee's Observations and Recommendations

The Committee finds it unacceptable that it had to take an audit for the Controlling Officer to realise that TDRC had obligations to settle. The Committee sternly cautions Management for this failure and cautions the Controlling Officer to ensure that the outstanding obligations are expeditiously settled. Further, measures should be put in place to avoid the further accumulation of debt. The Committee will await a progress report on the matter.

21.0 UNIVERSITY OF ZAMBIA

21.1 Audit Findings

A review of accounting and other records for the period under review, revealed the following irregularities, to which the Controlling Officer submitted as highlighted below**.**

a) Governance

i. Failure to Appoint a Full Council

Controlling Officer's Response

The Controlling Officer informed the Committee that the appointment of the University Council was a preserve of the Minister's Office. Therefore, the University Management awaited the guidance on the appointment of the Council. However, a Caretaker Committee had been in place since 2015, as provided for in *Section 32 (2) of the Higher Education Act no. 13 of 2013.*

Committee's Observations and Recommendations

The Committee is concerned that UNZA had been operating without a full Council for eight years and the Controlling Offer has failed to provide a satisfactory response as to why this is the case. The Committee contends that as the chief principal advisor to the Minister in the Ministry, the Controlling Officer must advise the Minister on the consequence of this serious omission on the University. The Committee sternly cautions the Controlling Officer for failing in this duty and urges her to expeditiously engage the appointing authority to appoint the Council without further delay. The Committee will await an update on the matter.

ii. Inadequate Caretaker Committee Composition

Controlling Officer's Response

The Controlling Officer informed the Committee that the appointment of the University Council was a preserve of the Minister's Office. Therefore, the University Management awaited guidance on the appointment of the Council.

Committees Observations and Recommendations

The Committee expresses disappointment that the Minister appears to be spearheading irregularities by ignoring the provisions of the *Higher Education Act No 4 of 2013* read with *Section 31* of the *Higher Education (Amendment) Act No 23 of 2021*. It is unacceptable that critical experts required by law are missing on the abridged caretaker Committee. Because of this, specialised skills required to deal with specific matters are missing on the Committee. Further, this omission denies the University the chance to tap from various experts as provided for by the Acts, for its renewal and growth. The Committee therefore, urges the Minister to expedite the appointment of a full Council with the requisite experts. A progress report on the matter would be awaited by the Committee.

iii. Failure to Submit Financial Reports

Controlling Officer's Response

The Controlling Officer informed the Committee that Management planned to be up to date with the audited financial statements prior to 2022. However, the plan was derailed due to the outbreak of the Covid-19 Pandemic which disrupted the audit process. However, the auditors had completed the audit of the University of Zambia's 2019 financial statements which would be approved by the Council in March, 2023.

Furthermore, the University had drawn up a revised work plan and had appointed a task team to prepare the financial statements for the years ended 31st December, 2020, 2021 and 2022.

Committee's Observations and Recommendations

The Committee observes that the failure to prepare audited financial statements is an indication that the Management appointed to oversee the operations of the University is failing in its duties. It is unacceptable for such a big University receiving colossal sums of money to have no authentic records to show the prudent use of the financial resources. The Committee, therefore, strongly urges the Controlling Officer to caution Management for this failure and institute disciplinary action on the erring officer(s) for failure to secure the financial statements. The Committee further urges the Controlling Officer to ensure that the audited financial statements in question are prepared without further delay and submitted to the Officer of the Auditor General for verification. The Committee will await a progress report on the matter.

b) Budget and Income – K2,397,200,629

Controlling Officers Response

The Controlling Officer acknowledged the observations by the Auditor General regarding the budget and income.

Committee's Observations and Recommendations

The Committee observed that the University is receiving a lot of money from the Treasury and other income sources such as tuition fees and is concerned with the absence of the financial statements showing the prudent use of the financial resources. In this regard, the Committee reiterates that the Controlling Officer should insist and ensure the timely preparation of the audited financial statement in order for the amount of monies received to be properly accounted for. The Committee will await a progress report on the matter.

c) Operational Matters

i. Outstanding Debt of the University k 5,299,384,679

Controlling Officer's Response

The Controlling Officer informed the Committee that the University was unable to honor most of the outstanding debt due to liquidity challenges. However, the University had come up with a Financial Sustainability Framework that outlined actions required to improve the University's financial performance and position.

The Committee was further informed that during the year 2022, the University had made some payments towards some of the outstanding obligations using internally generated and Government funds as highlighted below.

Creditor	Amount paid K'Million
Zambia Revenue Authority	6.2
NAPSA	4.8
NHIMA	7.3
Workers Compensation	1.2
Contractors and Suppliers	13.7

The Controlling Officer further informed the Committee that the University signed TTPAs with the workers compensation and National Health Insurance Management Authority (NHIMA) on the outstanding obligations. As a result of the signed TTPAs, the Workers Compensation wrote-off part of the interest and penalties.

Committee's Observations and Recommendations

The Committee is alarmed to note that UNZA has accumulated such huge amounts in debt to the tune of five billion Kwacha and contends that this is proof that the University is being grossly managed. It is inconceivable that the Institution is already in debt of seventeen million with the recently operationalised NHIMA. The Committee perceives this to be a sign of laxity by Management in prioritising the dismantling of these obligations as and when they fall due. The Committee, therefore, urges the Controlling Officer to prioritise the settling of the standing liabilities without further delay and ensure that going forward, these liabilities are settled as and when they fall due. A progress report on the matter will be awaited by the Committee.

ii. **Failure to Liquidate the Loan Obtained From Ministry of Finance U$S 51,649,437.19**

Controlling Officers Response

The Committee was informed that following the Ministry of Finance's reservations to write-off the loan, Management engaged the Ministry to help renegotiate the loan terms in particular, since the University had no capacity to repay the Loan.

Committees Observations and Recommendations

The Committee finds it unfortunate that the UNZA Management allowed a loan of US$ 2, 2000,000 to incur wasteful expenditure in penalties of US$47,917,458.5 and observes that the length of time it has taken to liquidate the loan from the Ministry of Finance has deprived the Government of the much needed revenue for financing various programmes. The Committee in this regard, sternly cautions Management for this wasteful expenditure and directs that the Controlling Officer expedites the engagement with the Ministry on the renegotiation of the loan, in order to avoid further wasteful expenditure through the payment of interest and penalties. A progress report on the matter will be awaited by the Committee.

iii. **Research and Consultancy Projects – Failure to Maintain a Database**

Controlling Officers Response

The Controlling Officer submitted that the University had started the development of a Consultancy and Projects Online Repository System for project management and the status tracking of projects. Management estimated that the development of the Repository System would be completed by 30th June, 2023.

Committees Observations and Recommendations

The Committee is concerned that the UNZA Management only took action after the findings by the auditors and contends that this failure might be deliberate as the absence of a database for tracking collected income from research and consultancy creates a leakage in revenue. The Committee, therefore, urges the Controlling Officer to arrest the situation by ensuring that the Consultancy and Projects Online Repository System is expeditiously developed. A progress report on the matter will be awaited by the Committee.

d) Staff Related Costs

i. **Irregular Disposal of Personal to Holder Motor Vehicles**

Controlling Officer's Response

The Controlling Officer informed the Committee that Management sold the vehicles to the Officers in accordance with their contracts of employment. The Controlling Officer further explained that in 2010, one officer was offered an appointment as Deputy University Librarian for a period of three years while another officer was appointed as Deputy Registrar – Council, from 2012 to 2015. Therefore, the conditions of service for the Deputy Librarian and the Deputy

Registrar – Council, entitled them to buy their personal to holder motor vehicles at book value, at the end of their contract period, if the contract of employment was not renewed. In view of the foregoing, the contracts for the two were not renewed and the officers were offered to buy their personal–to-holder vehicles at the end of their contracts as Deputy Librarian and Deputy Registrar.

The Committee was further informed that the two officers where later employed on different contracts as Librarian and Registrar respectively. Therefore, the terms of their new contracts entitled them to purchase their personal to holder vehicles at book value at the end of their contract periods if their contracts were not renewed.

Committee's Observations and Recommendations
The Committee is greatly concerned that the Controlling Officer failed to provide these responses and explanations to the auditors during the audit process and sternly cautions the Controlling Officer against such conduct. The Committee further urges the Controlling Officer to institute disciplinary action against the erring officers and directs that the supporting documentation be availed for audit verification after which the matter should closed.

ii. Failure to Pay Retirees Terminal Benefits

Controlling Officer's Response
The Controlling Officer informed the Committee that the nonpayment of benefits to the retirees resulted in maintaining the retirees on the payroll as provided for in the Constitution of Zambia. Further, the Government funding to the University was below the operational costs; therefore, the University was unable to dismantle the statutory obligations.

The Controlling Officer further informed the Committee that the Government released a sum of K156, 000,000.00 in the years 2021 and 2022, which was used to pay part of the outstanding staff terminal benefits**.**

Committee's Observations and Recommendations
The Committee resolves to keep the matter open until the outstanding retiree's terminal benefits are paid. The Committee will, therefore, await a progress report on the matter.

e) Procurement Matters

i. Wasteful Expenditure on the Purchase of Live Virtual Classroom – Institute of Distance Education-K12,298,534

- **Non-Operational Virtual Classroom**

Controlling Officer's Response
The Controlling Officer explained that the Live Virtual Classroom (LVC) was bought during the peak of the Covid-19 Pandemic. It was one of the identified quick fix solutions to minimise disruptions in distance learning programmes. Despite it not being budgeted for, Management had

executed a budget variation from the buildings budget line, to the procurement of the LVC, without affecting the ultimate objective of distance learning. Furthermore, the LVC system was accepted in July, 2020, after a preliminary test of all system functions which were found functional.

However, during the July, 2020, residential school, the System had some stability challenges that were first attributed to a constant power failure due to load shedding by ZESCO. The University did not have adequate backup power to support the LVC when there was no power supply. However, this was resolved in October, 2020, by connecting the equipment to the Centre for Information and Communication Technologies (CICT), Uninterruptible Power Supply (UPS). In September, 2022 the Committee was further informed that the work on the stabilisation of the LVC system was halted as the systems were shut down due to one of the air conditioners in the server room being damaged. This action was meant to protect the equipment from damage. Nevertheless, the University had since procured and installed air conditioners for the server room. The University would resume the work of resolving the system instability and later deploy the system for use.

Committees Observations and Recommendations
The Committee will await a progress report on the matter.

- **Lack of Budget Provision for the Purchase of Virtual Classroom Equipment**

Controlling Officer's Response
The Controlling Officer explained that the University executed the budget variation in line with part 4 subsection 4.3 and not Section 5.5 of the 2015 University of Zambia Financial Regulations, which stated that "variations of budget sums from one budget line to another may be proposed by the budget holder who shall seek permission of the Vice-Chancellor for each variation. The Vice-Chancellor shall exercise discretion to approve or disapprove an application to vary a budget line". The budget variation was, therefore, done from the buildings budget line to the equipment budget line.

Committee's Observations and Recommendations
The Committee finds the Controlling Officer's response inadmissible as part 4 subsection 4.3 of the UNZA Financial Regulations was not the applicable provision to conduct this variation. The Committee, therefore, sternly cautions the Controlling Officer to act only within the provisions of Section 5.5 of the 2015, University of Zambia Financial Regulations in future, when faced with emergencies, to avoid the recurrence of this anomaly. The matter is recommended for the Auditor General to keep in view, during future audits.

ii. **Construction of the Village Chicken Demonstration Site-Failure to Complete the Works – K 2,082,435**

Controlling Officer's Response
The Controlling Officer informed the Committee that the construction of the project was being financed by the Bill and Melinda Gates Foundation through Technoserve Limited. Ideally, the

construction of the village chicken project should have run in tandem with the duration of the funding agreement. However, due to the delay in power connection by ZESCO and the disruptions in the supply chain caused by the Covid-19 Pandemic, the construction project was behind schedule. Consequently, when the funding agreement expired in 2022, the construction works were still in progress. As such, funding for this project could no longer be accessible from the Bill and Melinda Gates Foundation through Technoserve Ltd. However, the village chicken project had since commenced operations and the University was looking for alternative financing to complete the remaining works of the project.

Committee's Observations and Recommendations
The Committee notes that the outstanding works are completed and the project is operational. Therefore, the matter is recommended for closure subject to audit verification.

iii. Construction of a False Roof at the School of Mines

- **Failure to Complete Works - K297,250**

Controlling Officer's Response
The Committee was informed that the contractor was unable to procure the materials required to complete the works, due to building materials price escalations. However, the University was currently reviewing proposals to either re-engage the same contractor on a contract that accommodated the price escalations or engage a different one. Therefore, the decision to re-engage the same contractor or a different one would be concluded within March, 2023.

Committee's Observations and Recommendations
The Committee urges the Controlling Officer to take keen interest in scrutinising contracts at UNZA before they are signed, in order to avoid the possible pilferage of funds through variations and possible collusion. The Controlling Officer is further urged to ensure that the remaining works are completed without further delay. A progress report on the matter will be awaited by the Committee.

- **Failure to Charge or Deduct Liquidated Damages**

Controlling Officers Response
The Controlling Officer explained that Management could not charge liquidated damages because the delay in the timely completion of the works were partially caused by the University's delayed payments to the contractor due to cash flow timely differences.

Committee's Observations and Recommendations
The Committee is concerned with the Managements failure to claim liquidated damages on account of delayed payments to the contractor. The Committee contends that it is unacceptable that the Institution engaged the contractor without adequate resources. The Committee in this regard, sternly cautions Management for this anomaly and urges that in future, adequate funds should be secured for such projects in order to avoid the recurrence of this query. The matter is recommended for the Auditor General to keep in view, during future audits.

iv. Failure to Account for Tablets US$358,560

Controlling Officers Response

The Controlling Officer informed the Committee that the number of tablets bought and received from Astria Learning was 4,000, instead of the 6,500 cited. In view of the foregoing, the stores records for the tablets were retrieved and were available for audit verification.

Committees Observations and Recommendations

The Committee finds it unacceptable that documents were not availed to the auditors during the audit process. Additionally, the Committee is concerned that disciplinary action was not instituted on the erring officers who did not pay attention to the audit process, a state of affairs which in the view of the Committee has contributed to the indiscipline of some members of staff at the University. In view of the foregoing, the Committee urges the Controlling Officer to sternly caution Management and emphasise that Management hasan obligation to ensure that the relevant documentation is availed to the auditors during the audit process. Further, disciplinary action should be taken against the erring officers. The Committee will await a progress report on the matter.

v. Wasteful Expenditure on the Purchase of Damaged Tablets and Dongles K519,609 and K293,264

Controlling Officers Response

The Controlling Officer informed the Committee that the tablets were received in good condition. However, because of the low sales of the tablets, Management made a decision to give the tablets to the first year students on a promotional basis as an incentive to encourage the students to register. It was at the point of issuing the tablets that the tablets were found not working. This was attributed to not having an ideal storage place. Further, because of the passage of time, it was not possible to return the tablets to the supplier.

Committee's Observations and Recommendations

The Committee expresses shock at this sad state of affairs and urges the Controlling Officer to sternly caution Management and particularly the procurement officer(s) at UNZA for failing in their duties. Managing their office with such negligence has resulted in the loss of 388 tablets valued at K519, 609 and the loss of 834 dongles valued at K293, 264, a situation that is highly unacceptable. The Committee further contends that the lack of action by Management explains why there is a lot of gross indiscipline and negligence by the officers. The Committee in this regard, urges the Controlling Officer to sternly caution Management for this serious irregularity and ensure that stern disciplinary action was instituted on the erring officers for this query. The Committee further urges the Controlling Officer to ensure that officer(s) in the Procurement Department were closely supervised. A progress report on the matter will be awaited by the Committee.

f) Accounting Irregularities

i. Unaccounted for Stores K 3,323,462

Controlling Officer's Response

The Committee was informed that the details of receipts and disposal details of the items had since been retrieved and were available for audit verification. The Controlling Officer further informed the Committee that Management would endeavour to organise a workshop with the auditors to sensitise the heads of school and units, on how to handle future audits.

Committee's Observations and Recommendations

The Committee expresses concern that disposal details for stores amounting to K 3,323,462 were not availed to the auditors contrary to the Public Stores Regulation No.16. The Committee urges the Controlling Officer to institute disciplinary action on the officers who failed in their duties in this regard. The Committee will await a progress report on the matter.

ii. Unsupported Payments

Controlling Officers Response

The Controlling Officer informed the Committee that the payment vouchers had since been supported and the documents were available for audit verification. The Committee was further informed that the nature of the queries relating to the requirements to attach log books and attendance registers to payment vouchers were outside the UNZA practice, therefore, contributing in the delay in retrieving the support documents. This was further exacerbated by the historical nature of the transactions, for instance, the transactions had occurred three years back at the time of audit. However, going forward, the Controlling Officer informed the Committee that the University would ensure that all the payments were adequately supported.

Committees Observations and Recommendations

The Committee finds the Controlling Officer's excuse for failure to avail the supporting documents on account of the historical nature of the audit for transactions that occurred three years ago inadmissible. This is because the UNZA Financial Regulation No.21.11 requires the University to preserve the accounting records for the following periods of time:

- ordinary commercial transactions , six years ; and
- transactions relating to land eleven years.

In view of the foregoing, the Committee expresses concern over the poor record keeping at the University, resulting in a large number of unsupported payments during the audit process. This demonstrates weak supervision of the officers charged with the responsibility of securing the accounting documents. In this vein, the Controlling Officer is strongly urged to institute disciplinary action against the erring officers and to scale up the supervision of accounting staff to avoid the recurrence of the query. The Committee will await a progress report on the matter.

ii. **Questionable Approval of Administration Allowances – School of Medicine and School of Health Sciences K 2,285,802**

Controlling Officers Response
The Committee was informed that the allowances in question were paid under the Affiliations and Examinations Unit of Health Sciences (AEUHS), formerly known as the Examinations Council of Health Sciences (ECOHS). The Controlling Officer explained that ECOHS was established as an examination body by health training colleges under the then Medical Council of Zambia (MCZ), currently known as the Health Professions Council of Zambia (HPCZ).

The Committee was further informed that the administrative office of ECHOS was anchored in the School of Medicine, particularly, the Department of Medical Education Development (DMED). Further, the governing board of ECOHS was comprised of members from affiliate higher learning institutions. The governing body determined the rates of allowances payable to the various members of staff involved in the administration of examinations. Affiliate institutions collected examination fees from their students and deposited the funds into the ECOHS account held at the School of Medicine.

The School of Medicine received affiliation fees from the institutions through the administration function played under ECOHS. The Controlling Officer further explained that the affiliation fees were exclusively UNZA funds, whereas the examination fees were used to cover expenses under ECOHS. Since the ECOHS allowances were administered by the School of Medicine, the Committee was informed that the Vice-Chancellor approved the disbursement of the funds relating to the allowances.

Committees Observations and Recommendations
The Committee observes with concern that UNZA Management appears to have put in place a number of structures to enable Management make financial decisions without the approval of the Council as observed by the numerous queries under this report. For instance, it is inconceivable that Management increased and paid allowances in amounts totaling K 2,285,802, without Council approval and against the provisions of the *Higher Education Act No 13 of 2013*. In this regard, the Committee urges the Controlling Officer to closely supervise Management and ensure that Management only acts within the provisions of the *Act* in future, to avoid the recurrence of this anomaly. The Committee further urges the Controlling Officer to revisit the University's Financial Regulations as there appears to be a number of lacunas with regard to the involvement of the Council in decision making. A progress report on the matter will be awaited by the Committee.

g) Administrative Matters

i. **Weaknesses in Management of Business Ventures**

- **Loss Making Business Ventures**

Controlling Officer's Response
The Controlling Officer informed the Committee that Management had identified staff costs as

the main cost driver impacting negatively on the financial performance of the business ventures. Therefore, in order to address the challenges of recorded losses in the business ventures and mitigate the impact of the identified risk associated with such losses, the University incorporated a Private Company Limited by shares called UNZA Holdings Limited and the Company was undergoing the process of operationalisation.

The Committee was further informed that it was planned that upon the full operationalisation of the Company, all the business ventures would be transferred to UNZA Holding Limited. The Company would then, conduct its business affairs autonomously with staff having their own conditions of service.

Committee's Observations and Recommendations
The Committee is concerned with the inordinate delay to operationalise UNZA Holding Limited. The Committee, therefore, urges the Controlling Officer to ensure that the Company is operationalised without further delay in order to turn the misfortunes of the business ventures under UNZA around. A progress report will be awaited by the Committee.

- **Failure to Recover Outstanding Rentals – Marshlands Village – K 22,604**

Controlling Officer's Response
The Controlling Officer informed the Committee that Management had instituted debt collection measures to ensure that the rental debt was recovered. Management recovered the rent owed by UNZA staff through payroll deductions. Furthermore, Management was in the process of securing the services of a debt collector by mid-March 2023, in order to recover rentals owed by non-UNZA staff.

Committee's Observations and Recommendations
The Committee observes that the University has been bemoaning inadequate funds and therefore, finds Management's failure to collect the funds due to the University through rentals unacceptable. The Committee urges the Controlling Officer to ensure that the debt collection measures put in place yield the desired results. A progress report on the matter will be awaited by the Committee.

- **ZAMNET-Failure to Produce Financial Statements**

Controlling Officer's Response
The Controlling Officer submitted that ZAMNET produced the accounts for the financial years ended 31st December, 2017 to 2021. However, the auditors could not release the audited financial statements due to failure to pay for audit services. However, efforts were being made to pay the auditors.

Committee's Observations and Recommendations
The Committee observes with concern that ZAMNET appears technically insolvent, resulting in its failure to among other things, pay for the audit services. In this regard, the Committee urges the Controlling Officer to take bold steps in order to address ZAMNET as a going concern. The

Committee further urges the Controlling Officer to ensure that the financial statements in question are prepared without further delay. The Committee will await a progress report on the matter.

ii. Poor Maintenance of Infrastructure

- **Student Hostels and Ablution Blocks**

Controlling Officers Response
The Controlling Officer explained that Management was constrained to carry out comprehensive maintenance works due to cash flow challenges. However, maintenance works were being carried out in a phased approach. The Committee was informed that in the annual work plan, K9, 000,000.00 had been allocated for such works.

Additionally, Management had constituted a standing committee whose membership included students. The students reported repair works that required urgent attention. Management had also constituted a team to attend to maintenance works and a K20, 000.00 float had been allocated for emergency works.

Committee's Observations and Recommendations
The Committee urges the Controlling Officer to facilitate the urgent maintenance of the student hostels and ablution blocks in accordance with the Zambia Standards and Guidelines for Quality Assurance in Higher Education and avoid the risk of student riots among other things. The Committee will await a progress report on the matter.

- **Failure to Maintain the Flats – Marshlands Village**

Controlling Officers Response
The Committee was informed that works had stalled due to liquidity challenges. However, Management had procured the required materials for the works to commence.

Committees Observations and Recommendations
The Committee observes that Marshlands Village is the University's income generating venture and therefore, urges the Controlling Officer to ensure that the maintenance of the village is prioritised, to increase the University's income levels. The Committee will await a progress report on the matter.

- **Lack of Title Deeds for House No. 21 Njoko Road, Dambwa North and PlotNo.77 Kanyanta Road Livingstone**

Controlling Officer's Response
The Controlling Officer submitted that the title deeds in question were issued in 1949 and ownership of the properties by UNZA was entered in the title deed by the Ministry of Lands, in 2009, way before the street names were changed.

Committee's Observations and Recommendations
The Committee is concerned with the inordinate delay it has taken to have the title deeds indorsed with the changes of the names of the roads were the land in question is located. The Committee urges the Controlling Officer to sternly caution Management for its laisser-faire attitude to deal with this simple matter that may result in the loss of assets. The Committee will await a progress report on the matter.

- **Failure to Repossess the Resident Lecturer's House on Plot No.294 Kambule Street, Mongu**

Controlling Officer's Response
The Controlling Officer submitted that Management would conclude the matter by engaging bailiffs to enforce the Supreme Court judgment.

Committees Observations and Recommendations
The Committee does not understand why it has taken the University long to repossess the house even when the Local and Supreme Courts ruled in favor of the University. The Committee observes that this inordinate delay will result in the failure by UNZA to benefit from the house through rentals. The Committee, therefore, urges the Controlling Officer to address the matter to its logical conclusion and would await a progress report on the matter.

- **Purchase of Land for UNZA**

Controlling Officers Response
The Committee was informed that the process to acquire title deeds had commenced through the Ministry of Lands.

Committees Observations and Recommendations
The Committee resolves to keep the matter open until the title deeds for all the properties in question are obtained as prescribed by law. The Committee will, therefore, await a progress report on the matter.

- **Failure to Install Industrial Ventilators – School of Agriculture - K5,200.00**

Controlling Officers Response
The Controlling Officer submitted that the installation works had since commenced and would be completed as soon as possible.

Committees Observations and Recommendations
The Committee finds the inordinate delay of over five years for the University to install the equipment already procured unacceptable. The Committee, therefore, recommends that the Controlling Officer should establish who facilitated this delay and take appropriate disciplinary action as the failure to attend to this matter exposes students to fume hoods that are not working in the chemical laboratories. The Committee will await a progress report on the installation of the industrial ventilators.

- **Inadequate Learning Materials – School of Agriculture**

Controlling Officer's Response
The Controlling Officer submitted that Management had initiated the process to procure seven new microscopes to address the problem.

Committee's Observations and Recommendations
The Committee finds it unacceptable that the sixth best University in Africa only has two functioning microscopes out of the available ten, under the School of Agriculture and contends that such lapses may result in the production of poor quality students. The Committee urges the Controlling Officer to ensure that the procurement of the seven microscopes is expedited and will await a progress report on the matter.

22.0 ZAMBIA FORESTRY AND FOREST INDUSTRIES CORPORATION

22.1 Audit Findings
An examination of financial and other records maintained at the Zambia Forestry and Forest Industries Corporation Limited (ZAFFICO), for the financial years ended 31st December, 2019, 2020 and 2021, revealed the following irregularities, to which the Controlling Officer submitted as highlighted below.

a) Budget and Income – K15,718,570

Controlling Officer's Response
The Controlling Officer informed the Committee that the low budget income was caused by the underperformance of the Eucalyptus saw logs as well as the treated poles, due to insufficient market demand. The Committee learnt that the pole treatment plant was commissioned in 2018 and the 2019 budget assumed an ambitious consumer demand which did not materialise until later in 2020. The Controlling Officer further submitted the following table, illustrating the actual volumes harvested for Eucalyptus compared to the budget.

Budget and Actual Volumes Harvest for Eucalyptus

Year	BUDGET	Actual	Variance
	Cubic Meters	Cubic Meters	Cubic Meters
2019	37,000.00	20,368.48	16,631.52
2020	37,000.00	36,996.14	3.86
2021	37,000.00	39,784.62	(2,784.62)
Total	**111,000.00**	**97,149.24**	**13,850.76**

The Committee was further informed that the Corporation had continued promoting the use of Eucalyptus as a sustainable alternative, given the current depleting merchantable stock of Pine. Further, the signing of contracts with the Zambia Electricity Supply Corporation (ZESCO) and the Rural Electrification Authority (REA) for the supply of treated poles had also boasted the sales revenue. Under these contracts, the Corporation supplied 69,386 poles (61,400 to ZESCO and 7,986 to REA), to date, with a balance of 13,750 poles on the ZESCO contract of 75,150 to be supplied within a few months.

The Committee was further informed that the Corporation had embarked on an expansion program for its treatment capacity, by constructing an additional creosote processing line and setting up a kiln dryer, in order to enhance the drying process time from an average four to six months to seven days. In this regard, the production expansion of the pole treatment plant was expected to be concluded before the end of 2023, in order to meet the growing demand of the treated poles.

The Controlling Officer further informed the Committee that the revenues from the Eucalyptus poles had increased from K5, 642,948 in 2018; K13, 156,206 in 2019; K16, 772,890 in 2020; K 96,516,320 as of December, 2021 and K 110,602,277as of 31st December, 2022.

Committee's Observation and Recommendation
The Committee notes the response and urges Management to put in place aggressive strategies to promote the use of eucalyptus in order to further boost revenue. The Committee further directs that all the documents in support of the submission should be submitted to the Auditor General, subject to which the matter should close.

b) Financial Analysis - Financial Performance

i. Statement of Comprehensive Income

ii. Profitability.

Controlling Officer's Response
The Committee was informed that the gross profit margin reduction was due to an increase in the production of treated poles which had a lower margin averaging 48% (63% in 2019, 28% in 2020 and 54% in 2021), compared to the average of 75% (76% in 2019, 76% in 2020 and 73% in 2021) for saw logs. Furthermore, the Corporation continued to import chemicals for the treatment of the poles which contributed to the increase in the cost of sales.

The Controlling Officer further submitted that the Corporation had embarked on operational efficiency activities that included benchmarking with other firms in the region. The expected result was the optimal utilisation of inputs in the treatment of poles. The Committee learnt that the operational efficiency initiatives included the re-stacking of poles in order to enhance the air drying process, chemical dosing and checking for moisture content, in order to minimise waste without compromising quality. Other initiatives included the procurement of treatment chemicals through direct sourcing from the manufacturers, which would reduce the costs but also assure consistent supply.

Committee's Observations and Recommendations
The Committee is concerned with the amount of time that it has taken the Corporation to embark on the highlighted cost management measures in order to reduce the cost of production. The Committee, therefore, urges the Controlling Officer to ensure that the Management of the

Company reduces the cost of production in order to avoid the operational risk due to the increased cost of production. The Committee further urges the Controlling Officer to put in place long term strategies to improve the operational efficiencies of the Corporation and remain competitive. The Committee will await a progress report on the matter.

- **Administrative Expenses**

Controlling Officer's Response
The Controlling Officer informed the Committee that the increase in the administrative and employee expenses in 2021 was mainly attributed to the change in estimation of biological assets in compliance with the International Accounting Standards (IAS) 41.

Prior to the change in the estimation of biological assets from a cost based model (an alternative permitted under IAS 41) to fair values (preferred under IAS 41), the Committee was informed that all the plantation management expenses were capitalised to the assets. Therefore, the K361.17 million included K213.24 million (K175.70 million in 2020) plantation expenses which would have been capitalised under the cost valuation method (used in 2020) for plantation in formation but expensed under the fair value method adopted in 2021.

However, in 2021 following the adoption of the fair value methodology, the Controlling Officer explained that all the plantation management expenses were expensed as administrative expenses to the Statement of Comprehensive Income, while the gain from the valuation was recognised as income. Therefore, the plantation management expenses would continue to be expensed and any gain from the valuation, would be recognised as income on an annual basis, in accordance with the IAS 41, on the fair value estimation of biological assets.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

c) Statement of Financial Position

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

d) Operational Matters

i. Failure to Achieve the 2021/2022 Planting Target

Controlling Officer's Response
The Committee was informed that the failure was due to the delayed onset of the rains in the 2021/2022 planting season, as well as the restricted movements occasioned by the Covid-19 Pandemic. Additionally, the Corporation encountered challenges in accessing some traditional land originally planned for planting with the local leadership. The Controlling Officer further informed the Committee that the target for the 2022/2023 planting season had been achieved and the Corporation continued to engage the local leadership over the land issue.

Committee's Observations and Recommendations

The Committee is concerned with the failure by Management to achieve the 2021/2022 planting target, thereby, failing to meet the strategic objectives of the Corporations Strategic Plan. The Committee therefore, urges the Controlling Officer to caution Management for this failure and ensure that the Strategic Plan for the Company is fully implemented at all costs, in order for the Corporation to assess its effectiveness and overall performance. The matter Is recommended for the Auditor General to keep in view, during future audits.

ii. Failure to Adhere to the Annual Allowable Cut (Felling Plan)

Controlling Officers Response

The Controlling Officer attributed the main cause for over-harvesting to the need to mitigate the high deficit of Pine in the Country and sustain operations. He further submitted the following table, illustrating the comparison between the actual harvests compared to the felling plan for the period under review.

Felling Plan and Actual Harvest

	PINE ROUNDWOOD		
YEAR	**FELLING PLAN**	**VOLUMES HARVESTED**	**VARIANCE**
	CUBIC METERS	**CUBIC METERS**	**CUBIC METERS**
2019	430,000.00	448,620.91	(18,620.91)
2020	304,553.52	299,219.45	5,334.07
2021	239,000.00	223,296.00	15,704.00
TOTAL	**973,553.52**	**971,136.36**	**2,417.16**
	EUCALYPTUS		
YEAR	**FELLING PLAN**	**VOLUMES HARVESTED**	**VARIANCE**
	CUBIC METERS	**CUBIC METERS**	**CUBIC METERS**
2019	37,000.00	20,368.48	16,631.52
2020	37,000.00	36,996.14	3.86
2021	37,000.00	39,784.62	(2,784.62)
TOTAL	**111,000.00**	**97,149.24**	**13,850.76**
GRAND TOTAL	**1,084,553.52**	**1,068,285.60**	**16,267.92**

The Controlling Officer explained that the Corporation had taken steps towards attaining and adhering to the Annual Allowable Cut (AAC), by reducing the Pine volume harvest. The Corporation could not implement a drastic reduction of the annual harvest of pine to the annual allowable cut, as this would have shocked the market; resulting in backlash from key stakeholders (small scale saw millers who were the majority customers). This would negatively affect the timber sector.

The Controlling Officer further explained that the Corporation was gradually reducing the Pine annual harvest towards sustainable annual harvests. In 2020, the Corporation reduced the Pine harvest from 448,621m^3 in 2019 to 299,219m^3, representing a reduction of 33%. Furthermore, the Corporation reduced the Pine harvest in 2021 to 223,296m3, a reduction of 50% from 2019 to 2021.

From the Table illustrating the comparison between the actual harvests compared to the felling plan for the period under review, the Controlling Officer explained that in the period under review, the Corporation's total felling plan was 1,084,553.52 m^3 while 1,068,285.60 m^3 was harvested and sold. Further, the annual round wood harvest was carefully reviewed and approved by the Board of Directors of the Corporation. The Committee was informed that the Corporation had engaged a consultant to conduct an inventory assessment that would inform the correct available plantation stock according to age and class. The inventory assessment would also assist in setting more realistic harvesting targets and improve plantation management.

Committee's Observations and Recommendations

The Committee is disappointed to note that the query on exceeding the annual allowable cut has continued to reappear even when recommendations against abrogating the allowance have been made. The Committee condemns the reasons given by Management for exceeding the annual allowable cut and strongly urges the IDC to ensure that Management adheres to the annual allowable and that disciplinary action should be instituted against the officers responsible for this query. The Committee resolves to await a progress report on the matter.

iii. Questionable Quality of Fertiliser Procured K468,000

Controlling Officer's Response

The Committee was informed that ATS Agrochemicals Limited, supplied defective fertiliser following the Corporation's internal audit finding, which was being addressed at the time of this audit assignment. However, ATS Agrochemicals Limited had since refunded the K468, 000. The Corporation had changed suppliers and revised controls on the receiving of fertilizer.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to ensure that due diligence is undertaken on the suppliers of fertiliser that the Corporation engages in order to avoid poor harvests as a result of the use of poor quality fertiliser. Further, the supplier in question should be blacklisted from any dealings with the Corporation for failure to deliver quality fertilizer. Furthermore, the revised controls on the receiving of fertilizer must be strictly adhered to failure to which disciplinary action should be instituted on the erring officers. The matter is recommended for the Auditor General to keep in view, during future audits.

iv. Delayed Compensation - Land for Construction of International Airport

Controlling Officer's Response

The Controlling Officer informed the Committee that the delayed compensation to ZAFFICO by the Government for felled trees to pave way for the construction of the Simon Mwansa Kapwepwe International Airport was attributed to the Government auditors' scheduling.

However, the Corporation had continued to engage the Government for the balance of the compensation claim.

Committee's Observations and Recommendations

The Committee finds it unacceptable for the Controlling Officer to keep giving assurances on this matter that are not being acted upon, and is very concerned at the length of time it had taken for ZAFFICO to be compensated on such a straight forward matter. The Committee strongly cautions the Controlling Officer for this laxity and particularly calls upon the Secretary to the Treasury to pursue this matter to its logical conclusion. In this regard, a progress report on the matter will be awaited by the Committee.

v. Management of Mukula Tree Species

- **Questionable Price Setting**

Controlling Officer's Response

The Committee was informed that the Corporation and Government officials undertook a due diligence in China to identify potential customers and ascertain indicative pricing. Recommendations on the indicative pricing and potential customers were submitted to the then Ministry of Lands, Natural Resources and Environmental Protection and subsequent approval was granted. However, ZAFFICO was currently not trading in Mukula.

Committee's Observations and Recommendations

The Committee finds the process of identifying potential customers in China and thereafter, ascertaining the indicative pricing highly questionable and contends that such processes can be a conduit for connivance and fraudulent activities between the Zambian officials and the identified customers, as it is possible for the identified customers to determining the prices. The Committee in this regards urges the Controlling Officer to ensure that a well guided policy on the price selling of the Mukula tree species, reflecting the market value of the logs, is put in place without further delay. A progress report on the matter will be awaited by the Committee.

- **Failure to Pay Export Duty K 3,294,210**
  - **Zhangjiagang Bozhimu Trading Company Ltd**

Controlling Officer's Response

The Controlling Officer informed the Committee that ZRA permitted Zhangjiagang Bozhimu Trading Company Limited to export Mukula logs, using the ZAFFICO TPIN, without paying duty. The Corporation had earlier communicated to ZRA not to allow the export of Mukula without confirmation of receipt of money by ZAFFICO. However, Zhangjiagang Bozhimu Trading Company Limited was allowed by ZRA, to export Mukula before the confirmation of funds receipt by ZAFFICO. Zhangjiagang Bozhimu Trading Company Limited had settled K1, 908,198.09 towards the K3, 294,210. The Corporation had engaged Zhangjiagang Bozhimu Trading Company Limited over the outstanding export duty.

Response by the Commissioner General, ZRA

The Committee engaged the Commissioner General at ZRA on this matter. The Commissioner General explained that ZRA received a directive from the Government to facilitate the movement of the trucks carrying the Mukula logs exported by ZAFFICO, which had been mandated to export illegally harvested Mukula logs confiscated by the Central Joint Operations Committee (CJOC). In this regard, ZRA facilitated the quick movement of export consignments by ZAFFICO based on the border clearance procedures for releasing urgent consignments pending completion of the customs formalities.

Committee's Observation's and Recommendation's

The Committee recommends that this matter be reported to the relevant investigative wings for further probing as it is not clear why ZRA permitted Zhangjiagang Bozhimu Trading Company Limited to export Mukula logs, using the ZAFFICO Tax Payer Identification Number (TPIN), without paying duty, despite the Corporation communicating to ZRA not to allow the export of Mukula without confirmation of receipt of money by ZAFFICO. A progress report on the matter will be awaited by the Committee.

- **Failure to Pay Export Duty on behalf of Government K 18,111,547**

Controlling Officer's Response

The Controlling Officer informed the Committee that the Corporation had engaged the Government to clear the accrued customs duty arising from the export of confiscated Mukula logs that was exported by ZAFFICO on behalf of the Government.

Response by the Commissioner General, ZRA

The Committee engaged the Commissioner General at ZRA on this matter. The Commissioner General explained that given the directive to facilitate the movement of export consignments of Mukula logs by ZAFFICO, ZRA allowed passage of the trucks carrying Mukula logs without payment of export duties to enable quick movement of the trucks pending payment of the export duties by ZAFFICO at a later date. ZRA subsequently began engaging ZAFFICO to settle the unpaid export duties on the export of the MUkula logs. ZAFFICO indicated that Government was responsible for the settlement of the export duties as ZAFFICO was only engaged as an agent for Government to export the MUKULA logs.

However, the position from the Secretary to the Treasury to the Commissioner General in the letter Reference No. MFB/101/11/35 dated 25th November, 2022, indicated that ZAFFICO was liable for the payment of the export duties. A series of correspondences regarding the payment of the export duties led to a debt swap between the Government and ZAFFICO on which all outstanding export duties were paid. However, ZAFFICO contended that the debt swap was erroneously done and requested a refund of the debt swap funds received on the export duties. The Authority had since referred ZAFFICO to the Ministry of Finance to resolve the matter.

Committee's Observations and Recommendations

The Committee is concerned with the number of irregularities surrounding the sale of the Mukula Tree Species and contends that the idea of the Government issuing directives has created a lot of loopholes and opportunities for lack of accountability. The Committee calls upon the Secretary to the Treasury to expeditiously address this matter to its logical conclusion and will await a progress report.

- **Failure to Refund Companies**

Controlling Officer's Response
The Controlling Officer informed the Committee that the advance payments were due to the delayed refund instructions from the customers. However, the Corporation had since refunded all the companies that made advance payments.

Committee's Observations and Recommendations
The Committee is disappointed that the auditors did not receive the requisite cooperation during the audit process. The Committee, therefore, urges the Controlling Officer to institute disciplinary action against the erring officers for this failure to provide the necessary evidence to the auditors and avoid this query from appearing in the Audit Report. The Committee awaits a progress report on the matter.

e) Procurement Matters – Failure to Avail Contracts

Controlling Officer's Response
The Committee was informed that the failure was due to the three Companies who were engaged on a purchase order basis using simplified bidding. The Controlling Officer explained that the purchase order constituted a contract under simplified bidding.

Committee's Observations and Recommendations
The Committee is disappointed that the Corporation did not avail this information to the auditors at the time of audit. This clearly shows that there is poor record keeping at the Corporation and there is no cooperation with the auditors, contrary to the financial regulations. The Controlling Officer is urged to ensure that ZAFFICO is closely supervised and monitored in order to avoid the recurrence of similar irregularities. The Committee further urges the Controlling Officer to institute disciplinary action against the erring officers for failure to provide the purchase orders to the auditors. A progress report on the matter will be awaited by the Committee.

f) Accounting Irregularities

i. Failure to Deduct Tax on Board Fees and Allowances

Controlling Officer's Response
The Controlling Officer informed the Committee that the Corporation had since accrued the tax liabilities on Board fees and allowances and this had since been settled.

Committee's Observations and Recommendations
The Committee resolves to close the matter subject to audit verification.

ii. Wasteful Expenditure – Penalties Charged K2, 826,686

Controlling Officer's Response

The Controlling Officer informed the Committee that the delayed payments of VAT which attracted the penalty of K8,153,142 was due to liquidity challenges during the first quarter of 2020. The Corporation, however, signed a time to pay agreement with ZRA and the principal amount had since been liquidated as of 31st December, 2021. The Corporation had also written to the ZRA, to request for a waiver on the penalty.

In addition, the Controlling Officer explained that the late payment of NAPSA related to the seasonal employees who had not yet been registered with NAPSA, following the mandatory change that every employee should have a social security number. The process of registering the seasonal employees led to the delay in payments. However, the seasonal employees were currently being timely registered for NAPSA and payments were being made accordingly.

Committee's Observations and Recommendations

The Committee will await a progress report on the matter.

g) Staff Matters - Wasteful Expenditure - Unlawful Dismissal K 244,625

Controlling Officer's Response

The Controlling Officer informed the Committee that the Corporation had put in place the following mitigating measures to avoid the recurrence of such a situation such as planning for an effective application of the disciplinary code and grievance procedure training for all line managers and making sure that charges, minutes and dismissals were being reviewed extensively by the Human Resource and legal teams respectively.

Committee's Observations and Recommendations

The Committee notes the response and observes that the unlawful dismissal resulting in the wasteful expenditure arose as a result of failure on the part of the officers in the Legal Department to execute their duty efficiently. In this regard, the Committee directs that disciplinary action should be taken against the officer(s) responsible for this irregularity. A progress report on the matter will be awaited by the Committee.

23.0 ZAMBIA MEDICINE AND MEDICAL SUPPLIES AGENCY

23.1 Audit Findings

An examination of accounting and other records for the financial year ended 31st December 2018 to 31st December, 2021 reviewed the following irregularities to which the Controlling Officer submitted as highlighted below.

a) Failure to Prepare Audited Financial Statements

Controlling Officer's Response

The Controlling Officer explained that the failure to prepare the audited financial statements for the financial years ended 31st December 2019, 2020 and 2021 was as a result of the expiry of the contracts for the auditors. The process of engaging new auditors entailed a laborious due diligence process of contract acceptance by the awarded auditors, Ernest and Young (EY), involving their regional office in South Africa. This process was concluded in 2019. Further, the audit process to audit the financial years ended 31st December 2017, 2018 and 2019, also started in 2019. Therefore, the audit calendar was distorted creating a backlog.

However, the 2019 audit had been concluded. It, was, therefore, projected that the audited signed financial statements would be availed before the 31st of May, 2023. Further, the auditor appointed to conduct the audit for the financial years 2020 and 2021, had been appointed and the audit of the 2020 financial statements would commence within the first quarter of 2023.The Controlling Officer further submitted the table below, showing the planned audit schedule for the completion of the pending audits.

Item No.	Year	Commencement Date	End Date
1	2020	3rd June, 2023	30th September, 2023
2	2021	2nd October, 2023	29th December, 2023

The Committee was informed that the road map was to conclude the pending audits and avail the audited financial statements in the final quarter of 2023. Further, the audited accounts for the financial years 2019 and 2020, were still regulated and guided by the *Companies Act of 2017* and not the ***Zambia Medicines and Medical Supplies Agency*** *Act of 2019.*

Committee's Observations and Recommendations

The Committee expresses concern at the failure by the Agency to prepare the financial statements in question as prescribed by the Acts and urges the Controlling Officer to ensure that the outstanding financial statements are prepared without further delay. The Committee further urges the Controlling Officer to caution the Board and Management of the Agency to avoid the recurrence of this serious breach of Financial Regulations. The Committee will await a progress report on the matter.

b) Staff Related Matters - Delayed Remittance of Statutory Contributions - K33,654,563/ K29,990,758

Controlling Officer's Response

The Controlling Officer informed the Committee that the non-payment of the contributions to NAPSA was as a result of liquidity challenges experienced from 2019 to 2020. However, the outstanding principal arrears owed to NAPSA which had accumulated during the period 2018 to 2020 were settled in full in 2021, supported by a better cash flow. Further, the ZAMMSA Management had engaged NAPSA on developing a payment plan towards settling the penalties. At the same time, ZAMMSA had engaged the Ministry of Finance for a potential supplementary budget towards settling the outstanding penalties. In addition, ZAMMSA Management was also pursuing avenues for potential penalty write-offs. However, the ZAMMSA Management had since committed to the timely monthly remittance of NAPSA contributions going forward, as witnessed in 2022.

Committee's Observations and Recommendations
The Committee resolves to await a progress report on the matter.

(c) Operational Matters

i. Failure to Claim Liquidated Damages - Undelivered Medicines K168, 933,249/ K 16,893,325

Controlling Officer's Response
The Controlling Officer explained that the contracts in the period under review were assigned from the Ministry of Health to ZAMMSA in April, 2022. ZAMMSA was, therefore, not in a position to effect any liquidated damages under these contracts before 2022. The applicable liquidated damages as of July, 2022 were not computed. However, the liquidated damages had been computed up to November 2022.

The Committee was further informed that a tool was being developed for contract-tracking in order to monitor contract-performance. Further, the ZAMMSA Management working with cooperating partners, had also planned to train contract managers on their respective roles. Furthermore, the ZAMMSA Management had also completed the verification process of validating the applicable liquidated damages for some of the contracts that had not fully performed and the suppliers had been formally informed. The Committee was further informed that Management planed to constantly review contract performance on an on-going basis.

Committee's Observations and Recommendations
The Committee notes the response of the contracts being transferred to ZAMMSA from the Ministry of Health but is concerned that various medicines and medical products costing K168, 933,249 had not been delivered to the Agency for a period of nine months, especially that the demand for those products in health facilities is high. The Committee further finds the failure by the Ministry to claim liquidated damages for the delayed delivery of the products unacceptable and contends that this failure might result in the loss of public funds. The Committee, therefore, calls upon the Controlling Officer to expeditiously pursue this matter to its logical conclusion. The Committee, further cautions the Controlling Officer to henceforth, closely monitor the procurement procedures and supply systems of medical supplies, in order to ensure strict adherence and avoid the recurrence of this query. The Committee further urges the Controlling Officer to seriously look into investing into the supply chain of medicine and medical supplies. A progress report on the matter will be awaited by the Committee.

iii. Failure to Dispose of Expired Medicines and Medical Supplies - K5, 466,385

Controlling Officer's Response
The Controlling Officer informed the Committee that the ZAMMSA Management had

successfully completed phase one of disposing of the expired medicines at its head office. He explained that the failure to dispose of the expired medicine was because of inadequate space at the ZAMMSA head office to store the expired stock from the seven regional hubs at once, in readiness for verification and the final disposal. Further, funding was inadequate at the time to support the complex disposal of pharmaceutical supplies in one financial year.

However, in order to correct the situation, a disposal plan covering drug expiries from October, 2021 to December, 2022 at the ZAMMSA main warehouse and regional hubs had been developed. It was, therefore, envisaged that this plan would be completed in the second quarter of 2023, subject to the availability of resources.

Committee's Observations and Recommendations
The Committee sternly cautions the Controlling Officer for only attending to the matter because of the audit and strongly urges the Controlling Officer to liaise with the Secretary to the Treasury to secure the necessary funds for disposing of the expired medicine and medical supplies, in order to avert the risk of the expired drugs being administered to patients. The Controlling Officer is further urged to ensure that the disposal plan is expeditiously developed and implemented to avoid the recurrence of this very serious irregularity. The Committee will await a progress report on the matter.

iv. Failure to Replace Recalled Medicines - K720, 893

Controlling Officer's Response
The Controlling Officer informed the Committee that the recalled products were supplied under a contract between the Ministry of Health and the IDC. Therefore, this contract had not been assigned to ZAMMSA. In addition, the recall of the medicines in question was issued by the Zambia Medicines Regulatory Authority (ZAMRA) as was required by law. ZAMMSA provided the necessary information to facilitate this recall as required. According to the information availed to ZAMMSA, the supplier was agreed to the replace the products subject to the variation of the existing contract, in order to source from a different manufacturer.

Committee's Observations and Recommendations
The Committee notes the submission with concern and finds it unjustifiable that the process of replacing the two defective medicine from the supplier would take so long. The Committee condemns this laxity and calls upon the Controlling Officer to treat matters of medicine and medical supplies with the seriousness and urgency they deserve at all times. The Committee urges the Controlling Officer to ensure that the defective medicine is replaced without further delay. A progress report on the matter will be awaited by the Committee.

v. Irregularities in the Distributions of Medicines and Medical Supplies

- **Undelivered Medicines - K332, 134**

Controlling Officer's Response
The Controlling Officer explained that a review of the orders indicated that a combination of

factors led to the non-delivery. Some were due to the partial deliveries that occurred when trucks were filled to capacity during loading, hence, the delivery needed to be done in two phases. Others were due to human error at the point of loading, while others were due to miscounts at the point of receipt.

The Controlling Officer further informed the Committee that other factors were due to under-packs not detected at the point of delivery of the stock. These under-packs occurred because it was not practically possible to count items one by one in such a huge national warehouse facility that received most stock on pallets.

Nonetheless, the Committee was informed that the following measures had been put in place:

- for partially delivered orders, subsequent deliveries were later made;

- ZAMMSA had made system enhancements that allowed for the capturing of volumetric data in its warehouse management system which together with a delivery optimisation tool, was used to determine the tonnage of vehicles required to distribute orders and ensure that no stock was left behind, due to the truck being full;

- ZAMMSA was rolling out an Electronic Proof of Delivery (EPOD) System that involved the physical scanning of all products shipped at the point of delivery at the facility;

- dashboards were put in place to track the delivery progress in real time, therefore, enabling for any discrepancies to be quickly noted and resolved;

- ZAMMSA had streamlined the dispatch process resulting in the better organisation of stock and a reduction in time stock spends, staged in the warehouse, awaiting loading for delivery. This had been done to ensure that only products in the correct quantity and other related attributes were loaded for dispatch to the facilities; and

- the training of staff was a continuous process at ZAMMSA in order to equip staff with the requisite competences to carry out their tasks with accuracy.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to investigate this matter further as it is not clear why medicines and medical supplies costing K332, 134 had not been received by the health facilities even though records indicated that the medicine had been dispatched and delivered at ZAMMSA. Therefore, if any irregularity is discovered in the process, the matter should be reported to the law enforcement agencies. The Committee further cautions the Controlling Officer to, henceforth, closely supervise the Management at ZAMMSA and ensure that the measures put in place enhance the accountability of medical supplies. The Committee will await a progress report on the matter.

- **Medicine Supplied but Not Ordered — Kl, 695,860**

Controlling Officer's Response
The Controlling Officer explained that s review of the indicated that Insulin valued at K 692,000 was a distribution allocation from the Ministry of Health. Eventually it was returned by the province to ZAMMSA so that it could be redistributed to other health facilities. With regard to Tenofovir 150mg valued at K 402,000, this was also on the distribution allocation from the Ministry of Health. The Thermometers on the other hand, were a donation from well-wishers during the peak of the COVID-19 Pandemic. The catheters were also erroneously dispatched to the University Teaching Hospital Eye Hospital, instead of the Adult Hospital. Further, other products such as Aminophyline and Lopinavir/Ritonavir Granules were removed from the Standard Treatment guidelines by the Ministry of Health.

However, in order to ensure that only ordered medicines was supplied, the Controlling Officer informed the Committee that ZAMMSA only distributed based on facility orders. Any distribution allocations from the Ministry of Health had to be validated against facility orders made in eLMIS. Furthermore, ZAMMSA was also working on integrating the eLMIS and the Warehouse Management System (WMS) for the automated transmission of orders between the systems. This would also serve as a feedback mechanism on what was being supplied against the orders, in order to ensure that only ordered products were supplied.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification but will keep the matter in view in future audits.

- **Rejected Drugs - K7, 331,176**

Controlling Officer's Response
The Controlling Officer explained that health facilities were mandated to reject products delivered to them if they determined that they could not utilise all the stock before expiry, they were already adequately stocked or if the stock was damaged in transit. He further informed the Committee that other reasons for stock rejection were that health facilities were stocked in anticipation of a disease burden. When the disease burden reduced naturally, the health facility potentially ended up with an over-stock. The Committee was further informed that the health supply chain was fully cognisant of such trends and hence, allowed health facilities to return their over-stocked health commodities to the ZAMMSA headquarters, so that the stock could be accessed by other health facilities in need of these commodities. The Committee was informed that this was a normal practice in the health supply chain.

However, with support from cooperating partners, ZAMMSA was developing a tool to aid the order verification process in flagging errors in the quantities of the products ordered. This would enable the ZAMMSA customer service centre, reach out to facilities and determine the correct order of quantities so that facilities were not oversupplied.

The ZAMMSA staff were also continuously being trained in line with the Standard Operating

Procedures in correct packaging, loading, and handling of medicines, in order to prevent any damages to commodities in transit and at the point of delivery at the health facility.

Committee Observation and Recommendation

The Committee observes that this serious irregularity is as a result of poor monitoring and may result in the loss of public funds through wastage, due to the failure to consume the rejected drugs. The Committee also expresses concern that this irregularity can result in the administration of expired drugs to patients. The Committee in this regard, urges the Controlling Officer to ensure that the measures put in place yield the desired results. The Committee further urges the Controlling Officer to also put in place a discrepancy resolution team to investigate and resolve any discrepancies reported. The Committee will await a progress report on the matter.

- **Medicines and Medical Supplies not Timely Distributed**

Controlling Officer's Response

The Controlling Officer explained that the delay to repair the non-runner delivery fleet under the Chipata, Mongu and Choma hubs, was as a result of the non-availability of essential spare parts from the service provider, coupled with long lead times during the stated period.

However, the motor vehicles in question were worked on using the in-house Auto-mechanics and were currently road-worthy. Further, Management put in place a mechanism that would ensure that service parts were ordered and acquired on a quarterly basis, in line with the budget and kept in stock until the due time for mechanical services. Furthermore, ZAMMSA had also ensured adherence to the fleet maintenance schedule and immediate response to any identified repair works in the hubs. Additionally, Management intended to decentralise the fleet maintenance function to the regional hubs so as to quicken the mechanical services. The Committee was further informed that Management had planned to replace the ailing fleet because they were over-aged and not cost-effective, as prescribed in the standard operating procedure.

Committee's Observations and Recommendations

The Committee finds it unacceptable that medicine was not delivered on account of inadequate transport due to the non servicing of vehicles and contends that the procurement and distribution of medicine and medical supplies is the core function of the Agency, therefore, this serious irregularity suggested lack of focus. The Committee in this regard, urges the Controlling Officer to discipline those responsible for fleet management for failing in their duty. The Committee further urges the Controlling Officer to plan against investing in other forms of transportation, such as drones, to avoid disruptions in deliveries due to ground transportation. The matter is recommended for the Auditor General to keep in view, during future audits.

c) Staff Related Matters- Delayed Remittance of Statutory Contributions

Controlling Officer's Response

The Controlling Officer noted the audit.

Committee's Observations and Recommendations

The Committee observes with concern that the failure to deduct statutory contributions as required by law may result in the loss of revenue to the Government and lack of social protection for the employees. The Committee, in this regard, directs the Controlling Officer to ensure that statutory obligations at the Agency are met as and when they are required. The Committee awaits a progress report on the matter.

24.0 ZAMBIA NATIONAL BUILDING SOCIETY

24.1 Audit Findings

A review of accounting and other records maintained at the Zambia National Building Society (ZNBS), for the financial years ended 31st March, 2021 and 2022 revealed the following irregularities to which the Controlling Officer submitted as highlighted below.

a) Budget and Income - K35,068,000

The Controlling Officer noted the positive variance of K35, 068,000.

Committee's Observations and Recommendations

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

b) Financial Analysis -Statement of Comprehensive Income

i. Reduced Profitability - K107, 071,000

Controlling Officer's Response

The Controlling Officer informed the Committee that the Society recorded a profit of K 226.4 million in the financial year ended 31st March, 2021, which included a once off exceptional income of K 197.7 million, from the sale of the Society Business Park to NAPSA. Therefore, the profit from the operations for the year ended 31st March, 2021 was K 28.7 million.

The Controlling Officer further clarified that while the profit quoted by the auditors for the year ended March, 2021 was K 223.4 million, the actual profit as audited by the external auditors, Price Waterhouse Coopers (PWC), was K 226.4 million. Therefore, the K 223.4 million figure, was a typing error in the Auditor General's Report, otherwise all other figures were accurately captured.

Further, the profitability for the financial year 31st March, 2022, significantly increased to K 116.3 million, despite the Covid 19 Pandemic challenges. Furthermore, the Society's performance over a four-year horizon (2019, 2020, 2021 and 2022), after stripping off the extraordinary income (not related to core activities), showed a strong average growth rate of 171%. The Controlling Officer further informed the Committee that the Society had already exceeded its 31st March, 2023 target as of 31st January, 2022 (K129million unaudited). The noted trends and comparison against the budget, therefore, indicated that the Society had continued to post a strong financial performance and had consistently met profit targets.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

ii. High Cost to Income Ratio

Controlling Officer's Response
The Committee was informed that the cost to income ratios for the years 2022 and 2021, were sixty-four percent and forty four percent respectively, against a Corporate Strategic Plan (CSP) target of seventy six percent. Therefore, the disparity between the cost to income ratios calculated by the auditors and the Society were higher than those advised above. The Controlling Officer further explained that the Society used the formula indicated below when computing its cost to income ratio. This was the formula also used in the CSP.

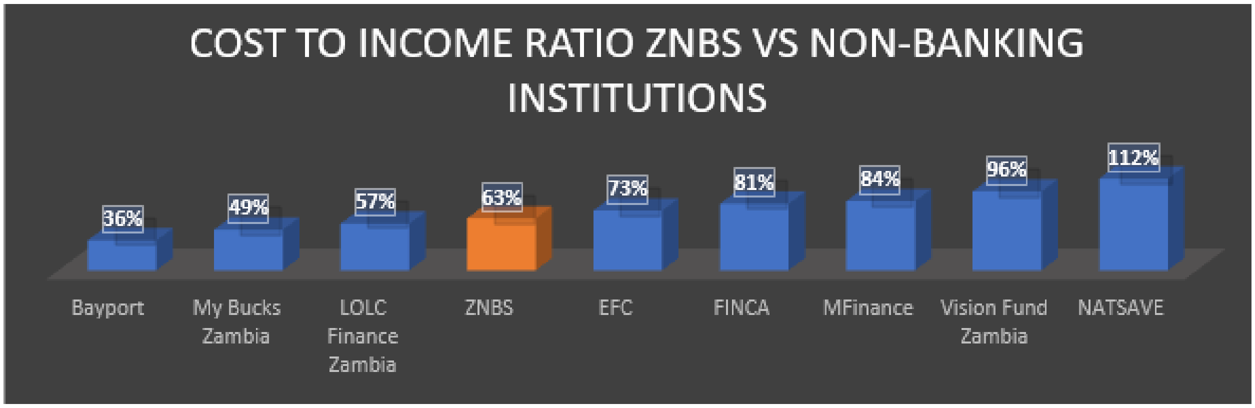
Cost to income ratio = Total operating expenditure + Gross revenue – interest expenses – loan provisions.

The Controlling Officer further informed the Committee that the Society's cost income ratio had reduced progressively over the four-year horizon as shown the trend below and this was based on audited financial statements.

Year	**2022 K'000**	**2021 K'000**
Interest Income	387,389	292,919
Fees and Commissioning Income	39,041	37,249
Rental Income	6,300	5,522
Gross Income	**432,730**	**335,690**
Operating Expenses	202,978	177,309
Interest Expense	136,341	107,019
Total expenses	**339,319**	**284,328**
Cost to income ratio	**78%**	**85%**
Targeted Cost to income ratio	**60%**	**53%**
Staff Costs	121,602	111,206
Staff Costs as a % of operating expenses	**60%**	**63%**

The Committee was further informed that this favorable outcome was because of the intentional cost optimisation initiatives that the Society continued to implement. Furthermore, when compared to other institutions within the non-bank financial institutions grouping, the Society's cost to income ratio was below the group average.

Regarding the staff costs to total operating expenses ratio, the Controlling Officer further explained that the ratio had progressively reduced on average over the years as shown in the trend analysis below**.**



Therefore, the Society expected this ratio to continue reducing as the digitisation strategy was actualised. The Controlling Officer further informed the Committee that the process of streamlining the automation from digitisation would result in more efficient operations and cost reduction.

Committee's Observations and Recommendations

The Committee is concerned that while the Institution had sufficient time to validate and give the correct CSP target during the audit process, the Institution is only providing this information during the Parastatal Bodies Committee sitting to consider the Audit Report. This, therefore, highlights that the Auditors did not receive the requisite cooperation during the audit process, an unacceptable conduct that requires urgent attention to be addressed by Management. The Committee is further concerned that the high cost to income ratio is still high and contends that the increase in the staff costs in relation to the operations may eventually affect the efficiency of the Company. In this regard, the Committee urges the Controlling Officer to ensure that the digitisation strategy is expeditiously actualised in order to guarantee efficient operations as well as cost reduction. The Controlling Officer is further urged to institute disciplinary action against the officer(s) responsible for failing to provide the requisite information to the auditors during the audit process and to ensure that measures are put in place to prevent the recurrence of this irregularity. The Committee will await a progress report on the matter.

c) Statement of Financial Position - Increase in the Gearing Ratio

Controlling Officer's Response

The Controlling Officer informed the Committee that going by the nature of the Society's business as a financial intermediary, the gearing ratio was not an appropriate measure of financial health. Therefore, the financial health of the Society was measured using ratios as per prudential returns filed with the Bank of Zambia, on a monthly basis. The Controlling Officer further explained that when this query was raised in the previous audit report, ZNBS wrote to the Bank of Zambia (BOZ)to clarify on the financial health of the Society, from the regulatory point of view. BOZ did not raise any concerns on the financial health of the Society.

In this regard, ZNBS requested the Office of the Auditor General to close the issue as the ratios were within the minimum set by BOZ. For instance, the non-performing loans being 4.95% against 10%, the liquidity ratio being 37.12% against 15% and the capital adequacy ratio being

46.86% against 15% as of 31st December, 2022.

The Controlling Officer further explained that even though the Society's financial health was measured by other ratios as emphasised by BOZ, comparison of the Society's gearing ratio against non-bank institutions showed that the Society was below the average gearing ratio given the nature of operations of non-bank financial institutions that raised funds for onward lending, through wholesale funding. As of 31st December, 2022 the average gearing ratio for non-Bank financial institution was 101%, whilst the Society had a gearing ratio of 95%.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

c) Operational Matters

i. Mortgages without Collateral - K10,872,309

Controlling Officer's Response
The Controlling Officer informed the Committee that the background to this matter was that the Society had disbursed mortgages to customers. At the point of disbursing the mortgages, the customers had provided security documents in the form of certificates of title or land record cards. The security documents were lodged at the Ministry of Lands or the councils for registration of the mortgages, but the documents were misplaced or lost. As a result of this, the Society had to commence the process of obtaining duplicated title deeds.

However, the Society had been engaging the Ministry of Lands and the councils for a resolution on the matter. As a result, there had been significant improvement, with five mortgages valued at K668, 984.16, that did not have collateral from the 116 mortgages previously reported, obtained. The Committee was further informed that applications had been made to obtain duplicate certificates of title for the five mortgages. This would enable the Society perfect security with the Ministry of Lands and the councils. The internal legal staff were also making constant follow ups with Ministry of Lands and travelling to councils outside Lusaka to ensure perfection of security and the closure of these findings. Therefore, Management anticipated closing this finding by 31st March, 2022.

Additionally, the following remedial measures had been put in place to avoid the recurrence of the query:

- mortgages were only disbursed after security was perfected and once lodged, constant follow ups were made to uplift the title;
- monthly reports on securitisation were being provided to the Risk Department, Management and quarterly to the Board of Directors; and
- the Society had engaged the external counsel to commence the process of obtaining duplicate certificates of title or requests for the renewal of offer from the Commissioner of Lands.

The status of the five outstanding mortgages without collateral was as submitted below:

	Name		Status
1.	Moses Serene and Happiness		Outsourced to Kaumbu Mwondela & Co on 21st August, 2020 to procure title and perfect security thereafter. As of 27th December, 2022, the court process to vest ownership into the vendors name was drafted and now awaits filing after execution by the Vendor. Once this is done, the title will be changed into the names of the customers and the mortgage perfected.
2.	Esnart Hampako		Outsourced to Kaumbu Mwondela & Co on 21st August, 2020 to procure duplicate title. The site was visited on 16.01.2022 and the firm now awaits issuance of invitation to treat from the Ministry of Lands. This will be followed by an offer and lease before the actual title deed is prepared.
3.	Mwaka Mukacibuye Develia		We made an application for issuance of an occupancy licence to Choma Town Council, and we still await action of the same. The Council had not yet commenced issuance of occupancy licenses. Constant follow ups are being made over the same.
4.	Nganga Manado Victoria		Outsourced to Kaumbu Mwondela & Co on 21st August, 2020. They wrote to the council to establish the whereabouts of the title as the Society had initially lodged these documents. We now await updated status from the firm.
5.	Frederick Kalela		Outsourced to Chilupe & Co. for change of ownership and perfection. They lodged the documents at Ministry of Lands on 21st July, 2021 and the title now awaits the registrar's signature. Follow ups are being made.

Committee's Observations and Recommendations

The Committee finds it unacceptable that this matter remains outstanding and, therefore, sternly cautions the Controlling Officer for giving assurances that are not being acted upon. The Committee urges the Controlling Officer to ensure that the collateral for the outstanding mortgages are secured. The Committee further urges the Secretary to the Treasury to ensure that disciplinary action is instituted on the custodians of the certificates of title or land record cards at the Ministry of Lands and the councils in question, for their carelessness in handling the security documents, which resulted in this query. A progress report on the matter will be awaited by the Committee.

ii. Loan Repayment period Exceeding Eighty- Four Months – K12,138,587

Controlling Officer's Response

The Controlling Officer informed the Committee that the root cause of this anomaly was a system error that the vendor (Intrasoft) failed to resolve over the last two years. Management resolved to correct this problem by restructuring the loans in order to reduce the tenor to within eighty four months as per policy requirement. This exercise required ZNBS to obtain customer consent for all the affected loans. Therefore, a total of 215 consent letters had been received so far, while a separate total of fifty - eight accounts had either been refinanced or closed (paid off). From the initial sample of the 307 accounts, ZNBS had a total of thirty four accounts where consent letters were yet to be obtained. Nonetheless, the process of restructuring had since commenced for all the accounts where the customer consent had been secured. The Committee was informed that the balance was expected to be concluded by the end of March, 2023. The Controlling Officer further informed the Committee that the core banking system (PROFITS) was able to record the correct tenors currently.

Committee's Observations and Recommendations

The Committee is disappointed to note that Management had failed to resolve this issue for over two years with the vendor and contends that due diligence was not undertaken at the time that the system was being procured. The Committee in this regard sternly cautions Management for this failure. The Committee further urges the Controlling Officer to expedite the process of obtaining the consent letters for the outstanding thirty four accounts in order to facilitate the process of restructuring the loans. A progress report on the matter will be awaited by the Committee.

iii. Failure to Close Old Loans after Refinancing K 3,780,316

Controlling Officer's Response

The Controlling Officer informed the Committee that there was a knowledge gap in a few branches. However, in order to close the gap, an internal memorandum was issued to address the matter. In view of the foregoing, all the affected accounts had since been remediated except for twelve which were non-performing and were being managed as such, in line with the procedure for the management of non-performing loans.

Committee's Observations and Recommendations

The Committee observes that the failure to close the refinanced loan accounts is a serious omission and disciplinary action should be taken against the erring officers in this regard. The Committee, therefore, will await a progress report on the matter.

iv. Mortgage

- **Mortgages Above Twenty - Five Years - K24,313,735**

Controlling Officer's Response

The Controlling Officer informed the Committee that there a system error upon migration from the old core banking system, ZNBS - 2008, to the current System (PROFITS). Therefore, in order to effectively close out the issue, Management had engaged the vendor (Intrasoft) to resolve this anomaly. However, the process did not work as the vendor could not provide a technical solution. Management then resolved to engage the affected customers to close off the old loan accounts and to re-create new loans on the system in order to correct the anomalies. The Committee was informed that the process of obtaining customer consent was currently on-going, with ninety - one loans from the initial 115 remaining open, waiting to be corrected. Expectation was, therefore, to conclude the exercise by the end of March, 2023.

Committee's Observations and Recommendations

The Committee is concerned with the number of queries under ZNBS that occurred as a result of a system error. This is a clear case of not undertaking due diligence at the time that the systems were being procured. The Committee in this regard sternly cautions Management for this failure. The Committee further urges the Controlling Officer to expedite the processes of rectifying the anomaly and will await a progress report on the matter.

- **Non-performing Loans Mortgages – K7,450,645**

Controlling Officer's Response

The Controlling Officer explained that the foreclosure had several processes that had to be met before a foreclosure and repossession occurred. The Committee was informed that the ultimate result may not be a foreclosure when the matters were escalated to the Courts of law, as the customer may be granted consent to pay reduced amounts. In other instances, customers may be paying through payment plans or there would be a delay in foreclosure due to challenges with security.

In view of the foregoing, the number of accounts that would qualify for foreclosure on the assumption that the Society was granted favorable judgment stood at twenty three and broken down as follows:

- three accounts had been issued with demand letters;
- ten accounts were in the legal process and in Court, awaiting judgment;
- four accounts were being handled by external lawyers, pending issues with security;
- two were deceased accounts that were pending the location of administrators;
- one account awaited a writ of possession;
- one account awaited the engagement of the sheriff's office to facilitate repossession;
- one account was on consent judgment; and
- one account had been voluntarily surrendered - pending fresh valuation.

Other reasons for the inability to foreclose the remaining twenty-nine accounts were submitted as highlighted below.

- Regarding the eleven accounts relating to a mortgage scheme with Budget Insurance, the Committee was informed that the Courts passed a verdict regarding the amounts which should be paid in settlement of sums owed. The amounts had been fully paid and the accounts had balances comprising of the suspended interest, which had since been reversed, in line with the policy and guidance from the regulator.

- On the six accounts, the Committee was informed that the Society obtained a Court consent judgment and customers were paying through the same. Should the payments as agreed with the Courts be breached, the Society would have the right to commence foreclosure proceedings. The Controlling Officer further explained that the Society could not foreclose on cases where the Court had granted customer consent payments.

- Regarding the nine accounts where the foreclosure process had been completed, the properties had been repossessed and advertised. Unfortunately, there had been no buyers for the properties.

- Two accounts had closed.

- One account was written off on 28th September, 2021. However, due to migration challenges onto the PROFITS System, the balance could not be brought to NIL. However, this had since been resolved. The mortgage was under the ZASTI scheme where there was no security.

The Controlling Officer further informed the Committee that the Society over the years had put in place measures to ensure that funds were advanced to credit worthy clients, recoveries from clients were promptly done, worthy clients were assisted through restructures and the repossession and disposal happened to clients that ended up in a delinquency state. As a result of these efforts, the non-performing ratio had progressively on an average trend, reduced as shown in the table below.

Mortgage	2019	2020	2021	2022
NPL	10.9	6.5	5.1	4.2

Committee's Observation and Recommendations
The Committee will await a progress report on the matter.

- **Staff Mortgages Issued Above Twenty Years**

Controlling Officer's Response
The Controlling Officer explained that this arose as a result of the delay to update the terms and conditions of service following the Board of Directors approval to increase the length of mortgages. Therefore, in order to ensure that this did not occur, the terms and conditions of service, currently referred to the Staff Lending Policy that was updated with the Board approved terms and conditions, relating to the credit for employees.

Further, the fifty -two loans were also restructured to align with the wording that was in the staff terms and conditions at the time of the audit. The Committee was informed that all the loans relating to the senior members of staff were approved by the Board Credit Committee in accordance with the Bank of Zambia Insider lending directives.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

- **Staff mortgages above K1,000,000.00**

Controlling Officer's Response
The Controlling Officer explained that the maximum loan value amounts at the time of the audit

were governed by a Board directive, which allowed lending to a maximum of K1.5m. However, the staff terms and conditions were not updated to reflect this directive, as they reflected the lending cap of K1million. The Committee was informed that the Board at its meeting held on 24th September, 2020, resolved to remove the cap on the maximum mortgage loan amount of K1.5 million. This was to be determined by what the customer could qualify for, based on the applicable credit assessment criteria. In this regard, only four accounts remained open and were compliant with the current policy, as well as the Staff Terms and Conditions of Service updated in April, 2022.

The Controlling Officer further explained that the Staff Terms and Conditions of Service were read together with the Board Resolutions and other policies, hence, where a Board Resolution was passed, the implementation was immediate and the relevant documents were updated periodically, usually every two years. The Committee was further informed that all the loans relating to the senior members of staff were approved by the Board Credit Committee, in accordance with the Bank of Zambia Insider lending directives.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

- **Unregistered Mortgages – K 4,723,935**

Controlling Officer's Response
The Controlling Officer explained that the number of unregistered mortgages stood at seventeen, with a value of K3, 742,000.00. These had certificates of title. The Committee was informed that these mortgages had remained unregistered due to the need to obtain Court orders or upgrade documents. However, the process to complete the registration process was underway.

The Controlling Officer informed the Committee that this query arose as a result of title deeds which were lodged and misplaced at the Ministry of Lands or councils at the point of registration of the mortgages. The Society obtained duplicate certificates of title, however, due to the time it took to obtain the same, it was found that other conveyance documents were missing or needed to be upgraded as they expired. Further, one of the challenges in the perfection of security had been the fact that mortgagors or some vendors were now deceased. Therefore, in order to resolve the matter, the institution had made applications to Court, to obtain court orders to request the Registrar of the High Court to sign on behalf of the deceased vendors or mortgagors.

Furthermore, other outstanding mortgages required documents to be upgraded. The Committee was further informed that measures had been put in place to ensure that mortgages were fully registered and the title deeds uplifted timorously, in order to avoid the loss of documents at the Ministry of Lands or the councils. Further, trackers on the unperfected securities were submitted on a monthly basis to the Risk Department, Management and quarterly to the Board. In the event that there was a default on the facility, the Society would be able to enforce the mortgage as an equitable mortgage and recover the funds.

No.	Name	Status
1.	Godfrey Nkhata & Jennipher Phiri	We received the parent title from ZSIC on 25th January 2023 and are now proceeding to attend to marking off for the client's subdivision alongside renewal of the consent that had expired
2.	Chaavwa Mulambo Nyambe	We received the parent title from ZSIC on 25th January 2023 and are now proceeding to attend to marking off for the client's subdivision alongside renewal of the consent that had expired
3.	Robert & Syls Financial Services	The Society wrote a letter to the mortgagor and Administrator General for the cancellation of the facility. The said letter was delivered on 8th December 2022 and we now await an official response from AG.
4.	Chrispin Hachumpi	The Society lodged at Ministry of Lands on 17th November 2021 and a follow up with the dealing officer and Chief Registrar was made on 23rd December 2021. The dealing officer was tasked to work on the registration of the documents.
5.	Eunice Ngoma	The Society lodged at Lusaka City Council for registration on 30th March 2022 and a follow up letter over the uplifting of the documents was delivered to the council registrar on 23rd September 2022. A formal response was being awaited from them.
6.	Hachuundu Mutinta Vainess	We are in the process of obtaining consent to assign at Lusaka City Council. Currently waiting for the client to clear outstanding rates. The client was already communicated to.
7.	Mununga Thomas/Alexina	We outsourced to TMN on 14th November 2022. They have already commenced the court process to have the registrar execute all the documents on behalf of the parties.
8.	Kasongo Mwape	We outsourced to TMN on 14th November 2022.They have since drafted the court process for the withdrawal of the subsisting caveat and just await the caveat details from the council before the same can be filed.
9.	Kabila Deborah Mwila	We outsourced to Lungu Simwanza for perfection of security and foreclosure on 5th August 2020. The firm just awaits the signing of the court order to allow the registrar to execute the conveyancing documents on behalf of the parties.
10.	Mwale Martin	The documents were queried on account that the lease was a 14year lease. We outsourced to TMN on 5th January 2023 for upgrade of the lease to 99 years and subsequent perfection of security.

11.	Simunika Steven Mayemwa	The documents were outsourced to TMN on 14th November 2022 and the court process to obtain probate and court order allowing the sale by an administrator have already been drafted
12.	Kapolyo Jonas & Esther Mwanza	The documents were outsourced to TMN on 14th November 2022 and the court process to obtain probate and court order allowing the sale by an administrator have already been drafted
13.	Malambo Mao Mwiinga	The documents were outsourced to TMN on 14th November 2022 and the court process to obtain probate and court order allowing the sale by an administrator have already been drafted
14.	Kampinda Angela	We renewed consent to assign on 9th January 2023 and now await the client to pay registration of assignment fees before we can lodge all the documents for change of ownership and perfection of security.
15.	Chisala Mary	We outsourced to TMN on 16th March 2022, and they are almost concluding with perfection The authorization letter from the council is almost ready as documents were submitted on 16.01.2023
16.	Chileshe Miranda	We outsourced to TMN on 16th March 2022.They are now at ZRA stage having had the contracts and deeds of assignment executed by both parties
17.	Bwalya Bernadate	We outsourced to TMN on 16th March 2022 and the court documents to have the registrar to execute the conveyancing documents are in place. They will be proceeding to file once they have obtained probate and the court order to sell.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that the court orders are expeditiously obtained. The Committee further urges the Secretary to the Treasury to ensure that disciplinary action is instituted on the custodians of the certificates of title or land record cards at the Ministry of Lands and the councils in question, for their carelessness in handling the security documents which resulted in this query. A progress report on the matter will be awaited by the Committee.

i. Loss of Rentals Due to Non-Occupancy – K3,998,733

Controlling Officer's Response

The Committee was informed that the non-occupancy in 2020 to 2021 was mostly due to the impact of the COVID-19 Pandemic. As of the end of February 2023, twenty-seven of the forty-seven identified vacant spaces had been taken up. Only twenty-nine vacant spaces were available for letting out. The Committee was informed that the Societies total occupancy rate for the property portfolio was ninety-five percent. This was against a target of ninety-five percent included in the CSP. The Committee was informed that the Society had continued with marketing efforts in order to increase the occupancy rate to even higher than ninety-five percent

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put in place incentives to ensure that all the properties are occupied. A progress report on the matter will be awaited by the Committee.

d) Accounting Irregularities – Misappropriation of Funds – K 722,423

Controlling Officer's Response

The Controlling Officer informed the Committee that Management had identified fifteen new controls to strengthen the payroll process, of which thirteen had been fully implemented translating to a completion rate of eighty-five percent. The remaining two controls totaling fifteen percent required a system alteration in order to improve controls within the system. These were scheduled to be delivered by the system vendor, by 31st March, 2023. The Committee was further informed that the erring staff had been taken through the disciplinary process and had been reported to the law enforcement agencies for prosecution and the possible recovery of the amounts involved.

Further, in order to deter the incidences of fraud, the Committee was informed that the Society had instituted a fraud awareness campaign through its Integrity Committee and had partnered with institutions such as the Drug Enforcement Commission.

Committee's Observations and Recommendations

The Committee notes the response and will await a progress report on the matter.

e) Administrative matters

i. Failure to Mitigate Operational Risks

Controlling Officer's Response

The Controlling Officer submitted that Management had put in place an action plan to address the issues. So far, the progress made was highlighted below.

- **Mazabuka**
  - The Contract for painting, tiling and the repair of defects had been awarded and the contractor was taking possession of the site on 10th February, 2023. The works would be completed by 1st March, 2023.
  - The tender for the installation of the fire alarm, smoke detectors and fire horse reels was currently running and would close on 17th February, 2023. The works were planned to be concluded by mid-March, 2023.
  - The safe room would be reinforced by the contractor who was moving on site on 10th February, 2023 and this would be closed by 1st March, 2023.

- **Chipata**

    - The contract for the frosting and branding of glasses had been awarded. The frosting of the glasses would be done by 28th February, 2023.
    - The industry practice was that the security guard was not supposed to be armed. The Zambia Police officer stationed at the branch was the one who was supposed to be armed. This was in line with the public safety, as security guards were not adequately trained to handle firearms.
    - The aircon was replaced on 20th October, 2023.

- **Livingstone**

    - The contract for the frosting and branding of glasses had been awarded. The contractors had been on site to take actual measurements and designs of the branding. The frosting of the glasses would be done by 3rd March, 2023.
    - The contractor was already on site and the ATM canopy would be replaced with a much bigger one by 1st March, 2023.
    - The premises had a design challenge where the entrance was very high to the extent that even if the ramp was constructed, it could not be practical for use by both the disabled and able bodied. The Society was considering cutting through the slab without disturbing the structural integrity of the building.

Committee's Observation and Recommendations
The Committee urges the Controlling Officer to ensure that the outstanding operational risks are expeditiously rectified. A progress report will be awaited by the Committee.

25.0 ZAMBIA POSTAL SERVICES CORPORATION

25.1 Audit Findings
An examination of financial and other records maintained at the Zambia Postal Services Corporation (ZAMPOST) Headquarters, three subsidiary companies and six selected post offices conducted in June, 2022, revealed the following irregularities, to which the Controlling Officer submitted as highlighted below.

a) Budget and Income –K39,605,824

Committee's Observations and Recommendations
The Committee is concerned that the Corporation's income is below budget and observes that this may result in the failure to meet its operational costs. The Committee, therefore, urges the Controlling Officer to enhance supervision over ZAMPOST and ensure that the Corporation budgets realistically as opposed to overstating its budget. The Committee further urges the Controlling Officer to put in place new initiatives, in order to mitigate the negative effects of the under collection of income. The Committee will await a progress report on the matter.

b) Management - Failure to Prepare Annual Report

Controlling Officer's Response

The Controlling Officer informed the Committee that the draft financial reports for the financial years 2022/23 were prepared. However, the reports for the financial years 2020/21 and 2021/22 had not been audited due to the delayed appointment of external auditors. However, in order to manage the problem and ensure that Management was up to date with the audited financial statements, the Corporation had commenced the procurement process to engage a new auditor as the term for the previous one expired.

In view of the foregoing, the backlog of financial statements had been prepared with the 2020/21 and 2021/22 financial statements waiting to be certified. The Committee was informed that once the new auditors were appointed, the recent reports which included the draft accounts up to 2021/22 would be audited and presented. The open tender advert was running and bids were expected to be received on or before 17th March, 2023. The Committee was further informed that the new Auditor would be engaged by 17thApril, 2023 and would work on the audits for 2019/20 and 2021/22. It, was, therefore, expected that the financial statements would be certified by 30th June, 2024.

Committee's Observations and Recommendations

The Committee expresses concern at the failure by the Corporation to prepare the annual reports in question, as prescribed by regulations and urges the Controlling Officer to ensure that the outstanding annual reports are availed for audit verification without further delay. The Committee further urges the Controlling Officer to caution the Board and Management of ZAMPOST to ensure that the appointment of auditors is taken as a priority, in order to avoid the recurrence of this serious breach of Financial Regulations. The Committee will await a progress report on the matter.

c) Operational Matters

i. Failure to Collect Post Box Rentals – K 83,796,792

Controlling Officer's Response

The Controlling Officer explained that prior to the automated system implementation; the outstanding figure was at K41, 827,709. However, with the automation of the system, the figure rose to K83, 878,499, because more data had been captured including inactive subscribers.

The Committee was informed that as a result of the automation, the box rental system sorted inactive subscribers, who were found to owe K34, 483,729.81, earmarked to be written-off. However, the Board of Directors at their first meeting on 15th November, 2022, directed Management to review the debtors and urged Management to collect debt as much as possible, before a write-off could be considered. The Controlling Officer further clarified that the inactive box rental balances amounting to K34, 483,729.81 were part of the reported increase of K41, 969,083 which once written off, would bring the increased uncollected revenue to above K7, 485,353.19 from the initial K41, 827,709.

He further informed the Committee that out of the K83,878,499 total outstanding balance, Management had been directed by the Board to collect the K34,483,729.81 debt proposed for write-off. These were debtors that were considered to be defunct because they had not paid for over three years. Further, apart from the bad debt, K24, 900,000 was owed by the Government which had been submitted to the Ministry of Finance and National Planning (MOFNP) to assist in collecting funds from the Central Government for payment. The Committee was informed that MOFNP had guided the Ministry of Technology and Science to engage the respective owing institutions to settle the outstanding amounts.

The Controlling Officer further informed the Committee that the balance of K25, 494,769.19 was inclusive of the old K7, 485,353.19 and the current billing which was being collected with invoices, issued to both the Government and individuals. This was actively being pursued through the Revenue Department and Normal Operations.

The Controlling Officer also submitted that the Corporation was conducting a box rental clean-up exercise, which would result in having updated KYC information and also increase bill collection efficiencies.

Furthermore, in order to increase revenue collection and improve service delivery, the Committee was informed that the Corporation launched the e-ZamPost platform, which would allow customers easily use electronic channels such as mobile money options, to pay for the box rental subscription. This would in turn, enhance collections. The Committee was informed that Management was also in the process of engaging an external debt collector to supplement the current efforts of collecting the outstanding amount of K83, 878,499.

Committee's Observations and Recommendations

The Committee is disheartened to learn that the position on the outstanding receivables had not improved and that the outstanding amount had risen by 100.34 %. It is unacceptable that ZAMPOST failed to collect post office rentals despite facing financial constraints. The Committee further finds it unacceptable for the Corporation facing liquidity challenges to attempt to write off such a huge amount as bad debt. It is in this regard that the Committee urges the Controlling Officer to sternly caution the Board and Management of ZAMPOST for the laisser-faire approach to securing public funds. The Committee further urges the Controlling Officer to ensure that disciplinary action is instituted on the officers responsible for ensuring that the rentals were collected, for failing in their duty. The Controlling Officer is also urged to ensure that internal controls at ZAMPOST are strengthened and to aggressively pursue the identified measures to guarantee the timely collection of rentals. A progress report on the matter will be awaited by the Committee.

ii. Failure to Collect Revenue from Rented Properties -5,856,605

Controlling Officers Response

The Controlling Officer informed the Committee that the automated systems were developed and implemented in September, 2021, but the impact was only seen after September, 2022. The Controlling Officer further explained that the delay in achieving the anticipated outcome was due to the property rental system implementation, being perfected for data analysis and information.

The Committee was further informed that the Corporation still managed to collect K3, 715,505.00 in the period 2021/22, compared to the K2, 547,471.00, collected between the same period, the previous year, as a result of the property system and engagements by the Revenue and Debt Department.

As a corrective action however, the Committee was informed that the automation of the property rental system to collect revenue had since been fully implemented and going forward, rental balances were expected to improve. Furthermore, debtors amounting to K5, 856,604.77, had been engaged by the Revenue and Debt Collections Department for payment and the payments were expected in the second quarter of 2023.

The Committee was further informed that Management sought legal redress for defaulters and the Legal Department issued demand letters; Others defaulters were issued with warrants of distress. Additionally, executions were done in accordance with the lease agreements.

The Controlling Officer further informed the Committee that a tripartite virtue meeting was held with Zamtel and Infratel, to resolve the disputes over the debt owed and office space occupied, following the takeover of equipment by Infratel from Zamtel. The two Companies agreed to meet and review what was taken over. In view of the foregoing, reconciliations had been done with a reconciled balance of K333, 750, which was agreed to be settled by September, 2023.

With regard to ZRA, the Committee was informed that Management engaged ZRA over the debt and officials came through to conduct a reconciliation to facilitate payment. A debt swap was being explored in order to settle the matter. Regarding Nkana Water and Sewerage, the Committee was informed that the debt had been settled through a debt swap.

The Controlling Officer assured the Committee that Zampost Management would ensure that the draft Credit Management Policy was among the priority documents to be tabled before the new Board for review and subsequent approval, in the quarter ending 30thJune, 2023, in order to help keep track of the defaulters on the tenancy agreements.

Committee's Observations and Recommendations

The Committee is disheartened that despite its earlier directive to the Controlling Officer in its Report for the First Session of the Thirteenth National Assembly, to ensure that Management puts in place an exit strategy in an event that tenants fail to pay, to the contrary, the position has not improved and the under collected rentals have risen by 90.4 %. It is, therefore, unacceptable that ZAMPOST failed to collect the revenue from the rented property, despite facing financial constraints. In this regard, the Committee urges the Controlling Officer to sternly caution the Board and Management of ZAMPOST for the laisser-faire approach in securing public funds. The Committee further urges the Controlling Officer to ensure that disciplinary action is instituted on the officers responsible for ensuring that the rentals were collected, for failing in their duty. The Controlling Officer is further urged to ensure that internal controls at ZAMPOST are strengthened and to aggressively pursue the identified measures to guarantee the timely collection of rentals. A progress report on the matter will be awaited by the Committee.

iii. Failure to Collect Commission Earned

Controlling Officer's Response
The Controlling Officer attributed the failure to collect revenue from the Road Traffic and Safety Agency (RTSA), to not making timely payments to ZAMPOST. However, all the commissions that were outstanding had since been settled and the contract between RTSA and ZAMPOST had mechanisms against default, which Management would enforce going forward.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

d) Procurement of Goods and Services

1. Failure to Renovate and Refurbish the Ndola Main Post Office

Controlling Officer's Response
The Controlling Officer explained that the failure to refurbish the building was due to material difference in the assessments that were conducted by the engineers from the Ministry of Works and Supply and the Corporation's Estates and Properties engineers. An assessment of the Ndola Main Post Office by the engineers engaged from the Ministry revealed that the building had major structural defects which required a total rehabilitation cost of K4, 235,000, against the earlier estimate from the Corporations Estates and Properties engineers of K1, 000,000. Therefore, the procurement of material worth K153, 437 was based on the Corporations Estates and Properties engineers.

Nonetheless, the procurement building required less work and was identified as a less costly alternative to the Ndola Main Post Office. Management obtained Board approval to relocate the headquarters from the rented building in the industrial area to the Corporation's Procurement Building in Arusha Street. The materials purchased at K153, 437 for the refurbishment of the Ndola Main Post Office was consequently, used at the new headquarters. However, Management had not abandoned the refurbishment of the Ndola Main Post Office. The Corporation had a new tenant, the Zambia Industrial Commercial Bank in the gallery, who expressed interest in getting additional office space at the Ndola Main Post Office. This, therefore, would result in the refurbishment of the building through a long term lease**.** The rehabilitation of the other part of the building would be handled by the ZAMPOST and was planned for in the 2024, budget.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

ii. Procurement of Desktop and Laptop Computers

- **Irregular Awarding of the Contract**

Controlling Officer's Response

The Controlling Officer explained that the Corporation erred when it did not terminate the contract after the price change as required by the Public Procurement Regulations. However, the Corporation would ensure that the ZPPA guidelines were followed going-forward. ZPPA had also been engaged to train the Corporation on procurement matters.

Committee's Observations and Recommendations

The Committee finds it unacceptable that it had to take an audit for the Company to realise that it erred. It is further disheartening that no disciplinary action has been instituted against the erring officers whose conduct is clearly at variance with the provisions of the Public Procurement Regulation in question. The Committee, therefore, urges the Controlling Officer to institute disciplinary action against the erring officers for this conduct. The Controlling Officer was further urged to ensure that concrete measures are put in place to avoid such errors going forward. A progress report on the matter will be awaited by the Committee.

- **Failure to Deliver Computers within Contract Periods**

Controlling Officer's Response

The Controlling Officer informed the Committee that the suppliers did not supply the computers because of non-payment by ZAMPOST. However, the contract had since been cancelled in accordance with the Public Procurement Regulations and the reason for the cancellation of the contract was because of failure to deliver.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to caution Management for this serious omission. It is unacceptable that the failure to deliver the computers in full was as a result of the failure by the ZAMPOST to pay the supplier. The Committee further urges him to institute disciplinary action against the erring officer(s) who engaged the supplier without securing the necessary funds to serve as a deterrent for such occurrences in future. The Committee will await a progress report on the matter.

- **Irregular Participation in the Decision of the Procurement Committee Procurement**

Controlling Officer's Response

The Controlling Officer acknowledged that ZAMPOST seriously erred. Allowing the then Director Operations, to sit on both the Evaluation and Procurement Committees was an oversight. However, as a corrective measure, the Committee was informed that a draft Procurement Policy and Manual had been prepared and would be presented to the Board for approval in the next Board meeting for the quarter ended 31st March, 2023.

Committee's Observations and Recommendations

The Committee is concerned with the number of queries under ZAMPOST that occur as a result of errors and observes that lapses such as these can be deliberate to allow for possible collusion, and must, therefore, not be entertained. The Committee urges the Controlling Officer to institute disciplinary action against the responsible officer(s). The Controlling Officer is further urged to ensure that laid down procurement regulations are adhered to in future undertakings, in order to avoid the recurrence of the query. The Committee will await a progress report on the approval of the Procurement Policy and Manual.

e) Management of Assets - Lack of Title Deeds

Controlling Officer's Response

The Controlling Officer informed the Committee that Management had commenced a procurement process for property valuation for all ZAMPOST properties that in the terms of reference was tasked with preparing survey diagrams. The procedure for obtaining the title deeds required that survey diagrams should be put in place. In view of the foregoing, the 2023 to 2024 budget had a budget line for both survey diagrams and conveyance fees for the title deeds. The procurement would be included in 2023 and the Annual Procurement Plan for ZAMPOST would be approved by the Board in the quarter ended 31st March, 2023**.**

Committee's Observations and Recommendations

The Committee finds it unacceptable that it had to take an audit for the Cooperation to realise that 245 of its properties did not have title deeds. The Committee sternly cautions the Controlling Officer for this lack of seriousness and urges him to ensure that the title deeds are secured without further delay. A progress report on the matter will be awaited by the Committee.

f) Management of Subsidiaries

i. ZAMPOST Freight and Forwarding Limited – Failure to Establish the Board of Directors

Controlling Officer's Response

The Committee was informed that the Board was dissolved alongside the ZAMPOST main Board in 2021. However, the Board would be constituted by the ZAMPOST Board at its next sitting for the quarter ended 31st March, 2023.

Committee's Observations and Recommendations

The Committee expresses concern over the delay in appointing the Board of Directors resulting in the poor oversight function of the ZAMPOST Freight and Forwarding Limited. The Committee urges the Controlling Officer to correct this illegality by ensuring that the Board is put in place as soon as possible. The Controlling Officer is further urged to ensure that the dissolution and re-constitution of the Board of Directors is done simultaneously to avoid a vacuum and the reoccurrence of the query. A progress report on the matter will be awaited by the Committee.

ii. Postbus Company Limited

- **Failure to Recapitalise Post Bus**

Controlling Officer's Response
The Controlling Officer explained that the failure to recapitalise the Post Bus was attributed to the financial challenges faced by the holding company, ZAMPOST. However, the procurement process had commenced to get additional franchise partners on better conditions, in order to recapitalise the fleet within the next five years. The Committee was further informed that the franchise model was a cheaper alternative to direct capital injection by ZAMPOST**.**

Committee's Observations and Recommendations
The Committee urges the Controlling Officer to ensure that the procurement process is expedited in order to bring the additional franchise partners on board to recaptalised Post Bus. A progress report on the matter will be awaited by the Committee.

- **Failure to Collect Revenue K486,160**

Controlling Officers Response
The Committee was informed that the systems in place in the franchise agreements caused the failure to collect commissions and royalties by Post Bus. Nonetheless, Management continued to actively engage the Permanent Secretary at the Ministry of Youth, Sport and Arts on the payment of the commissions. Further, the termination of the contract was partly meant to prevent the further escalation of the debt.

Committee's Observations and Recommendations
The Committee urges the Controlling Officer to pursue the matter to its logical conclusion and will await a progress report on the matter.

26.0 ZAMBIA TELECOMMUNICATIONS CORPORATION LIMITED

26.1 Audit Findings
A review of accounting and other records for the financial years ended 31st December, 2019, 2020 and 2021, revealed the following irregularities to which the Controlling Officer submitted as highlighted below.

a) Budget and Income – Failure to Meet Revenue Targets - K2, 211,683,000 and K2, 269,360,781

Controlling Officer's Response
The Controlling Officer explained that Management set the revenue targets based on key assumptions that did not materialise due lack of funds. He informed the Committee that the following were some of the key assumptions:

- upgrading of the Online Charging System to drive subscriber growth to 5.3 million by the end of 2021. The System was only upgraded in December, 2021;

- upgrading of eighty eight sites from 2G to 4G technology. However, none of the sites were upgraded during this period, due to financial constraints;
- growing the sales and distribution infrastructure through the deployment of 540 service centers between 2019 and 2021. However, Zamtel only managed to deploy 148 service centres during this period;
- the full automation of the Customer Value Management (CVM). This did not materialise and would only be concluded in 2023;
- the acquisition of 22,000 Know Your Customer (KYC) devices to drive customer acquisition. Only 2,860 were acquired in 2020 and 2,970 in 2021; and
- the commissioning of 203 sites across the Country. Zamtel only managed to commission seventy-one sites during the period under review.

The Committee was further informed that the poor financial performance was compounded by the inability to secure external financing to support most of the initiatives above. This notwithstanding, the Zamtel Management explored other innovative ways of mitigating the impact of not actualising the underlying assumptions above on revenue. Some of the measures implemented were submitted below.

- The revision of the target setting process in 2022, to take into account the business inability to finance key revenue generating activities. The Committee was informed that the 2022, revenue target dropped to K1.17 billion compared to K1.6 billion in 2021.This resulted in a reduction of the revenue variance from fifty-six percent in 2021 to twenty-one percent in 2022.

- The process of engaging consultants to establish the long-term business sustainability options that would include business transformation and the recapitalisation of Zamtel was underway.

- The revision of the pricing and corresponding product and service benefits. This exercise included updating the various segment settings on the network, in order to generate more value. The application of pulse rate on bundled offers and the implementation of the Fair Usage Policy (FUP). This resulted in an increase in revenue averaging K6 million per month effective May, 2021, on mobile services revenue.
- In December, 2021, Zamtel modernised the End of Life and Out of Support Online Charging System (OCS). This led to system stability as well as had expanded the customer handling capacity from four to ten million.

- The Evolved Packet Core (EPC) capacity was expanded from twenty-four Ginger Bytes Per Second (Gbps) to 104 Gbps, with geographical redundancy at Woodlands and Lamya House, aimed at improving internet capacity. In addition, Zamtel upgraded the Internet Service Provider (ISP) capacity from 23.7Gbps to 31.2Gbps. This resulted in improved customer experience.

- The deployment of 148/540 service centers as part of the sales and distribution infrastructure, in order to improve the accessibility to Zamtel products and services countrywide.

Committee's Observations and Recommendations
The Committee is concerned that the Company's income is below budget and observes that this may result in the failure to meet its operational costs. Further, Zamtel's failure to meet the revenue targets may also result in the failure to meet planned for activities. Going forward, the Management of Zamtel is urged to budget realistically, as opposed to overstating the Company's budget. The Committee, further, urges the Controlling Officer to ensure that Zamtel devises realistic and achievable revenue targets going forward, in order to avoid such huge deficits. The matter is recommended for the Auditor General to keep in view, during future audits.

b) Financial Analysis

i. Statements of Comprehensive Income

- **Profitability – Operating Profit Margin**

Controlling Officer's Response
The Controlling Officer informed the Committee that Management set the revenue targets which were key drivers to the Earnings Before Interest Tax Depreciation and Amortisation (EBITDA), based on key assumptions that did not materialise due to constrained resources. Some of the key assumptions as listed below.

- The upgrading of the Online Charging System to drive subscriber growth to 5.3 million by the end of 2021. However, the system was only upgraded in December, 2021.

- The upgrading of eighty-eight sites from 2G to 4G technology. However, none of the sites were upgraded during this period, due to financial constraints.

- Growing the sales and distribution infrastructure through the deployment of 540 service centers between 2019 and 2021. However, Zamtel only managed to deploy 148 service centers during this period.

- The full automation of the CVM. However, this did not materialise and would only be concluded in 2023.

- The acquisition of 22,000 KYC devices to drive customer acquisition. However, only 2,860 devices were acquired in 2020 and 2,970 in 2021;

- The commissioning of 203 sites across the Country. However, the business only managed to commission seventy-one sites during the period under review.

The Committee was further informed that the operating costs during the period under review were within budget. This notwithstanding, the process of engaging consultants to establish the long-term business sustainability options that would include the business transformation and the recapitalisation of Zamtel was underway.

Committee's Observations and Recommendations

The Committee observes with concern that Management set revenue targets which were key drivers to EBITDA, based on assumptions for which financing had not been secured. The Committee, therefore, urges the Controlling Officer to sternly caution Management for this lapse. The Committee further urges the Controlling Officer to expedite the engagement of consultants to establish the long-term business sustainability options, which will include the business transformation and the recapitalisation of Zamtel. A progress report on the matter will be awaited by the Committee.

- **Reduction in Gross Profit Margin**

Controlling Officer's Response

The Controlling Officer clarified that the targeted Gross Profit did not include the network depreciation, as part of the cost of sales. In this regard, recalculating the Gross Profit Margin excluding network depreciation showed that the target was met in 2020 and marginally missed in 2019 and 2021. Therefore, the disparity highlighted by the Auditors was due to the inclusion of network depreciation in the computation of the Gross Profit Margin. This, therefore, was not a cash flow item and it was not considered for management accounting purposes.

Committee's Observations and Recommendations

The Committee is concerned that the Controlling Officer failed to provide these responses and explanations to the auditors during the audit process and sternly cautions the Controlling Officer against such conduct. The Committee directs that the supporting documents be availed for audit verification subject to which the matter should close.

- **Failure to Achieve Set Net Profit/Loss Margin**

Controlling Officer's Response

The Controlling Officer informed the Committee that Management set the revenue targets based on key assumptions that did not materialise due to constrained resources. The failure to meet the revenue targets resulted in the net losses. Additionally, the foreign exchange fluctuation affected the Zamtel net profit margin due to the fact that the Company operated in a capital-intensive industry and a significant portion of capital goods and service were imported in foreign currency. Because of this, coupled with the limited working capital, the Company had a significant Foreign Currency (FX) exposure, arising from legacy foreign denominated debt. These, therefore, contributed to the losses reported in the period in reference. The Committee was further informed that Zamtel recorded FX losses of K711 million and K603 million in 2019 and 2020 respectively.

With regard to the administration and operating expenses efficiency, The Committee was informed that this improved from seventy-two percent in 2019 to fifty percent in 2021. Management continued to implement revenue enhancement measures which included building the sales and distribution infrastructure, value-based product pricing and the implementation of critical business support systems such as the Customer Value Management and Revenue Assurance.

Committee's Observations and Recommendations

The Committee observes with concern that the Company recording losses threatens it as a going concern. In this regard, the Committee urges the Controlling Officer to ensure that the identified measures targeted to improve the Company's profit margins yield the desired results. A progress report, will therefore, be awaited by the Committee.

ii. Statements of Financial Position

- **Liquidity – Current Ratio**

Controlling Officer's Response

The Controlling Officer informed the Committee that the failure to meet the current ratio was attributed to the increase in current liabilities as a result of foreign exchange movements and the reclassification of overdue long-term borrowings, from long term to current liabilities, as required by International Accounting Standards (IAS 1). This was caused by working capital challenges that the Company continued to face. In addition, effective 2019 onwards, there was a high provision on receivables, thereby, affecting the liquidity ratio. The Committee was further informed that a total of K483 million in receivables was provisioned in the financial year ended 31st December, 2019, K387 million in the financial year 2020, and K478 million in the financial year 2021. Management continued to implement revenue enhancement measures which included building the sales and distribution infrastructure, value-based product pricing and the implementation of critical business support systems such as the Customer Value Management and Revenue Assurance. Additionally, the process of engaging consultants to establish the long-term business sustainability options that would include the business transformation of Zamtel was also underway.

Committee's Observations and Recommendations

The Committee expresses concern that a low current ratio is an indication that the Company is unable to meet its short-term obligations. The Committee notes the Controlling Officer's submission and resolves to await an update on the implementation of the measures put in place to improve the Company's liquidity position.

- **Increase in Trade Receivable Days**

Controlling Officer's Response

The Controlling Officer explained that the trade receivables balance of K559 million, included K367 million receivables relating to the decommissioned landlines legacy debt which went as far back as 2006. This was earmarked for write-off, once all the necessary processes were completed. The strategy, therefore, was to use a phased approach starting with K89 million that was on the old billing system, K29 million relating to accounts that billed rental charges only and K241 million relating to terminated accounts. This was targeted to be closed in the fourth quota of 2023. Further, Zamtel had tightened the process of extending credit by developing an elaborate customer due diligence process. As such, customers were vetted appropriately, and security bonds were requested from distributors which had resulted in a significant drop in receivables, as all the dealers were within the thirty receivable days. Additionally, Management had introduced the dunning process, credit control, in order to prevent the further accumulation of uncollected debt. The Committee was informed that these measures had resulted in the improvement in collections from K113 million in 2019 to K232 million in 2021. Contributing to this increase were also the debt swaps done over the period under review.

Committee's Observations and Recommendations
The Committee observes with concern the failure by Zamtel to efficiently collect payments from its credit customers, thereby, affecting the Company's working capital, as funds are held as receivables. The Committee is further concerned that the poor management of receivables resulted in bad debt. The Committee in this regard, urges the Controlling Officer to ensure that the Company's debt collection policies and procedures are revised as they have shown signs of being inefficient as evidenced by the outstanding amount owed. The Committee further urges the Secretary to the Treasury to ensure that a deliberate policy is put in place compelling Government institutions to pay for Zamtel's services before consuming them, giving that this expenditure is already budgeted for in their respective budgets. The Committee will await a progress report on the matter.

- **Return on Capital Employed (ROCE)**

Controlling Officer's Response
The Controlling Officer explained that the negative ROCE reported in 2020 and 2021, had been occasioned by the losses incurred in the two years as observed by the Auditor General. However, Management continued to implement revenue enhancement measures which included building the sales and distribution infrastructure, value-based product pricing and the implementation of critical business support systems such as the Customer Value Management and Revenue Assurance. Additionally, the process of engaging consultants to establish the long-term business sustainability options that would include the business transformation of Zamtel was also underway.

Committee's Observations and Recommendations
The Committee notes the Controlling Officer's submission and urges him to ensure that the identified measures targeted to improve the Company's ROCE yield the desired results. A progress report, will, therefore, be awaited by the Committee.

- **Asset Turnover Ratio**

Controlling Officer's Response
The Controlling Officer explained that while the value of the assets may be significantly high and consequently driving a low ratio, the technology stack on the referred assets was mostly 2G for mobile (over sixty-five percent). This, therefore, did not provide a good data experience to the customers in order to drive optimal revenue generation and had affected the extent of revenue

that could be derived from such assets.

Further Zamtel had been supporting the Government's agenda regarding the universal access to communication and as such, over 444 of its 1,630 sites were located in markets that were not commercially viable. The Controlling Officer explained that such areas were in most instances, only serviced by Zamtel with none of the competitors playing a part. As such, the total asset value of the social sites was K1.5 billion and Zamtel only generated approximately K168 million from these sites per year and spent approximately K420 million, maintaining the sites per year. Therefore, the re-computed Asset Turnover Ratio on these sites was eight percent. This was the main driver to the dilution in referred ratio.

The Committee was further informed that Management had developed a turnaround strategy that included the rationalisation of non-performing assets through the disposal of non-core assets such as buildings. The strategy was also focused on building sales and distribution infrastructure, the expansion of 4G coverage and technological landscape maturity, aimed at growing the revenue.

Furthermore, Zamtel had engaged the Government on coming up with a long-term solution regarding the GRZ universal access sites that were located in markets that were not commercially viable but meant to provide telecommunication services to the rural population. The Committee was informed that the current model was not sustainable on Zamtel and the Company singularly shouldered the responsibility of the entire sector with no corresponding incentives or subsidies from the Government.

Committee's Observations and Recommendations

The Committee notes that while Zamtel is supporting the Government's agenda regarding the universal access to communication, the Committee observes with concern that the current model is not sustainable on Zamtel, especially that Zamtel sholders the responsibility of the entire sector with no corresponding incentives or subsidies from the Government. The Committee in this regard, urgently calls upon the Secretary to the Treasury to intervene in this matter and provide a long term logical conclusion to the matter. A progress report will be awaited by the Committee.

c) Information and Communication Technology (ICT) Systems

i. Use of Unsupported Operating Systems and Database Software

Controlling Officer's Response

The Controlling Officer explained that Zamtel ran a number of legacy systems and network monitoring tools which could not run on the higher versions of the operating systems. As such, the operating systems would only be upgrade once such systems were decommissioned or replaced. As a consequence of this, the eight servers that were running on Windows Server 2008 could not be upgraded at the time, as they hosted critical applications that could not operate on higher versions of the operating system. However, the mitigations measures highlighted below were being implemented.

- Of the eight servers identified, five had since been upgraded. Two could not be upgraded due to running legacy applications and one was undergoing compatibility testing for the higher version.

- Out of the fifty laptops and desktops identified of using the old version of the operating system, forty-six could not be upgraded as they were supporting the call center system which could only operate on the old version. However, the other four had since been upgraded.

Committee's Observations and Recommendations
The Committee finds it unacceptable that it had to take an audit for this very serious irregularity to receive the attention that it deserves. The Committee contends that securing systems and ensuring that they are not susceptible to cyber attacks and data breaches should be a priority, given the business in which Zamtel operates. In view of the foregoing, the Committee urges the Controlling Officer to sternly caution Management at Zamtel for this failure and directs that, given the risks that systems pose, other mitigation measures should urgently be put in place apart from waiting until the systems are decommissioned. The Committee will await a progress on the matter.

ii. Unsupported Mobile Switching Centers

Controlling Officer's Response
The Controlling Officer explained that the delay in the replacement of the Mobile Switching Centers (MSC), MSC11 and MSC12 had been caused by lack of funds. However, the pending works amounting to USD2.4 million from the Government project, had been revised to address a significant part of the core network, which included MSC11 and MSC12, before end of 2023.

Committee's Observations and Recommendations
The Committee observes with concern that it had to take an audit for the Controlling Officer to attend to this very serious matter. The Committee is further concerned that two out of the three MSCs that Zamtel operates have reached their end of life and are not supported by the vendor. Therefore, in the event of failure, subscribers might fail to access the Zamtel network, a situation which the Committee finds unacceptable. The Committee cautions Management for the laiser faire attitude exhibited in addressing this concern and urges the Controlling Officer to ensure that funds are made available to replace the MSCs without further delay, in order to avoid the system unavailability, therefore, inconveniencing customers. A progress report on the matter will be awaited by the Committee.

iii. Inadequate Cloud Storage – ICT Cloud

Controlling Officer's Response
The Controlling Officer informed the Committee that the major cause leading to inadequate Information Technology Cloud Infrastructure, was lack of funds to increase the current capacity. However, funds had since been secured and the procurement process had been initiated. The

implementation was, therefore, expected to be completed by June, 2023.

Committee's Observations and Recommendations
The Committee resolves to await a progress report on the matter.

iv. Disabled Audit Logs – OCS_RB Database - Weaknesses in the Management of Oracle Database

Controlling Officer's Response
The Controlling Officer informed the Committee that the audit log was disabled in order to enhance system performance and user experience which got heavily compromised when the audit log was enabled, given that logging consumed up to fifteen percent of the system resources. Further, the external logging of database activities recommended to ensure that the systems in production continued to operate optimally, could not be implemented due to lack of funds. Furthermore, the resolution to implement the external storage of audit logs by June, 2024, once the database activity monitoring system was deployed was also delayed due to lack of funds.

Committee's Observations and Recommendations
The Committee notes the response but urges the Controlling Officer to put in place other mitigating measures to track user activity and investigative security breaches in the absence of audit logs. A progress report on the matter will be awaited by the Committee.

v. Inadequate Information Technology Infrastructure

Controlling Officer's Response
The Controlling Officer explained that the limitation had been occasioned by lack of funds to implement all the critical systems that would support the Company's ability to respond to changing business dynamics. Further, the Company had taken a phased approach and had been implementing systems on the basis of criticality. This was expected to be completed over a three year timeframe effective 2023. Furthermore, Management had developed a technology landscape maturity, incorporating all the systems cited above. The systems were being addressed as and when funds were available.

Committee' Observations and Recommendations
The Committee is shocked to learn that Zamtel has inadequate information technology infrastructure in the sector and contends that this has resulted in poor service quality, leading to customer dissatisfaction and the loss of revenue. Further, the sheer neglect of the infrastructure and lack of a rehabilitation plan is testament to the fact that the institution requires an overhaul in its management. The Committee in this regard, urges the Controlling Officer to ensure that funds are sourced as a matter of extreme urgency, in order to implement all the critical systems that will support the Company's ability to respond to changing business dynamics. This should be premised on a documented rehabilitation strategy for existing infrastructure. The Committee will await a progress report on the matter.

d) Operational Matters

i. Failure to Follow Quality of Service Guidelines

Controlling Officer's Response

The Controlling Officer explained that the penalty was imposed by the Zambia Information and Communication Technology Authority (ZICTA) following the drive tests that were randomly carried out in the named towns. During the inspection period, the Committee was informed that Zamtel was carrying out network modernisation and expansion projects in the affected areas. Therefore, some pockets of poor quality of service were expected. Further, during this period, Zamtel implemented a network optimisation plan that significantly minimised the poor quality of service on the affected sites. Furthermore, the network optimisation was an ongoing exercise, and this was driven by dynamic mobile customer needs. The network had since been optimised, and the call set up success rates and HTTP success internet logins in the towns under review had improved as submitted in the table below.

. September - November 2019 ZICTA QoS Report vs Current

KPI	Town	Targets	2019 (Ave)	September	October	November	2023-Feb
CSSR	Lusaka	≥ 98%	97.03%	100.00%	93.69%	97.40%	99.63%
	Kafue	≥ 98%	97.14%	-	97.14%	-	98.17%
	Luwingu	≥ 98%	96.55%	-	96.55%	-	99.07%
	Ndola	≥ 98%	92.60%	100.00%	-	85.20%	99.89%
	Kitwe	≥ 98%	98.89%	100.00%	-	97.77%	99.66%
HTTP Download Rate on 3G	Kitwe	≥ 1500kbps	1386.02	1082.22	-	1653.81	6254.85
	Ndola	≥ 1500kbps	1622.22	1917.95	-	1326.5	3248.65
HTTP Successful Internet Logins	Kafue	≥ 98%	96.98%	-	96.98%	-	99.85%
	Kabwe	≥ 98%	97.34%	100.00%	-	94.68%	99.61%
SMS Success Rate	Country wide	≥ 98%	97.08%	99.76%	94.38%	97.09%	97.40%

Call Drop Rate	Lundazi	≤ 5%	13.20%	-	-	13.02 %		0.41%

Committee's Observations and Recommendations

The Committee observes that Zamtel is challenging the penalty imposed by ZICTA for abrogating some of the quality of service guidelines in its service provision. This is because the abrogation is as a result of the upgrades and optimisation that was being done on the network. The Committee notes that it is expected that quality can be compromised and therefore, urges Zamtel to engage ZICTA on the imposed penalty with the possibility of reducing or waiving it off. The Committee will await a progress report on the matter.

ii. Government Communication Tower Phase II

- **Revenue and Repayment Reserve Accounts**

Controlling Officer's Response

The Controlling Officer explained that Zamtel was required to maintain a Revenue Account for receiving the revenue from the Project, as well as a Repayment Reserve Account used to effect repayments of the principal and interest. Further, Zamtel was permitted under section 4.03 of the GRZ/Zamtel Subsidiary Agreement to use the revenue from the project to fund the operations of the project. In view of the foregoing, Zamtel spent a total of K60.2 million of its own resources to finance the implementation of the Government Towers Project. This cost was outside the US$280 million financing under the Agreement.

The Committee was further informed that the US$280 million debt was reconciled with the Ministry of Finance and IDC, and the Ministry of Finance consequently, authorised that the debt related to passive infrastructure should be transferred to Infratel as part of the asset optimisation. Therefore, the balance of the US$280 million debt which related to active equipment was converted to equity through a letter from the Secretary to the Treasury dated 6th January, 2020. As such, the liability did not exist anymore as this was fully reconciled and settled in 2020.

Committee's Observations and Recommendations

The Committee notes that the matter has been reconciled and settled and therefore, resolves to close the matter subject to audit verification.

- **Site Performance of GRZ Towers – Financial Losses – K 393,762,994**

Controlling Officer's Response

The Committee was informed that while Zamtel was for all intents and purposes established as a profit-oriented Company, it also had a developmental mandate of being a Company owned by the Government. Part of the mandate, therefore, was to provide universal access to communication and digital financial services.

However, the implication was that the sites under the Government Tower Communications

Project were not commercially viable given that they were located in areas that were sparsely populated and in some instances, with low-income levels and lack of economic activity. Nonetheless, the sites fulfilled the Government Policy of taking communication to all parts of the Country. As a result, Zamtel generated only K14 million per month while the Company spent approximately K35 million, to service the social service sites. This had been the main driver of the losses reported relating to the Government sites.

However, Zamtel was committed to achieve a sustainable and balanced model that supported the Government policy as well as the long term viability of the business. As such, various options were being considered such as soliciting for incentives for the Company or reciprocal business from the Government, in order to compensate for the high costs of running the social sites, and possible reliefs for costs incurred in running such sites.

Committee's Observations and Recommendation
The Committee observes with concern that Zamtel will continue incurring huge financial losses as it may not be sustainable for the Company to continue providing telecommunication services in areas that are not commercially viable. The Committee, therefore, urges the Controlling Officer to engage the Secretary to the Treasury on the matter in order to find a lasting solution. A progress report will be awaited by the Committee.

- **Failure to Avail Stores Records – U$S 982,344.93**

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Controlling Officer's Response
The Controlling Officer explained that the project in reference was a turnkey project between the Ministry of Technology and Science and Huawei (The Vendor) as such, the responsibility of warehousing for the spares (equipment) was with the Vendor. The sites were being handed over to Zamtel once fully commissioned. Further, the responsibility matrix (Appendix D) of the contract stated that Huawei was responsible for warehousing and Zamtel was only responsible for issuing Preliminary Acceptance Certificates (PAC), once the tower was constructed.

Therefore, the spares in question were still in the custody of Huawei as the scope related to this component of the project, had not been completed. The stores would only be handed over once the works were completed and handed over to Zamtel. The Committee was further informed that Zamtel issued PACs to the value of US$277,371,486.04 and the Ministry of Technology and Science issued a Proof of Delivery (POD) for the spares amounting to US$982,344.93, cited by the Auditor General. Therefore, the two amounts added up to US$278,353,830.98 as completed works.

Committee's Observations and Recommendation
The Committee notes the response and resolves to close the matter subject to audit verification.

- **Project Status – U$S 278,353,831**

Controlling Officer's Response
The Controlling Officer explained that Zamtel issued PACs to the value of US$277,371,486.04

and the Ministry of Technology and Science PODs for spares amounting to US$982,344.93. The two amounts added up to US$278,353,830.98 and were for completed works.

Further, Zamtel was contracted as the Project Manager and its role ended at confirming works done and issuing PACs to confirm that the contracted works had been delivered. In view of the foregoing, the payments were being triggered by the Ministry of Technology and Science once they received the signed PACs from Zamtel.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the status of the project.

- **Failure to Avail Valuation Report for Transfer of Towers - Infratel**

Controlling Officer's Response
The Controlling Officer submitted that Management was of the considered view that the cited regulation did not apply to the referred transaction, as no entity was created directly from the Treasury. Therefore, the transaction in reference was an intra-group asset optimisation, within the IDC group as approved by the Minister of Finance, in his letter referenced MF/MIN/1 and dated 26th October, 2019, addressed to the IDC Group CEO.

Committee's Observations and Recommendations
The Committee observes that Management poorly misguided itself in interpreting the provisions of the *Public Finance Management Act No 1 of 2018* on the matter. Further, the Committee finds the mere cautioning of Management on the need to adhere to the provisions of the Act without accompanying disciplinary action unhelpful, as the admission of wrong doing does not remedy the infringement of the provisions of the Act. In view of the foregoing, the Committee urges the Controlling Officer, and strongly so, to ensure that the erring officers are disciplined so as to avoid the recurrence of the query. Further, the Controlling Officer must emphasise yo Management that Zamtel is not exempted from adhering to the provisions of the Act. The Committee will await a progress report on the matter.

- **Makeni Store Launch**

- **Unauthorised Sale of 6,547 Cheza Phones**

Controlling Officer's Response
The Controlling Officer explained that Management noted the irregular extension of the promotion and immediately requested the Zamtel Internal Audit to investigate the matter. A report was rendered by the Internal Audit showing that the staff erred. Appropriate disciplinary action was instituted against all the erring employees.

Committee's Observations and Recommendations
The Committee observes that officers in the Commercial Department at Zamtel are taking advantage of the evidently weak internal control systems, a situation that if left unresolved, can

be used as a conduit for fraudulent activities. Therefore, the Controlling Officer is urged to ensure that internal controls in the Department are enhanced, in order to avoid the recurrence of this query. The matter is recommended for the Auditor General to keep in view, during future audits.

- **Failure to Recover Loss on Cheza Phones - K556,495**

Controlling Officer's Response
The Controlling Officer explained that the affected employee resigned with immediate effect, before the disciplinary process could be concluded and there was no provision in Zamtel's conditions of service under which a resignation could be rejected. However, a legal opinion on the matter was sought, and Management was advised that the recovery of the K556,495 was not tenable.

Committee's Observations and Recommendations
The Committee finds Managements decision to accept the resignation of the officer without concluding the matter of the unauthorised sale of the phones, which resulted in the loss of K556, 495 highly questionable and unacceptable, especially that the loss was not recovered from the employee's terminal benefits. Therefore, the Committee cautions Management for this failure and urges the Controlling Officer to enhance supervision in the Commercial Department in order to avoid the recurrence of this query. The matter is, however, recommended for closure subject to audit verification.

e) Procurement Matters

i. Contract for the Refurbishment of Lamya House and Associated External Works

- **Failure to Renew Performance Security**

Controlling Officer's Response
The Controlling Officer submitted that while the performance security had expired. The risk was fully mitigated as Zamtel had inspected and certified the works done up to the point the works stalled. The Committee was informed that the performance security had been affected by the irregular rate at which the project was progressing due to lack of funds. However, in the past, the vendor had secured the performance guarantee on two occasions. However, Zamtel had been unable to fund the works due to lack of funds, with the guarantee subsequently expiring.

The Committee was further informed that Management had engaged the vendor to agree on flexible payment terms which had been agreed to and the performance security would be renewed, before any payment for completed works was made. This was expected to be completed by 31st March, 2023

Committee's observations and Recommendations
The Committee observes with concern that this is a poorly managed project and finds it unacceptable that Zamtel entered into a contract with the vender before securing the necessary

funds. The Committee sternly cautions Management for this over ambitiousness as well as its failure to comply with the contract provisions. The Controlling Officer is urged to ensure that the project is concluded without further delay, considering that lamya House is housing very critical equipment. A progress report on the matter will be awaited by the Committee.

- **Irregular Advance Payment - US$518,740**

Controlling Officer's Response
The Controlling Officer informed the Committee that Zamtel was not exposed as a result of the expired advance guarantee as the project materials worth US$610,987.00 had already been delivered by the contractor which was more than the value of the advance payment of US$518,740.

The Controlling Officer further explained that the contractor secured an advance payment guarantee on 10th March, 2016, for a period of fourteen months. The referred guarantee expired before Zamtel could affect the payment. As such, Zamtel inadvertently effected payment on 31st December, 2017 on an expired guarantee. This, was however, regularised on 26th November, 2018 when it was noted. The Advance Payment Guarantee subsequently expired on 31st December, 2021 and as indicated earlier, the project had been affected by erratic funding. However, the vendor had been engaged to secure an advance payment guarantee.

Committee's Observation and Recommendations
The Committee urges the Controlling Officer to ensure that the advance payment guarantee is secured without further delay. A progress report will be awaited by the Committee.

- **Expired Insurance**

Controlling Officer's Response
The Controlling Officer explained that the insurance cover had been affected by the irregular rate at which the project was progressing arising from liquidity challenges. The vendor had secured the insurance at a huge cost and Zamtel was unable to finance the works due to lack of funds. The insurance subsequently expired. Nonetheless, the vendor had been engaged to secure the insurance.

Committee's Observations and Recommendations
The Committee urges the Controlling officer to ensure that the insurance is secured without further delay. A progress report will be awaited by the Committee.

ii. Failure to Recover Advance Payment - Construction and Rehabilitation of Strong Rooms in Major Service Centers for Seven Lots

Controlling Officer's Response
The Committee was informed that Management noted that the failure to renew the advance payment bond was an error that was caused by the delayed completion of the project. Therefore, the bond should have been renewed to the value of the unrecovered advance payment. This

notwithstanding, Management clarified as submitted below.

- The total value of works completed at the time of Audit was 98% with five of the seven strong rooms at 100% completion.

- The total value of works completed and certified amounting to K186, 598.03, reported by the Auditor General at the time was actually the value of works certified and paid for relating to Chipata, Mongu and Solwezi lots that were at 100% completion. The K186, 598.03 was the balance paid to the contractor after deducting the advance payment amounting to K62, 199.35, related to the three lots referred. As such, the total certified works for the three lots was K248, 797.39 and not K186,598.03 as reported by the Auditor General.

- All the works had been completed and certified and all the advance payments had since been recovered in full from all the seven lots.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

f) Accounting Irregularities-Failure to Collect Revenue – 9,901,192

Controlling Officer's Response
The Controlling Officer explained that the trade receivables balance of K559 million included K367 million receivables relating to the decommissioned landlines legacy debt which went as far back as 2006. This was earmarked for a write-off once all the necessary processes were completed. The strategy was to use a phased approach starting with K89 million that was on the old billing system, K29 million relating to accounts that billed rental charges only and K241 million relating to terminated accounts. This was targeted to be closed in the fourth quota of 2023.

The Committee was further informed that Zamtel had tightened the process of extending credit by developing an elaborate customer due diligence process. As such, customers were vetted appropriately, and security bonds were requested from distributors, which had resulted in a significant drop in receivables as all dealers were within thirty receivable days. Further, Management had introduced the dunning process (credit control) to prevent the further accumulation of the uncollected debt. In view of the foregoing, these measures had resulted in the improvement in collections from K113 million in 2019 to K232 million in 2021. Contributing to this increase were the debt swaps done over the period under review.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification.

g) Administrative Matters

i. Properties without Title Deeds

Controlling Officer's Response
The Controlling Officer clarified that the identified sites did not belong to Zamtel but Infratel as the sites were transferred to Infratel under the Asset Optimization Agreement. Zamtel only rented space from Infratel. This notwithstanding, the properties were under customary land at the time of transfer and Infratel took over the processing of title deeds.

Committee's Observations and Recommendations
The Committee takes great exception at being used as a clearing house for audit queries such as this one which could have been cleared with the Office of the Auditor General during the audit process. In this regard, the Committee implores the Controlling Officer to institute disciplinary action against the officers responsible for the failure to avail the necessary information at the time of audit. The Committee further directes that all the supporting documentation be availed to the Auditor General's Office for verification, subject to which the matter should be closed.

ii. Delayed Insurance Claim - Loss of Insured Amount - K147, 200.00

Controlling Officer's Observation Response
The Controlling Officer clarified that the K147, 200.00 was not the loss suffered but the insured value. The motor vehicle was not written off by the insurer and the repair value was quoted as K96, 616.00

Further, Management regretted that the member of staff involved in the accident delayed reporting the accident leading to refusal by the insurance company to honor the claim, however, Management was of the view that the controls implemented to manage motor vehicles were effective. Therefore, the finding by the Auditor General was the only exceptional case as all the motor vehicle accident claims relating to over 258 motor vehicle fleet operated by Zamtel, during the period 2019 and 2021, were promptly notified to the insurance company and claims settled by the insurer. This notwithstanding, Management had taken disciplinary action against the supervisor to the former staff that caused the accident.

Committee's Observations and Recommendations
The Committee urges the Controlling Officer to ensure that a demand letter is issued to the officer that caused the loss, failure to which legal action should be undertaken if the loss is not recovered. A progress report on the matter will be awaited by the Committee.

iii. Failure to Collect Rentals - Provident House 2,931,189

Controlling Officer's Response
The Committee was informed that an investigation by Zamtel revealed that Sherwood Green adopted practices that were outside the provisions of the agreement, such as using rentals to settle service bills that included electricity, water and security. In this regard, a total of K360,

513.00 was used for this purpose.

The uncollected rentals of K2, 931,189 had been shared with Sherwood Green. However, Sherwood Green had disputed and the issue was still under discussion between the two parties to find an amicable solution. In view of the foregoing, the matter was currently under negotiation between the two parties. In the case that this process failed, Management would then be in a position to take the matter to Court.

Committee's Observations and Recommendations
The Committee resolves to await a progress report on the matter.

iv. Lack of Lease Agreements

Controlling Officer's Response
The Controlling Officer informed that Committee that a comprehensive exercise was initiated in May, 2022 in order to create a central repository system. This was expected to be completed by 30th June, 2023. So far, thirty-three lease agreements, out of 125 had been signed.

Committee's Observations and Recommendations
The Committee expresses regret that Zamtel only took action after the findings by the auditors. This demonstrates that there is weak supervision of staff tasked with the responsibility of drawing up lease agreements. The Committee in this regard urges the Controlling Officer to ensure that disciplinary action is instituted on the officers who failed in their duties including their supervisors. The Controlling Officer is further urged to normalise the lease agreements without further delay in order for Zamtel to enforce the payment of rentals on its tenants and protect either party in case of eventualities. A progress report on the matter will be awaited by the Committee.

v. Failure to Collect Rental Income - 14,028,132

Controlling Officer's Response
The Committee was informed that the outstanding rentals were being followed up by the Zamtel Credit Control Unit and external debt collectors. In an event that any rentals remained outstanding, the debtors had been referred to the Legal Department for Court action. In view of the foregoing, a total of K547, 555.00 had been collected.

In the long term, the Committee was informed that Zamtel would outsource property management services under well-structured terms and enhanced property manager oversight. This was expected to optimise the overall Zamtel portfolio and would be completed by the end of April, 2023.

Committee's Observations and Recommendations
The Committee expresses displeasure that Zamtel consistently failed to collect rentals from its tenants during the period under review and contends that the officers charged with the responsibility of collecting the rentals from the tenants are not discharging their duties as

expected. It is unacceptable that only four percent of the outstanding amount has been collected. The Committee further contends that the onus rests on IDC to ensure that the rentals are collected especially in the face of liquidity challenges that the Company is facing. In this vein, the Committee calls upon IDC to enhance supervision on Zamtel. The Committee further urges the Controlling Officer to mete out disciplinary action against the officers who failed to collect the rental income, including their supervisors. The Committee will await a progress report on the collection of the outstanding amount.

h) Failure to Settle Statutory Obligations – K 1,068,125,012

Controlling Officer's Response

The Controlling Officer explained that the failure to settle the statutory obligations was occasioned by working capital challenges that were a consequence of lack of re-capitalisation to invest in network modernisation that would improve the quality of customer experience and ultimately, drive increase in revenues and profitability.

However, Zamtel had signed Time to Pay Agreements with ZRA and NAPSA on all the outstanding statutory liabilities. In instances where cash flows had improved, Zamtel endeavored to pay substantial amounts beyond what was committed in the agreement. This notwithstanding, the Committee was informed that IDC was working with Zamtel on the long-term sustainability and viability of Zamtel. Once the engagements were concluded, it was anticipated that appropriate financing would be secured to fund critical activities.

Committee's Observations and Recommendations

The Committee cautions the Controlling Officer for this lapse. The Committee observes with concern that the failure to deduct statutory contributions as required by law can result in the loss of revenue to the Government and lack of social protection for the employees. The Committee, in this regard, directs the Controlling Officer to ensure that statutory obligations at Zamtel are met as and when they fall due. The Committee awaits a progress report on the matter.

27.0 ZAMBIA CONSOLIDATED COPPER MINES INVESTMENTS HOLDINGS

27.1 Audit Findings

An examination of financial and other records maintained at the Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH), for the period 1st April, 2019 to 31st December, 2021, revealed the following irregularities to which the Controlling Officer submitted as highlighted below.

a) Governance Matters

ii. Failure to Hold Annual General Meeting

Controlling Officer's Response

The Controlling Officer explained that the Annual General Meetings (AGM) for the financial years 2020 and 2021, were not held due to the delay in completing the audits of the financial statements for these years. With regard to the 2020, financial statements the Committee was informed that the financial statements delayed on account of an audit issue, which resulted in the delayed financial statements of significant subsidiaries that formed part of the ZCCM-IH consolidated financial statements. This was in line with the International Financial Reporting Standards, which could have negatively affected the audit opinion of the ZCCM-IH consolidated financial statements. However, the 2020 financial statements were finalised and presented to the members during the 18th Annual General Meeting held on 9th December, 2022. He informed the Committee that the 2021 financial statements on the other hand, delayed due to the need to undertake a fair valuation of all the identifiable acquired assets and liabilities of Mopani Copper Mine Plc , following ZCCM-IH's acquisition of an additional ninety percent stake in the Mine on 31st March, 2021 as provided for in the International Financial Reporting Standards. The fair valuation had since been concluded and ZCCM-IH was expected to hold the AGM beyond May, 2023.

Committee's Observations and Recommendations
The Committee urges the Controlling Officer to caution the Board and Management of ZCCM-IH to avoid the recurrence of this serious breach of the *Company's Act No 10 of 2017* and the Listings Rules, as failure to hold an AGM disadvantages the shareholders from debating and resolving important matters essential for the ZCCM-IH's governance. The Committee further urges the Controlling Officer to ensure that the AGM is held without further delay. A progress report on the matter will be awaited by the Committee.

ii. Lack of Prescribed Tenure of Office for Board Members

Controlling Officer's Response
The Controlling Officer explained that the appointment of the directors to the Board of ZCCM-IH was governed by the *Companies Act No. 10 of 2017, Section 85 (1)* and the ZCCM-IH Articles of Association. These instruments empowered the shareholder to appoint the directors and determine their tenure.

Notwithstanding the above position, the Committee was informed that the Articles of Association and the Board Charter were currently under review and the matter would be considered accordingly. It, was, therefore, envisaged that the revised Board Charter and Articles of Association would be resolved by the end of June, 2023. The proposed timeline allowed for the approval processes such as shareholder approval, through a members' meeting.

Committee's Observations and Recommendations
The Committee expresses worry over the casual manner the Investment Holding is being run. It is unacceptable that the Board Charter and the Articles of Association have taken such a long time to review, especially that the tenure of office for the Board Members is a pertinent issue in corporate governance. The Committee urges the Controlling Officer to caution Management for this laxity and to ensure that the Board Charter and the Articles of Association are reviewed without further delay. A progress report on the matter will be awaited by the Committee.

b) Budget and Income

Controlling Officer's Response

The Controlling Officer informed the Committee that the favorable variance recorded during the period under review was mainly attributed to the increase in the fair value of investments, accounted for through the profit or loss of K1.46 billion. This was a noncash flow item not budgeted for. Further, the favorable variance was supplemented by the receipt of a one off unbudgeted for dividend from Kansanshi Mining Plc of K517.4 million (US$29 million) in 2021.

Committee's Observations and Recommendations

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

c) Operational Matters – Weaknesses in Investee Companies

i. Performance of Subsidiaries – Failure to Declare Dividends by Investee Companies K 1,287,871,000

Controlling Officer's Response

The Controlling Officer explained that the ZCCM-IH had various companies, most of which were not able to declare dividends because of their respective status. The Committee was informed that the non-declaration of dividends from most of the companies was due to the majority of investments still being at a start-up phase and requiring substantial capital investment to be able to grow and reach the maturity stage, where they were able to be self-sustaining with the ability to pay dividends. However, a few of the investments had failed and were under liquidation.

Nonetheless, the number of companies that had declared dividends had increased from two in 2018, to four in 2022. Therefore, in order to maximise returns from the investee companies, ZCCM-IH had been implementing turnaround plans for loss making investee companies such as Misenge, Kariba Minerals and Mopani through the recapitalisation and engagements with the equity partners. Further, ZCCM-IH was also undertaking divestments from companies that were not able to create sustainable profits and not aligned to mining and mining related activities, such as Mushe Milling, Investrust Bank Plc and the Consolidated Gold Company.

For investments that were in the start-up phase, the Committee was informed that there were plans in place for additional resources to be invested. Further, turn around plans were being pursued for investments that required business restructuring. As a result of the implementation of the turnaround plans, the Controlling Officer informed the Committee that one of the investee companies called Misenge, had recorded profits of K1.926 million for 2019, K 3.116 million for 2020 and K2.406 million for 2021.

The Committee was further informed that the use of other alternative value extraction methods was also being explored, such as the royalty/revenue sharing model and the royalty initiative or model which involved the restructuring of the equity holdings in some of the investee companies from dividends which were inconsistent and unpredictable to a royalty stream which was consistent and predictable.

Committee's Observations and Recommendations
The Committee urges the Controlling Officer to ensure that the ZCCM –IH Management and the Board closely supervise the investee companies in order to maximise returns from them. The Committee further urges the Controlling Officer to ensure that the identified strategies meant to correct the status quo are fully implemented. The Committee will await a progress on the matter.

ii. Loss Making Investment - Kariba Minerals Limited

Controlling Officer's Response
The Controlling Officer explained that Kariba Minerals Limited was an export-oriented Company. Its major markets were China and India. However, the onset of the Covid-19 Pandemic resulted in restrictions in the movement of people and goods between Countries. This disrupted the holding of auctions through which the Kariba product was sold in the two Countries. Consequently, the Company was unable to export its products resulting in the reduced export revenue.

However, the losses for the years 2019, 2020 and 2021 were reducing from a loss of K 16 million in 2019 to K 0.462 million in 2021. This was attributed to the turnaround plan that had been implemented at the Company.

Committee's Observations and Recommendations
The Committee notes the response and resolves to keep the matter open until the Company begins to post profits. In view of the foregoing a progress report will be awaited by the Committee.

iii. Irregularities in Operations - Mushe Milling Limited

- **Questionable Purchase Price for Mushe Milling Limited**

Controlling Officer's Response
The Controlling Officer explained tha ZCCM-IH engaged Stockbrokers Zambia – Imara (SBZ – Imara) to undertake a valuation of the business, on its behalf, for purposes of the transaction. The vender (seller), also appointed the consultant to undertake a sell-side valuation appraisal on its behalf. In view of the foregoing, the table below highlighted the summary of the comparison between the buy- side and sell side valuation opinions.

Scenarios	Primary Assumption	Enterprise Value K' m	Equity Value K' m	Value of Synergies K'm
Scenario 1	No ZCCM IH synergies Imara SBZ Assumptions 2018 Gross Margin 15% 2018 Production Valumes, 20,832 MT Long term (2022) Gross Margin, 15% Longterm (2022) Production Volumes, 29,292 MT Weighted Average Cost of Capital, 24.1%	8.2	0.7	
Scenario 2	With ZCCM IH synergies Imara SBZ Assumptions 2018 Gross Margin 25% 2018 Production Valumes, 32960 MT Long term (2022) Gross Margin, 18.8% Longterm (2022) Production Volumes, 99,552 MT Weighted Average Cost of Capital, 24.1%	16.5	9	8.3

The Committee was further informed that the maximum variation in the bid and offer price between ZCCM-IH and the vender was K 66,000,000 which was quite substantial. Therefore, due to the significant value disparity between ZCCM –IH and the vender or seller, ZCCM –IH negotiated for 25% of the asset related price (the initial total consideration) upfront amounting to K 17,750,000 and an earn – out instrument over a period of five years for the remaining amount of the consideration, thus, reducing any foreseeable loss should the results post acquisition be below projections. Because of the cumulative losses recorded over the period, no further payments had been made and the ZCCM –IH Board had since approved an exit investment strategy of Mushe.

Committee's Observations and Recommendations

The Committee observes that ZCCM-IH has lost investment funds as a result of this serious irregularity and contends that the State entity acquired Mushe Milling as a going concern and that was why the discounted cash flow method was used for the valuation. In this regard, there was no justification to entertain an asset based evaluation. The Committee, therefore, recommends that IDC should establish who facilitated this irregularity and appropriate disciplinary action should be instituted. The Committee further urges the Controlling Officer to ensure that control measures are put in place to avoid recurrence. A progress report on the matter will be awaited by the Committee.

- **Current Ratio**

Controlling Officer's Response

The Controlling Officer notes the Auditor Generals concern.

Committee's Observations and Recommendations

The Committee expresses concern that the Company's current ratio for the three financial years under review were below the ideal ratio of 2:1. This resulted in the Company's failure to pay its short term obligations, resulting in an increase in trade creditors from K 1.4 million in 2019 to K25 million in 2021. The Committee in this regard, urges the Controlling Officer to ensure that ZCCMIH puts in place concrete measures to ensure that the trade creditors are cleared in the shortest possible time before the exit strategy is actualised. The Committee will await a progress report on the matter.

- **Highly Geared Business**

Controlling Officer's Response
The Controlling Officer explained that the business had severely underperformed due to several factors, chief among them, the inability to outperform its competition and the inability to source and process maize in sufficient quantities to warrant business continuity. The Committee was further informed that the ZCCM-IH was pursuing an exit strategy in order to cut further losses and taking into consideration, the new strategic direction of ZCCM-IH, with focus on mining and mining related activities.

Committee's Observations and Recommendations
The Committee urges the Controlling Officer to strongly caution Management to ensure that due diligence is carried out before undertaking investments such as this one. The Committee further urges the Controlling Officer to ensure that the exit strategy is expedited in order to cut further losses. A progress report will be awaited by the Committee.

- **Questionable Purchase of Maize for Mushe Milling K 26,516,036**

Controlling Officer's Response
The Controlling Officer explained that the ZCCM-IH did not provide the guarantee, as the Bank was requesting for cash collateral. Instead, ZCCM-IH and Mushe Milling entered into an agency agreement for the supply of maize. Under the agency agreement, the purchase of maize by ZCCM-IH from Aliboo Trading and Zdenakie Ltd was procured in conformity to the provision of the ZPPA Act. To date, Mushe had paid back K4 million to ZCCM-IH, towards a total debt of K31 million. The Controlling Officer further informed the Committee that Mushe's inability to pay the debt in full was as a result of operational challenges emanating from a distressed business. Consequently, ZCCM-IH was pursuing exit plans from Mushe in order to cut its losses.

Committee's Observations and Recommendations
The Committee observes with concern that despite ZCCM-IH acquiring a loss making company following an elaborate process that the Committee finds highly questionable, ZCCM-IH was financing the purchase of maize on behalf of the company and concrete steps were not taken to ensure that the repayment modalities for the purchase of maize were secured. In view of the foregoing, Mushe Milling paid back K4 million to ZCCM-IH towards a total debt of K31 million. The Committee finds this highly unacceptable and urges the Controlling Officer to investigate this matter further, as there is a high possibility that the irregularity was deliberately caused for money laundering purposes. A progress report on the matter will be awaited by the Committee.

iii. Irregularities in Winding-Up of Ndola Lime Company and the Subsequent Formation of Lime Resources Limited

- **Failure to Change Ownership of Assets and to Make Provisions for Environmental Liabilities K25,000,000**

Controlling Officer's Response
The Controlling Officer informed the Committee that Management had commenced the legal process to have the liquidator render a report regarding the liquidation activities, which report would include an account of how the monies paid to him for purposes of attending to environmental liabilities was used. It was expected that all the activities undertaken or not undertaken during the liquidation process would be highlighted in the report, after which Management through the Court, would compel the liquidator to attend to all the outstanding issues, including the effecting of the transfer in ownership identified herein.

Committee's Observations Recommendations
The Committee resolves to await a progress report on the matter.

- **Questionable Payments - Winding-up of Ndola Lime Company and the Subsequent Formation of Limestone Resources Limited**

Controlling Officer's Response
The Controlling Officer explained that Ndola Lime Company Limited was restructured by way of the order of the Court, under the Scheme of Arrangement, dated 21stAugust, 2021. This provided the detailed responsibility of the liquidator. The High Court did not approve any scheme of arrangement settlement amount, but the scheme of arrangement provisions and the amount of US$ 12.86 million equivalent to K192, 725,070, were approved by the Board on 11thOctober, 2019, for implementing the Court order.

On the matter relating to accounting for the K192, 725,070, the Controlling Officer informed the Committee that ZCCM-IH had no legal authority to monitor the liquidation process or the advanced funds under the scheme of arrangements. This was because when a company was under liquidation, the monitoring of the process was by persons named in the *Corporate Insolvency Act* and not a shareholder. This included the Courts, the Committee of Inspection and the Official Receiver and Administrator General.

However, going forward, the Committee was informed that ZCCM-IH had commenced a legal process to have the liquidator render a report regarding the liquidation activities and the utilisation of the scheme of arrangements amount.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

i. **Weaknesses in the Investment of the Consolidated Gold Company Zambia Limited**

- **Lack of Due Diligence – Strategic Partnership**

Controlling Officer's Response
The Controlling Officer informed the Committee that a technical due diligence was conducted by ZCCM-IH which included a general geology area, mining operations at the processing site set-up in Rufunsa area, the availability of materials, tailings and material type, among other things.

The Controlling Officer further informed the Committee that at the time of ZCCM-IH partnering with Karma Mining Services and Rural Development (KMSRD), the Company was in its first stages of operations as it was new in Zambia.

Committee's Observations and Recommendations
The Committee is concerned that investment weaknesses are becoming a permanent feature at ZCCM-IH, a situation which the Committee finds unacceptable. While the Committee notes that a technical due diligence was conducted by ZCCM-IH, the Committee is concerned that ZCCM-IH did not undertake any due diligence to ascertain the credibility, financial and technical capabilities of KMSRD, before entering a strategic partnership. The Committee contends that such significant deficiencies in the requisite investment processes should not have be entertained as they may result in the loss of ZCCM-IHs investment funds. The Committee strongly urges the Controlling Officer to closely supervise ZCCM-IH and tighten the internal controls in investment, which were evidently weak. The Committee further urges the Controlling Officers to discipline the officers responsible for this serious irregularity. A progress report on the matter would be awaited by the Committee.

- **Irregularity in Capital Contribution**

- **Lack of Schedule for Assets**

Controlling Officer's Response
The Controlling Officer noted the audit query.

Committee's Observations and Recommendations
The Committee is alarmed to note that there was no schedule of assets, valuation reports and proof of change of ownership for the assets contributed by KMSRD. The Committee in this regard hold the strong view that the assets indicated as transferred by KMSRD might be nonexistent. It is, in this regard that the Committee recommends a forensic audit into this matter without further delay. A progress report will be awaited by the Committee.

- **Transfer of Capital Contribution without Consent from ZCCM-IH - US$550,000**

Controlling Officer's Response
The Controlling Officer informed the Committee that this finding was based on ZCCM-IH's internal audit findings, that the KMSRD management transferred the sum of US$550,000

without Board and shareholder approval. The matter was discovered as part of ZCCM-IH's monitoring process through its oversight activities.

The Committee was further informed that ZCCM-IH had since approved an exit from Consolidated Gold and the two parties had agreed that ZCCM-IH would recover its full investment from the Consolidated Gold Company Zambia Limited (CGCZL)

Committee's Observation's and Recommendations

The Committee is dismayed to learn that ZCCM-IH's capital contribution in amounts totalling US$550,000 to the subsidiary account was transferred to KMSRD without consent from ZCCM-IH. The Committee contends that this is a very serious anomaly that borders on fraud and therefore calls for an investigation into this matter by the Government investigative wings. A progress report will be awaited by the Committee.

- **Irregularity in the Purchase of Milling Machines K5,700,000/K541,679**

Controlling Officer's Responses

The Committee was informed that the ZCCM-IH Management through the internal audit function, conducted a review of the operations of CGCZ in 2021, and several weaknesses were noted which included poor corporate governance practices, compliance breaches and control failures. The issues raised in the internal audit report were being tracked for resolution by the Audit Committee of the ZCCM-IH Board. The Committee was further informed that the ZCCM-IH Board had since approved an exit from CGCZL and the two parties had agreed that ZCCM-IH would recover its full investment from CGCZ. The exit was subject to regulatory approvals.

Committee's Observations and Recommendations

The Committee is concerned with the level of impunity exhibited in this investment where a former employee of CGCZL could be entrusted and paid colossal sums of money to the tune of US$110,000 without authority as per shareholding agreement and without following the requisite tender procedures. The Committee strongly urges the Controlling Officer to firmly and closely supervise ZCCM-IH forthwith. The Committee further urges the Controlling Officer to ensure that the Board of Directors implements performance assessment systems for the Management of ZCCM-IH in order to make sure that the Company is managed by professionals. The current status quo is worrying. A progress report on the matter will be awaited by the Committee.

- **Failure to Resolve Internal Audit Findings**

Controlling Officer's Response

The Controlling Officer explained that the motivation for ZCCM-IH to conduct an audit was to discover irregularities and have them resolved. The audit findings were expected to be resolved by the end of the first quarter of 2023. However, some matters had already been resolved.

The Committee was further informed that the ZCCM-IH Board had approved its divestment strategy from CGCZL and the two parties had agreed that ZCCM-IH would recover its full investment from CGCZ. Furthermore, the divestment was subjected to regulatory clearances relating to the disposal of assets.

Committee's Observations and Recommendations
The Committee resolves to await a progress report on the matter.

iv. Management of Related Party Loans

- **Non-Performing Shareholder or Related Party Loans - K1, 448,004,000**

Controlling Officer's Response
The Controlling Officer submitted as follows:

- related party debt due from investee companies remained outstanding due to the continued liquidity and poor financial performance by the investee companies;
- there were no additional loans issued during the period January, 2019 to December, 2021;
- the increase in the outstanding related party loans was due to the accrued loan interest, exchange differences and the encashment of the US$8,500,000 letter of credit, in respect of Maamba Collieries Limited;
- shareholders were ordinarily expected to support their investee companies through funding arrangements that could be in form of debt or equity or a combination of both. The Committee was informed that ZCCM-IH followed the due process in advancing related party loans; and the
- Maamba, Ndola Lime and Lubambe Mine outstanding related party loans accounted for over ninety-five percent of the outstanding amounts.

Committee's Observations and Recommendations
The Committee is concerned to note that colossal sums of money to the tune of K1, 448,004,000 are tied up in non-performing loans and that the funds are not being invested in existing operations or new ventures that can improve the financial performance of the ZCCM-IH. The Committee, therefore urges the Controlling Officer to ensure that financial due diligence is conducted on related party transactions before funds are advanced. The Committee will await a progress report on the matter.

- **Questionable Advancement of Additional Loan to Maamba Collieries Limited**

Controlling Officer's Response
The Controlling Officer informed the Committee that the US$8,750,000 was not a questionable amount and was supported by financing agreements for the Maamba Collieries Limited (MCL) Thermal Power Plant.

As part of the Sponsor Support Agreement (SSA), financing agreements, both shareholders, ZCCM-IH and Nava Bharat Singapore (NBS), had obligations to support the MCL Thermal Power Plant constructions. This support was by way of shareholder loans and Letter of Credit (LC). The Committee was informed that the LC was provided to the project lenders as collateral under the SSA and liability indemnity agreement for any indemnified sum.

The Controlling Officer further informed the Committee that ZCCM-IH and Nava Bharat Singapore under the SSA, were obligated to meet the cost overrun operational costs subject, capped at USD 25 million, equivalent to the shareholding (ZCCM-IH's share is USD8.75 million and Nava Bharat Singapore's share is USD16.25 million). To date, all the shareholders LCs had been encashed by the Bank due to the failure by MCL to fulfil the third party lenders obligations, covered by the SSA. This resulted in an increase in amounts receivable from MCL by US$8,750,000 in the 2020, financial year.

The Committee was further informed that ZCCM-IH's and NBS' LC and shareholder loans to MCL were subordinated to a third party project loan. This meant that MCL could not repay any shareholder loans or distribute dividends to shareholders until the payment to the third party lenders were complied with.
The Controlling Officer further informed the Committee that the failure by MCL to honour the obligations resulting from the LC was due to the failure by ZESCO Limited to pay for power supplied by Maamba, under the Power Purchase Agreement (PPA) signed between the parties. As of 31stJanuary, 2023, ZESCO owed Maamba a total of US$477,556,522.

Currently, ZESCO and MCL via arbitration proceedings in London had agreed that ZESCO should settle the said amount to MCL in full, by August, 2023. The Committee was informed that ZCCM-IH would endeavour to recover its LC debt once the lenders obligations under the subordination agreement were met by August, 2023.

Committee's Observations and Recommendations
The Committee will await a progress report on the matter.

- **Failure to Collect Restructured Shareholder Loan - Lubambe Copper Mines Limited**

Controlling Officer's Response
The Controlling Officer explained that Lubambe's non-repayment of loans to ZCCM-IH and EMR Capital remained unresolved. This was due to continued liquidity challenges and poor financial performances being experienced by the mine.

As of 31stDecember, 2021, the Committee was informed that Lubambe recorded an operational loss for the year of K1.810 billion and a net liability position of K10.183 billion. In addition, the loan was advanced to Lubambe by ZCCM-IH in June, 2013 and a total of US$103,697,150 was fully impaired in 2015, but not written off as per the provisions of the International Financial Reporting Standards. There were no new loans that had been advanced to Lubambe Copper Mine Limited since June, 2013.

The Controlling officer further informed the Committee that the Lubambe debt to ZCCM-IH had been subordinated to third party lenders. This, therefore, meant that Lubambe could not repay any shareholder loans or distribute dividends without fully settling third party loans.

However, going forward, the Committee was informed that ZCCM-IH and its partner in Lubambe were working on extracting value from the Company, looking at various options, including restructuring the Mine for the benefit of the partners and the Country.

Committee's Observation's and Recommendation's
The Committee will await a progress report on the matter.

28.0 ZAMBIA ELECTRICITY SUPPLY CORPORATION

28.1 Audit Findings

A review of accounting and other records for the period under review revealed the following irregularities, to which the Controlling Officer submitted as highlighted below.

a) Governance Issues

i. Questionable Appointment of Board Chairpersons

Controlling Officer's Response
The Controlling Officer explained that there was a delay in aligning ZESCO's Articles of Association on the appointment of the Board Chairperson, in response to the circular issued by the Industrial Development Corporation (IDC). However, the Articles of Association had been aligned to the circular from IDC, on the appointment of the Board Chairperson.

Committee's Observations and Recommendations
The Committee expresses concern as to why an issue as straight forward as aligning ZESCO's Articles of Association on the appointment of the Board Chairperson has to wait for the Auditor General to point out. The Committee therefore, urges the Controlling Officer to sternly caution Management for failure to carry out lawful directives from the shareholder. The Committee further directs the Controlling Officer to submit the documentation in support of the submission to the Auditor General for verification, subject to which the matter should close.

ii. Failure to Avail Evidence of Board Assessment of Performance

Controlling Officer's Response
The Controlling Officer explained that the consultant, Software Technologies of Kenya, was unable to conduct the 2019 and 2020, Board evaluation, due to the Covid-19 restrictions of travel. With regard to the 2021 evaluation, the Committee was informed that the evaluation was not conducted because the Board was dissolved in October, 2021, before the financial year end. The Controlling Officer explained that annual Board evaluations were conducted after the end of each financial year. Going forward, Management would ensure that Board evaluations were conducted on time.

Committee's Observations and Recommendations
The Committee finds it unfortunate that the shareholders objectives and expectations were not

met as a result of Managements failure to carry out the Board assessment. The Committee in this regard urges the Controlling Officer to sternly caution Management for this failure. The Committee further urges the Controlling Officer to ensure that the provisions of Clause 28 of the Board Charter are adhered to at all times in order to avoid the recurrence of this query. The matter is recommended for the Auditor General to keep in view, during future audits.

iii. Questionable Procurement of Personal to Holder Motor Vehicles

Controlling Officer's Response

The Controlling Officer explained that following the issuance of the Cabinet Circular, the IDC guided ZESCO to continue honouring existing contractual obligations until the expiry of such contracts. Subsequently, the provision of personal to holder motor vehicles had since been abolished. Therefore, new contracts did not provide for personal to holder vehicles.

Committee's Observation and Recommendations

The Committee is concerned with the ZESCO Managements deliberate disregard of the Government circulars in question, especially in the face of economic and fiscal challenges that the Country is facing. The Committee is further shocked to learn that a Board resolution was passed abolishing personal to holder entitlements and instead, a resolution was passed to introduce and implement a motor vehicle allowance at fifty percent of gross pay and fuel allocation of one full tank per week, from deputy director level, going up.

The Committee directs the Controlling Officer to mete out disciplinary action against officers who willfully disregarded the lawful directives, as there is no justification as to why the ZESCO Management did not take corrective measures on contracts that were entered into after the guidance provided in the Cabinet Office circular minutes of 2015 and 2016. The Committee further condemns the wasteful and unproductive expenditure resulting from the implementation of a motor vehicle allowance at fifty percent of gross pay and fuel allocation of one full tank and, therefore, recommends that it should be abolished forthwith. The Committee contends that this allowance is as good as providing a personal to holder vehicle. A progress report on the matter will be awaited by the Committee.

b) Budget and Income

Controlling Officer's Response

The Controlling Officer noted the audit**.**

Committee's Observation and Recommendations

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

c) Financial Analysis

Controlling Officer's Response

i. Liquidity - Current Ratio

The Committee was informed that the Company had seen an improvement in performance in

2021, as it posted a net profit. However, the deterioration of the current ratio over the years was due to the following:

- the high IPPs average tariff of US$11 cents/kWh against the selling tariff of US$7/cents kWh, resulting in arrears to IPPs;

- the high cost of emergency of power during the partial drought experienced in 2018 and 2019, resulted in the importation of expensive emergency power. This costed above US$16 cent/kWh compared to the averaging tariff of US$7/cents, therefore, resulting in unpaid arrears affecting the liquidity of the Company;

- the uneconomical tariffs across the customer category affected the liquidity of the Company as tariff revisions had been delayed due to the on-going cost of service study; and

- the low connection charges of new customers resulted in short-term borrowing, in order to finance the differential in the cost of connecting new customers and the back log of connections.

However, Management had put in place the following measures to improve the liquidity of the Company:

- tariff renegotiation with IPPs (Maamba and ItezhiTezhi Power Companys). This resulted in the average tariffs of US$9.2/cents kWh and US$5.5/cents kWh respectively, from above US$10/cents kWh;

- applied to the Energy Regulation Board (ERB) for a tariff increase for retail customers and the ERB granted an increase in customer connection fees effective 1st January, 2023;

- finalisation of the Bulk Supply Agreement (BSA) with the Copperbelt Energy Corporation (CEC) would result in the timely and improved cash flows and reduce disputes between the parties;

- the migration to PPAs for Manganese customers currently on maximum demand expected to boost the liquidity of the Company;

- the conversion of Government on-lent loans to equity would be concluded in 2023; and

- the conversion of IPP debt from current to long term liabilities would improve the current ratio.

Committee's Observations and Recommendations

The Committee is dismayed with the liquidity position of ZESCO which fell below the acceptable level. This highlights the fact that the Company has no capacity to deal with its short tern financial obligations. While noting the immediate interventions that the Company has instituted to arrest the situation, no time frame has been given in which the matter will be addressed. It is the considered view of the Committee that the output of these interventions will only be meaningful if the Company takes bold steps to address its poor current ratio within a specific timeframe. The Committee, therefore, urges the Controlling Officer to closely monitor the Company on the implementation of the planned interventions and will await a progress report on the matter.

ii. Gearing - Debt Equity Ratio

Controlling Officer‘s Response
The Controlling Officer explained that the deterioration of the Debt to Equity Ratio was as submitted below.

- The retained earnings deteriorated due to the high operating losses posted in the 2020 and 2019 financial year, arising from the exchange losses and high doubt debt provisions. The exchange losses were due to the depreciation of the Kwacha against the major convertible currencies such as the United States Dollar (USD) (2019: K14.125/US dollar – 2020: K21.125/US dollar).

- The loan portfolio was denominated in USD and any movement in exchange currency resulted in the revaluation of the debt, which affected the ratio.

However, the Committee was further informed that ZESCO was pursuing the following measures:

- the conversion of on-lent Government loans to equity would improve the gearing; and

- the renegotiation and refinancing of expensive loans being undertaken with the Ministry of Finance, was expected to reduce the debt stress on the Company’s balance sheet.

Committee’s Observations Recommendations
The Committee is concerned to learn that the Corporation was highly geared in that the ratio was 455% in 2020 and 188% in 2021 over and above the industry average of 70%. The Committee contends that the situation was not healthy for the Company as it had resulted in its failure to meet obligations as and when they fell due. The Committee is further concerned that this sad state of affairs, may result in creditors taking legal action. The Committee, therefore, urges the Controlling Officer and IDC, to closely monitor the Company on the implementation of the highlighted interventions within a specified timeframe. A progress report on the matter will be awaited by the Committee.

d) Operational Matters

i. Failure to Achieve Key Performance Indicators (KPIs)

Controlling Officer’s Response
The Controlling Officer submitted the following reasons for the failure to achieve the KPI

targets:

- while the connection charges had not been revised, this resulted in the cost differential between input materials and connection fees not approving the new connection fees by the Energy Regulation Board (ERB);

- the increase in the number of paid up customers pending connection (both standard and non-standard connections);

- the increase in debtor days mainly due to the non-settlement of bills by Government ministries, the CEC and the Konkola Copper Mine (KCM);

- high IPPs tariffs averaging US$11 cents/kWh, compared to the average selling tariff of US$7 cents resulting, therefore, in an increase in trade payables, thereby, affecting the cash flows of the Corporation; and

- load management due to hydrological effects, coupled with system overloads, due to increased power demands, which led to the failure of electric cables, transformers, and other electrical equipment.

However, the measures submitted below were put in place in order to improve the KPIs in 2022 and going forward.

- An application to the ERB to revise the connection fees upwards in order to meet the rising cost of materials. The ERB had since approved new customer connection charges effective 1st January, 2023. This would help in reducing the gap between the actual cost of connecting customers and the connection fees paid by the customers.

- The Company had applied to increase tariffs for retail customers in order to improve liquidity. A public hearing was held on 10th March, 2023 and ERB was expected to determine the proposed application within thirty days of the date of the public hearing, in line with the *Electricity Act*.

- Successful tariff re-negotiation with IPPs such as Maamba Coal Plant and ItezhiTezhi Power Company Corporation Limited would result in a lower average IPPs tariff to cost reflective levels.

- The successful BSA negotiation with CEC reduced IFRS 9 impairments losses arising, from disputes between the parties.
- The successful commissioning of 4 by 150 MW generators at Kafue Gorge Lower Hydro Power Corporation Limited resulted in the reduced load management.

- Negotiating of the debt swap with the Central Government and water utility companies were in an advanced stage, following the verification of balances. This initiative would reduce the outstanding debtor days for domestic customer category.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the key performance indicators and targets with ERB were not met. The Committee therefore, urges the Controlling Officer to caution Management for this failure and to ensure that going forward, the performance indicators and targets set must be reasonable, achievable and fully implemented within the available resources, in order for the effectiveness and overall performance of the Company to be assessed. The matter is recommended for the Auditor General to keep in view, during future audits.

ii. Irregular Use of the Social Tariff Structure K498, 383

Controlling Officer's Response

The Controlling Officer informed the Committee that subsequent to the audit findings, the customers had been assigned correct tariffs. Further, Management had put in place monthly inspections for customers on the social tariff category by Revenue Protection Teams as well as ensured the segregation of duties on tariff change, by including a mandatory validation/approval of the Commercial Manager.

Committee's Observations and Recommendations

The Committee expresses concern that it had to take the auditors for the Company to notice this anomaly instead of the internal control systems. This therefore, shows that the Company has weak internal control systems coupled with weak staff supervision. The Committee urges the Controlling Officer to sternly caution Management for this failure and to institute disciplinary action against the officers who assigned wrong tariffs to customers that were not entitled to the social tariff. The Committee will await a progress report on the matter.

iii. Failure to Revise Staff Tariff K 81,043,795

Controlling Officer's Response

The Committee was informed that the staff tariff formed part of the conditions of service, hence, the directive to provide employees with not more than 500 electricity units per month, could not be immediately implemented without the engagement of employees. Notwithstanding, the staff tariff was abolished with effect from 1st July, 2022. This followed the conclusion of the negotiations of conditions of service with the employees. The Controlling Officer further informed the Committee that there was no employee who was currently on a staff tariff as all the staff purchased the electricity at the market rate like any other customers.

Committee's Observations and Recommendations

The Committee observes with concern that ZESCO Management deliberately took long to effect the directive, as the conditions of service were revised and signed on 30th March, 2020. Further, the disregard of Order Number 11 from the ERB, led to the loss of income amounting to K 81,043,795 which could have been used to pay short and long term creditors. The Committee directs the Controlling Officer to mete out disciplinary action against officers who willfully disregarded the lawful directive. A progress report on the matter will be awaited by the Committee.

e) Procurement Matters

i. Failure to Extend the Contract - Upgrade the Stock and Procurement Management System

Controlling Officer‘s Response

The Controlling Officer explained that following the expiration of the initial contract, the tendering of a new contract was undertaken. In view of the foregoing, most of the works pertaining to the implementation had been completed except for the integration of works with other business applications. The Committee was informed that the outstanding works would be completed once a contract was put in place.

Committee's Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to ensure that a contract is put in place without further delay in order to complete the outstanding works. A progress report is being awaited by the Committee.

ii. Contract for the Supply, Delivery, Installation and Commissioning of a Centralised Control Centre Monitoring Solution - U$S 2,921,371.81

Controlling Officer‘s Response

The Controlling Officer explained that the contract expired and was not extended. ZESCO had reconciled the works done by the contractor to ascertain the project status. Further, Management was internally managing the remaining works and was engaging the contractor to close off the contractual obligations.

Committee's Observations and Recommendations

The Committee will await a progress report on the matter.

- **Invoices for Unsupplied Power – Power Purchase Agreement with Ndola Energy Company U$S 86,644,676.21**

Controlling Officer‘s Response

The Controlling Officer informed the Committee that ZESCO paid Ndola Energy Company Limited (NECL) for energy and capacity in the month they generated and transmitted, in accordance with dispatch instructions. However, ZESCO had been disputing the invoices during the period the plant had not been supplying power. The dispute had been communicated to NECL on a monthly basis.

Furthermore, in periods where energy was not generated due to force majeure, NECL had been billing ZESCO for capacity, of which ZESCO had been disputing based on clause 15.6 of the contract which provided that any payment during a force majeure should be addressed through the implementation agreement. In view of the foregoing, Management had been engaging with NECL and the Government through the Ministry of Energy, in order to address the matter as they were a party to the implementation agreement.

Committee's Observations and Recommendations
The Committee notes the response and directs that a meeting be convened between the Ministry of Energy, ZESCO and NECL, in order to address the matter to its logical conclusion. The meeting should be held in the third quota of 2023. A progress report, will therefore, be awaited by the Committee.

ii. Contract for the Provision of Security Services for ZESCO Properties and Installations

- **Questionable Use of National Limited Bidding Procurement Method**

Controlling Officer's Response
The Controlling Officer informed the Committee that ZESCO deployed limited bidding on account of the matter being urgent as provided for in *Section 42 (2) (b)* of the *Public Procurement Act No. 8 of 2020*, that allowed limited bidding where there was an urgent need for the goods, works or services and engaging in open bidding would be impractical.

Therefore, at the time of the expiration of the existing contracts, an evaluation showed that the scope of works required conducting site visits by the suppliers. It was, therefore, deemed necessary to adopt a more expedient procurement method such as limited bidding, for preselected providers of security services.

Committee's Observations and Recommendations
The Committee finds it unacceptable that Management did not plan ahead before the expiration of the security contracts, seeing that security in ZESCO is a necessity, due to its key critical installations. The Committee further contends that the seemingly created crisis was meant to disregard the procurement regulations by using limited bidding, in order to consider favored security companies. The Committee urges the Controlling Officer to fully investigate the matter and appropriate disciplinary action should be taken if any irregularities are discovered in the process. The Committee resolves to await a progress report on the matter.

- **Failure to Avail Details of Security Officers Deployed Monthly**

Controlling Officer's Response
The Controlling Officer informed the Committee that the invoices from the security firms were verified by the Internal Security Department, to ensure attendance by checking the register of attendance against the invoices. Where it was found that the invoices were not matched with the attendance register, credit notes were issued against the invoices.

The Committee was further informed that the Company ensured that the invoices received were based on the actual deployment and not according to the contract through the following measures:

- the shift officer from the hired security firm would make an entry in the occurrence book indicating the details of officers that reported under his charge; and

- the ZESCO security supervisor undertook patrols of the beats to verify the presence of deployed hired personnel in accordance with the contract provisions on a daily basis.

The Committee was informed that the above information was reconciled with the daily log sheets from the security firm against the ZESCO security supervisor daily patrols record before the certification of invoices for payments, in order to ensure that payments were for the actual number of officers who were available at the stations.

Committee's Observations and Recommendations
The Committee expresses concern over the failure by Management to furnish this information to the auditors during the audit process. It is the firm view of the Committee that if this information had been availed to the auditors during the audit process, the matter would have been resolved at that stage. The Committee in this regard, urges the Controlling Officer to institute disciplinary action on the officer(s) who did not comply with the audit process. The Committee will await a progress report on the matter.

iv. El Sewedy Electric (Z) Limited

- **None Review of the Shareholding Agreement - Nomination for the El Sewedy Managing Director**

Controlling Officer's Response
The Controlling Officer informed the Committee that the shareholder agreement had since been revised to ensure that the Company recruited staff from the market as opposed to secondment from the shareholders.

Committee's Observations and Recommendations
The Committee expresses worry that action was only taken after the audit query was raised. This shows that the ZESCO Management is being reactive rather than being proactive. The Committee urges the Controlling Officer to sternly caution Management for this failure and resolves to close the matter subject to audit verification.

- **El Sewedy Managing Director and Chief Finance Officer**

Controlling Officer's Response
The Controlling Officer explained that the ZESCO Management appointed a Chief Financial Officer whilst Elsewedy appointed the Managing Director who were currently running the Company on behalf of the shareholders.

Committee's Observations and Recommendations
The Committee expresses worry that action was only taken after the audit query was raised. This shows that the ZESCO Management is being reactive rather than being proactive. The Committee urges the Controlling Officer to sternly caution Management for this failure and resolves to close the matter subject to audit verification.

- **Contract for the Supply and Delivery of Distribution Transformers**

- **Uncompetitive Procurement**

Controlling Officer's Response
The Controlling Officer explained that the ZESCO Procurement Committee meeting number 21 of 2020, held on 16th December, 2020, directed that the price of US$16,441,699.00 VAT exclusive, be renegotiated.

Subsequently, the ZESCO Procurement Committee meeting number 1 of 2021, held on 10th February, 2021 considered the resubmission and approved an award in favor of Elsewedy Electric (Z) Limited at a negotiated sum of US$18,500,199.00 VAT inclusive.

Committee's Observation and Recommendations
The Committee finds it unacceptable that ignoring directives and recommendations is becoming a permanent practice at ZESCO. The Committee is concerned that the Evaluation Committee disregarded the guidance given by the Procurement Committee to carry out a market price comparison for the transformers; instead, the Evaluation Committee just compared the price increase from El Sewedy. The Committee finds this concerning as it may be evidence of an improper relationship between the Evaluation Committee and El Sewedy. The Committee in this regard, urgesthe Controlling Officer to fully investigate the matter and appropriate disciplinary action should be taken if any irregularities are discovered in the process. The Committee will await a progress report on the matter.

- **Delayed Delivery**

Controlling Officer's Response
The Controlling Officer informed the Committee that the delay in the delivery of the transformers was attributed to the COVID 19 Pandemic, which affected the importation of raw materials and some components of manufacturing the transformers, by Elsewedy Electric. However, there was an extension of the contract to allow the delivery by the supplier. In view of the foregoing, the delivery of all the 1,077 transformers had since been completed as of 27th February, 2023.

Committee's Observations and Recommendations
The Committee notes the response and resolves to close the matter subject to audit verification**.**

- **Failure to Avail Procurement Documents**

Controlling Officer's Response
The Controlling Officer informed the Committee that both resolutions of the ZESCO Procurement Committee meetings of 16th December, 2020 and 10th February, 2021, were available for verification. The Committee was informed that the performance security was not available because the Company was a related party and there was no advance payment made to the supplier. Therefore, the payments were made after delivery.

Committee's Observations and Recommendations

The Committee notes the submission but cautions the Controlling Officer against the recurrence of this anomaly. The Committee requests the Office of the Auditor General to verify the response, after which the matter should be closed.

v. Contract for the Supply and Delivery of Various Metering Units by Winma Enterprises

- **Failure to Deliver Goods by the Supplier**

Controlling Officer's Response

The Controlling Officer informed the Committee that the supplier failed to deliver the remainder of the metering units on purchase order number C01LR1047992, on account of disruptions in the manufacturer's factory in India due to the Covid 19 Pandemic. Consequently, ZESCO had canceled the purchase order.

Committee's Observations Recommendations

The Committee expresses disappointment that the output of this contract had not been realised and action to cancel the contract was only taken after the auditors raised the query. The Committee is further concerned that public funds may be lost in the process. The Committee in this regard, strongly recommends that the Controlling Officer investigates the procurement of the metering units further, and if any irregularities are discovered in the process, the matter should be reported to the law enforcement agencies for appropriate action. The Committee further urges the Controlling Officer to ensure that the supplier in question is blacklisted from future dealings with ZESCO. The Committee will await a progress report on the matter.

Failure to Claim Liquidated Damages

Controlling Officer's Response

The Controlling Officer informed the Committee that the Corporation did not claim liquidated damages as the cause of failure to deliver the goods by the supplier was mainly impacted by the Covid 19 Pandemic disruptions which was force majeure.

Committee's Observations and Recommendations

The Committee finds it highly irregular that the contract was terminated without claiming liquidated damages from the contractor. The Committee is particularly concerned that the Government lost money as a result of this lapse. The Committee further finds the response advanced by the Controlling Officer inadmissible because the Covid 19 Pandemic was already known when the contract was signed in 2021. The Committee, therefore, cautions the Controlling Officer against engaging contractors with questionable capacity as this delays operations and has a financial impact. The Committee further recommends that the Controlling Officer should investigate this contract further, and if any irregularities are discovered in the process, the matter should be reported to the law enforcement agencies for appropriate action. The Committee will await a progress report on the matter.

- **Lack of Performance Security**

Controlling Officer's Response
The Controlling Officer informed the Committee that the performance security was available for audit verification.

Committee's Observations and Recommendations
The Committee resolves to close the matter subject to audit verification.

f) Construction of Infrastructure Projects

g) Administrative Matters

i. Poor Maintenance of the Medium and Low-Cost Housing Units – Victoria Falls

Controlling Officer's Response
The Controlling Officer explained that the poor maintenance of houses at Victoria Falls Power Station was due to lack of budgetary allocation for the task during the period under review. However, following the approval of the 2023 Budget, the procurement process of materials for the maintenance works on the houses was concluded and the materials were delivered. In this regard, the maintenance works on the houses had since commenced and were projected to be completed by December, 2023.

Committee's Observations and Recommendations
The Committee observes that this is a serious anomaly that may result in the loss in value of the assets. The Committee in this regard, directs the ZESCO Management to ensure that the works are completed without further delay and that going forward; budgetary allocations for maintenance are made to avoid the recurrence of this query. A progress report on the matter will be awaited by the Committee.

Controlling Officer's Response
The Committee was informed that the Covid 19 Pandemic affected the management of most of the projects during the period under review. Additionally, liquidity challenges due to the delayed settlement of bills by key customers, coupled with the high cost of power purchases from the IPPst, affected the implementation of infrastructure projects. However, in order to avert recurrence, the Committee was informed that the Company appointed contract managers who were responsible for the overall administration of the contracts and whose roles included:

- monitoring of contract execution;
- certifying of works done;
- facilitating payments for completed milestones;
- the extension and renewal of contracts;
- facilitating the termination of non-performing contractors; and
- ensuring that advance and performance guarantees were valid.

The Committee was further informed that the Company had limited the number of infrastructure projects for ease of monitoring and implementation.

Committee's Observations and Recommendations
The Committee expresses concern over the management of contracts at ZESCO. It is disappointing that the contract terms and conditions are not followed resulting in unrecovered advance payments, expired advance guarantees and expired performance guarantees on the contracts among other issues. It is clear from the contract management irregularities highlighted by the Auditor General that the officers at ZESCO charged with the management of contracts have no knowledge in contract management, and are therefore, incapable of running the affairs of ZESCO. It is in this regard that the Committee recommends to the Controlling Officer to seriously consider replacing the current underperforming officers with a more competent and knowledgeable cadre of officers in contract management, in order to turn the misfortunes of ZESCO around. The Committee further urges the Controlling Officer to ensure that ZESCO should only enter into contracts upon confirming the availability of funds in line with the Public Procurement Regulations. The Committee will await a progress report on the matter.

i. Failure to Insure Property – Victoria Falls

Controlling Officer's Response
The Committee was informed that out of the 111 houses, ninety had since been insured. The remaining twenty-one houses were not insured as they were inhabitable; hence, paying a premium on them would be uneconomical. However, Management would insure the twenty-one houses once they were rehabilitated and suitable for use.

Committee's Observations and Recommendations
The Committee finds ZESCOs failure to insure the houses unacceptable especially that the requirement to insure property is made law in the *Public Finance Management Act*. The Committee sternly cautions management for this failure and directs that the twenty-one houses must be rehabilitated and insured without further delay. A progress report on the matter will be awaited by the Committee.

h) Corporate Social Responsibility-ZESCO United Football Club

- **Governance**

- **Lack of Board Charter**

Controlling Officer's Response
The Controlling Officer submitted that the process to prepare a Board Charter had commenced and was projected to be concluded by 30th June, 2023.

Committee's Observations and Recommendations
The Committee observes that ZESCO United has been in existence for a long time and therefore, questions why it has taken a long time to put in place a Board Charter. The Committee further

questions how the Board has been carrying out its mandate in the absence of the Board Charter. The Committee therefore, urges the Controlling Officer to ensure that the Board Charter is put in place without further delay in order to periodically review the effectiveness of the Board. The Committee will await a progress report on the matter.

- **Questionable Payment of Allowance K 1,24,223/ K 654,047**

Controlling Officer's Response

The Controlling Officer explained that the perceived budget overrun culminated from the delayed funding to the club by ZESCO, resulting in a higher expenditure in the period funds were made available.

In respect of the minutes supporting the meetings, the Committee was informed that efforts to secure the minutes for the sitting allowances amounting to K474,500 had not been successful as the former executive member who was responsible for the minutes separated from the Corporation before the audit.

Going forward, the Controlling Officer informed the Committee that Management would ensure that minutes were signed off and filed immediately a meeting was held.

Committee's Observations and Recommendations

The Committee will await a progress report on the minutes for the sitting allowances amounting to K474, 500.

29.0 PART III

29.0 LOCAL TOUR TO LUSAKA, CENTRAL AND MUCHINGA PROVINCES OF ZAMBIA

The Committee undertook its local tour to Lusaka, Central and Muchinga Provinces of Zambia in order to appreciate the operational challenges of selected state-owned enterprises as part of its oversight mandate.

In line with the objective of the tour, the Committee visited the Zambia Daily Mail Limited, Times Printpak Limited and the Nitrogen Chemicals of Zambia Limited in Lusaka Province. The Committee further toured the Zambia China Mulungushi Textiles (Joint Venture) Limited and the Zambia Railways Limited in Central Province. Furthermore, the Zampalm Plantation and the Kapasa Makasa University in Muchinga Province were also visited by the Committee.Arising from the tour and subsequent stakeholder meetings, the findings of the Committee were as set out below.

29.1 THE NITROGEN CHEMICALS OF ZAMBIA (NCZ)

- **Establishment**

The Committee was informed that the Nitrogen Chemicals of Zambia Limited (NCZ) was registered as a limited Company in September 1967. It was wholly owned by the Government of the Republic of Zambia, through the Industrial Development Corporation (IDC).The Company was established to provide compound and top-dressing Ammonium Nitrate Fertilisers, in order to facilitate and provide periled, porous ammonium nitrate, used in the manufacturing of explosives. However, in the early 1980's, the plant was expanded to include the production of Ammonia, Nitric Acid, Ammonium Sulphate and Sulphuric Acid.

- **Operational Matters**

- **Inadequate Working Capital**

The Committee was informed that the utilisation of the plant capacity remained low on account of inadequate working capital. The Committee was informed that the Company's biggest client was the Government; therefore, the Company's revenue had been a function of the Farmer Input Support Programme (FISP) allocation. Part of the funds realised from FISP were used to procure raw materials. The Committee was informed that most of the inputs used for the production process were imported and the cost of raw materials was very high.

The Committee also learnt that NCZ had explored other markets to further improve its liquidity position. These included IDC intra group companies such as Zampalm, Zaffico and Kawambwa Tea. The Committee was further informed that the Company was also keenly following the establishment of farming blocks and the alternative emergent farmer support program as other markets.

- **Underutilisation of the Plant Capacity**

The Committee was informed that NCZ had seven plants meant for the production of fertilizer. However, only one of the seven plants was being utilised. The Committee further learnt that NCZ's installed capacity was 400 000 Metric Tonnes (MT). However, because of the plant reliability issues, the installed capacity had reduced to 80 000 MT. Nonetheless, the Institution was strengthening its balance sheet through asset revaluations to enable NCZ to have adequate collateral to raise capital. In view of the foregoing, in 2022, a land and building asset revaluation was done and the Company was scheduled to undertake a plant machinery asset revaluation in 2023.

- **Dilapidated Machinery and Equipment**

The Committee was informed that the NCZ had a lot of obsolete infrastructure that needed improvement in order to catch up with the current dynamic environment in fertilizer production. The plant was established around 1972, therefore, its mechanical integrity was compromised and its reliability was low at sixty to seventy percent. Additionally, the dilapidated equipment required frequent maintenance which was a cost to the Company. However, NCZ had been carrying out maintenance turnaround activities to improve plant reliability, including the replacement of bad actors on the plant such as the dryer gearbox, whose manufacturer was domiciled in France. A contract of 216,800 Euros, had since been signed with the manufacturer for the gearbox. The purchase of the gearbox would increase production to up to 150 000 MT by 2024.

- **Contracts**

The Committee was informed that FISP remained an important market for NCZ. However, the contracts to supply the fertiliser were short term, particularly, one year, for each farming season. The Committee was informed that for the 2023 farming season, the Government had given NCZ a contract to supply about 43,000 MT of fertiliser. So far, NCZ had produced 10,500 MT of fertilizer in the first quarter of 2023. The NCZ Management held the view that contracts to NCZ should be given in advance in future farming seasons, in order for the required inputs to be secured and enable NCZ to produce tonnage higher than what was requested.

- **Undiversified Product Mix**

The Committee was informed that at the moment, NCZ was only producing D Compound Fertiliser. In view of the foregoing, the Company was in the process of diversifying its product mix by first carrying out the installation of a blending plant slated for 2023/2024. The Committee was informed that the procurement process was completed and was awaiting contract signing subject to final ratification by the IDC.

Once installed, the Committee was informed that the plant would have the capacity to produce an additional 100 000 MT of D – Compound Fertiliser, beyond the 150,000 Mt production of Fertiliser after the asset revaluation, when the second tier of the scope of installation which required add-ins was done.

Additionally, NCZ was also undertaking procurements for a technical audit on the Amonia Nitrate Plant in order to bring it back into production and tap into mining production using explosives, from Ammonium Nitrate. In view of the foregoing, IDC had instructed NCZ to come up with a business plan to see how best the plant could be revamped.

- **Lack of a Board of Directors**

There was no Board of Directors in place to give the strategic direction to the Company. Further, most of the members of staff in Management were in an acting position because there was no substantive board to approve their appointments.

- **Technical Audit by IDC**

The Committee was informed that IDC put in place initiatives to ensure that NCZ continued into the near future. In this regard, a desktop analysis of NCZ's existing plant and equipment had been done, after which the indulgence of the Board would be sought, to engage a technical expert to conduct a technical audit, which would inform the way forward with regard to NCZ.

Committee's Observations and Recommendations

i. **Implementation of Framework Contracts**

The Committee observes with concern that the implementation of framework contracts for the predictability of business between the Government and NCZ is weak. Currently, the Government is providing one year contracts to NCZ through FISP. In view of the foregoing, the Committee recommends the urgent need for the Government, through IDC, to support the Company by providing long-term framework contracts in order to allow NCZ procure the much needed raw materials for production in advance, as supply chains have their own lead times. The Committee further contends that, the provision of long-term framework contracts will also enable NCZ, secure the necessary funding required for the production of fertiliser in good time.

Additionally, the Committee urges the Executive to put in place a deliberate policy of ensuring that framework contracts with private companies on the sale of fertiliser are only given once NCZ meets the market demand, as a way of securing business for the Company. The Committee is aware that for the 2023, farming season, the Government will be procuring 43 335 MT of fertilizer from NCZ, despite the Company's capacity at 80, 000 MT. About 77,000 MT will be procured from a private owned Company.

ii. **Undiversified Product Mix**

The Committee observes that currently NCZ is only manufacturing D Compound Fertiliser. Therefore, the undiversified product mix needs to improve as it is not sustainable for the amount of business required to keep the operations of the Company running. The Committee, therefore urges the IDC to expedite the procurement process of a blending plant in order to give the Company the versatility it requires to produce a diversified product mix.

iii. **FISP Dependency on Funding**

The Committee is further concerned with the dependency of NCZ on FISP as a primary source of funding. The Committee, therefore, urges the IDC to ensure that NCZ explores other markets beyond the FISP, in order to secure further funding for its operations.

iv. **Lack of a Board of Directors**

The Committee is concerned that a Board of Directors, required to provide the necessary corporate governance of NCZ, has not been put in place. The Committee urges the IDC to ensure that a Board of Directors is put in place without further delay in order to give the strategic direction to the Company.

v. **Technical Audit by IDC**

The Committee observes that the IDC is in the process of engaging a technical expert to conduct a technical audit,which will inform the way forward with regard to NCZ. The Committee, therefore, urges IDC to expedite the process of coming up with the technical audit report in order to turn the misfortunes of NCZ around. The Committee further urges IDC to appropriate funding for this activity in its budget and directs that the report should reach the National Assembly of Zambia, in the third quota of 2024.

29.2 THE CHINA MULUNGUSHI TEXTILES (JOINT VENTURE) LIMITED ZCMT (JV) LTD

- **Background**

The Committee was informed that the Mulungushi Textiles plant was constructed through a bilateral agreement between Zambia and China signed in 1976. The Chinese Government provided the financing whereas the Zambian Government through the Zambia National Service provided material input and labour towards the construction of the plant. The plant was handed over in 1983 and Mulungushi Textiles Limited was incorporated.

Unfortunately, the performance of Mulungushi Textiles declined due to, among other things, poor management, and the changing socio-economic environment. In 1993, the Chinese Government assisted the Zambian Government in the maintenance of the plant by providing USD1.5million for the general overhaul of the plant; however, this did not yield the desired results.

To redeem the company from its difficulties, an invitation was extended to the Chinese Government by the Ministry of Defence to assist in resuscitating operations. In 1996, the Zambian Government and a Chinese Company, Qingdao General Textile Corporation formed a joint venture which took over the assets of Mulungushi Textiles Zambia Limited as a going concern through a new corporation called the Zambia-China Mulungushi Textiles Limited Joint Venture (ZCMT JV). The Joint Venture Agreement was for a period of thirty years from January 1997 to 2027.

In 2007, amid mismanagement and other suspected fraudulent practices, the Chinese shareholders and managers abandoned the company forcing the ZCMT JV to halt operations. The remaining Zambian Managers were constrained by the lack of adequate funding and accumulated liabilities, resulting in job losses. Further, thousands of farmers who relied on the textile for income through the cotton out-grower scheme were also left stranded.

- **Efforts to Terminate the Joint Venture Agreement**

In April of 2016, the Board of Directors of the Industrial Development Corporation resolved to terminate the Zambia-China Mulungushi Textiles Joint Venture Agreement. The Chinese counterpart did not object to the dissolution of the Joint Venture Agreement and the Agreement was subsequently terminated by the Zambian Government after duly notifying the Chinese counterparts.

The IDC Board further directed IDC management to immediately take steps to reopen the Company and the plant was decommissioned on 1st August 2016.Despite the reopening, it was recognised that the plant required new equipment to be viable in the long term. In August 2016, IDC engaged Marubeni Corporation of Japan to assess the requirement for the complete rehabilitation of Mulungushi Textiles. This was done under the auspices of the Tokyo International Conference on African Development (TICAD) VI framework in which the Government of Japan pledged about USD30 billion for projects on the continent.

Marubeni Corporation proceeded to undertake a comprehensive feasibility study of the plant which concluded that the plant and equipment was obsolete and needed to be replaced. Further, it was estimated that the rehabilitation and reequipping of the plant would take a minimum of 18 months and that these works could not be done concurrently while the plant was in operation. In view of these findings, IDC decided to implement a winding-down operation. This involved laying off a total of 319 workers at a cost of K 2.7million and placing the plant under care and maintenance. The drawdown of employees was concluded in March 2017.

Subsequently, the Zambian Government received representation from the Chinese Government stating that in recognition of Mulungushi Textiles being a symbol of the cooperation between Zambia and China, they were willing to find a new partner. The Government welcomed this offer noting that China had remained a true partner in Zambia's development. On 28 June 2017, a delegation from Qingdao Textile Group and representatives of the proposed counterparty, Qingdao Ruichang Tech-industry Co, Ltd met with the IDC to discuss the way forward for the rehabilitation project to ensure that a new joint venture was undertaken.

- **Operational Challenges**

The Committee was informed that ZCMT (JV) LTD had not yet been operationalised to date; however, the Caretaker Management highlighted a number of issues as submitted below.

- **Dilapidated Machinery**

The machinery at the Company was more than forty years old and therefore, had outlived its usefulness. A team of Chinese technical experts was called upon to undertake an assessment of the equipment at the plant and the report generated after the exercise revealed that eighty percent ofthe machinery housed in the factory was obsolete and would need to be completely replaced with new machinery, due to the evolution of technology. In view of the foregoing, eighty percent of the machinery had been earmarked for disposal.

- **Shareholding Portfolio**

The current shareholding portfolio in which the Government through IDC owned thirty- four percent of the shares and China sixty-six percent of the shares in the joint venture, posed a challenge with regard to the management performance and governance of the Company. The Committee was informed that because of the current shareholding, the Board of Directors was inactive, making management decisions difficult to make. Furthermore, once the Board of Directors was put in place, the shareholding portfolio of the Company would entail that the Chairperson of the Board would be domiciled in China.

- **Lack of a Board of Directors**

There was no Board of Directors in place to strengthen the performance management and corporate governance framework. The lack of a Board of Directors further resulted in the Caretaker Management not being privy to certain important decisions made by the shareholder. The Committee was further informed that the lack of a Board also affected the renegotiations of the shareholding portfolio of the joint venture.

- **Limited Funding**

From 2007 to 2023, there was no funding from the Government. This meant that the Company had to internally generate funds, which was a challenge. However, the Caretaker Management requested for funding through the budget process to enable it among other things, maintain its obligations such as electricity and remunerations. The Committee was informed that the Company was currently running on 11KV power and was paying K30, 000 to ZESCO, on a monthly basis. Nonetheless, after sixteen years, funding was received from the Government, partly which was used for maintenance.

- **Robust Out Grower Scheme**

The Committee was informed that it was imperative for the ZCMT (JV) LTD being an agro based industry, to come up with a robust and predictable out grower scheme and commercial contract farming, in order to guarantee the flow of raw material and job security. The out grower scheme would employ a number of youths through the supply of raw materials and could have a mixed approach of not only supplying the required cotton for production, but other commodities such as the soya bean.

- **Economic Activities**

The Committee was informed that the Company was embarking on other economic activities to sustain itself such as subcontracting 500 farmers for sunflower purification at a cost and the cake left, as part of the profit margins of the Company. Further, the workshop was being revamped to position the Company to start manufacturing desks. Furthermore, the Agricultural Production Unit was also being revamped to start a broiler production unit of 800 to 1000 birds per cycle. The Committee was further informed that the Company was also conducting Horticulture on contract farming on a small scale.

Committees Observations and Recommendations

i. Operationalisation of the Joint Venture

The Committee finds it unacceptable that IDC keeps giving assurances with regard to the operationalisation of ZCMT (JV) LTD that are not being acted upon. It is disheartening that despite a number of engagements made between the Government of Zambia and its counterpart for the past twenty years, progress has not been made and the joint venture will be coming to an end in 2027. The Committee, therefore, strongly urges IDC to prioritise the re-engagement with its counterpart in order to address the matter to its logical conclusion. A progress report in this regard, will be awaited by the Committee.

29.3 ZAMPALM LIMITED

The Committee was informed that the Zampalm Plantation was Zambia's first ever commercial oil palm plantation. The Plantation in Kanchibiya District, in Muchinga Province was run by Zambeef from inception. The IDC then procured shares upto the tune of ninety percent leaving ten percent with Zambeef. Zampalm owned 20,238 hectares. A total of 3,864 hectares was under oil palm cultivation and 1,100 hectares was under an out-grower scheme managed by Oil Palm Out-Growers Company (OPOC). The Company was formed under limited by guarantee and the guarantors in the Company were the IDC and the Provincial Administration.

The primary output of the plantation was ripe Fresh Fruit Bunches (FFB) processed to produce Crude Palm Oil (CPO). The processing of the FFB was done at the Zampalm Oil Mill located in the Plantation. The CPO was sold to the domestic market.

Since 2018, when Zampalm Limited was acquired, a total of K224, 980,739.12 had been invested in Zampalm Limited as working capital from the shareholder (IDC). Of this amount ZMW166, 211,199.95 was support to Zampalm Limited and the balance of K58,769,609.17 to the Oil Palm Out-Growers Company (OPOC).

- **Operational Challenges**

The following challenges continued to impact the operations of Zampalm Limited:

i. High Financial Requirements

Despite the funding provided to-date, ZAMPALM continued to require significant funding support with an approximate requirement of USD16.4Million working capital to be spent from 2023 to 2026.On account of the delayed attainment of breakeven and the oil palm trees still being in their formative stages, efforts to source external financing had proved futile which had resulted in a significant strain on the shareholder for continued support to the project.

ii. Low Plantation Productivity

The Committee was informed that fertilizer constituted over fifty percent of field cost items in the plantation. However, Zampalm Plantation had not had adequate fertilizer applications which had led to low productivity in the Plantation. Further, drainage management had also lagged, due to the limited availability of machinery to carry out the works.

iii. Low Oil Quality (Low Grade Palm Oil)

The Committee was informed that the palm oil currently being produced did not meet the industrial quality parameters. The oil was, therefore, classified as low grade and did not fetch a premium price on the market. The Committee further learnt that the oil mill installed in 2015, did not have the designated facilities to maintain the quality of palm oil produced. Additionally, the absence of filter machines and appropriate oil storage facilities at Zampalm were also linked to the poor quality palm oil production.

iv. Operational environment

The facilities, machinery, and equipment to support the operations at the Plantation were in a poor state. Most of the machinery and vehicles were procured at the inception of the plantation establishment and had since been run down. The Committee was informed that the cost of repair and maintenance had also escalated which was putting a significant strain on the Plantation’s financial resources, therefore, making it difficult to allocate resources to other important areas of its operations.

- **Key Interventions**

In order to secure the future of Zampalm as a going concern, the Committee was informed that IDC had taken a decision to commission a viability and sustainability assessment of the Zampalm Plantation. Therefore, the outcomes of the study would address amongst other things, the improved plantation productivity and the improved efficiency of palm oil extraction and quality.

Committee's Observations and Recommendations

i. The Committee observes that the agreement signed between IDC and Zambeef has provisions for further investment. However, whereas Zambeef has met its obligations to warrant the ten percent shares of the agreement, IDC has not complied with the provisions of the agreement to warrant the ninety percent shareholding, which includes the obligations to finance the working capital of Zampalm. This is, therefore, affecting the performance of the Company.

The Committee further contends that it is inconceivable that even with the massive capital injection into the investment, the palm oil currently being produced does not meet the industrial quality parameters, and therefore, is classified as low grade and does not fetch a premium price on the market. The Committee, therefore, holds the view that due diligence was not conducted by IDC before venturing into this capital intensive project and therefore, cautions IDC for this failure. The Committee further urges IDC to ensure that the provisions of the agreement are met and a progress report will be awaited by the Committee.

29.4 KAPASA MAKASA UNIVERSITY

- **Background**

The Committee was informed that Kapasa Makasa University was initially intended as a police training facility, named Chinsali Combined Staff Training College. On 28th June, 2016, the University was proclaimed Kapasa Makasa University under the administrative oversight of the Copperbelt University in order to facilitate management systems and academic programme growth, to prepare the University operate independently. On 10thOctober, 2016, the CBU operationalised Kapasa Makasa University. The Committee was informed that the University, a Centre of Excellence in Science and Technology, had a current enrolment of 1,017 students, 939 of which were on Government bursary. The Committee was further informed that the University had a staff establishment of sixty-seven members of staff.

- **Faculties and Approved Courses**

The University had three Departments namely; the Department of Agriculture and Aquatic Sciences; the Department of Education and Open Learning and the Department of ICT. The Committee was further informed that the Departments had the approved courses submitted below.

i. The Department of Agriculture and Aquatic Sciences
   - Fisheries and Aquaculture; Animal Sciences and Sustainable Agriculture;

ii. The Department of Education and Open Learning
   - ICT with Education

ii. The Department of ICT

- Cyber Security

The Committee was further informed that the five courses had been approved by the Higher Education Authority; however, two of the five courses namely, ICT with Education and Cyber Security had not been registered and recognised by the Zambia Qualifications Authority.

iii. Infrastructure

The Committee observed that the University had insufficient lecturing infrastructure to accommodate the number of students. Further, there appeared to be poor workmanship during the construction of the University as cracks on the walls of the infrastructure were visible. The Committee was informed that when CBU took over the University Infrastructure, some infrastructure was constructed in the recent years. However, there was also infrastructure built in the early 70s such as an incomplete office block and two staff houses.

- **Water Reticulation**

The Committee observed that the water reticulation at the University was impressive; however the pumping of the water in the reservoir tank was manually operated. In view of the foregoing, the Chambeshi Water Supply and Sanitation Company Limited had to be informed to stop pumping water when the reservoir tank was full.

Failure to Prepare Financial Statements

The Committee was informed that the University was not preparing the financial statements which could be used to among other things, source for the much needed funds for the operations of the University. The Committee further learnt that the University failed to demonstrate to the Auditor General how funds were accounted for prior to the University taking over operations from CBU.

- **Interaction with the Kapasa Makasa Student Union**

The Committee had an interaction with the University student leadership. Key among the issues discussed was the urgent need to have functioning laboratory services. The leadership further lamented that the University was located away from the central business district. In view of the foregoing, there was need for an ambulance and another school bus respectively. The Committee, however, assured the Union that the Government was procuring some ambulances. Therefore, the Committee was optimistic that the two constituencies in Chinsali District would contribute an ambulance each, to the General Hospital, who would then extend their emergency services to the University. However, the ideal situation was to have an ambulance stationed at the University.

Committee's Observations and Recommendations

i. The Committee observes with concern that the University is offering some courses that have not been recognised by the Zambia Qualifications Authority and contends that this status quo can result into possible future litigations as the graduating students may not be recognised at the end of the programme. The Committee, therefore, urges the University Council to prevail over this very serious irregularity and ensure that the courses in question are registered by the relevant institution by the third quota of 2023. The Committee is aware that the University will be holding its first graduation in 2026.

ii. The Committee was informed that the University is not preparing the financial statements required to assess the University's financial performance, a situation which the Committee finds worrying especially that the University is new and upcoming. The Committee therefore, implores the Board to ensure that the financial statements are prepared going forward. The Committee further directs the Board to ensure that the opening balances at Kapasa Makasa University are consistent with what was closed off from the CBU in order to avoid further irregularities.

ii. The Committee observes with concern that the contractors of the University did not seem to have paid enough attention to quality as the University infrastructure was quickly getting run down and required regular maintenance which was a cost to the University. The Committee therefore, recommends that going forward, only reputable construction companies should be engaged for Government projects such as this one and should be closely supervised in order to avoid poor workmanship such as this.

iii. The Committee observed that the water reticulation at the University was impressive; however, the Committee was concerned that the pumping of the water had a lot of human intervention, which resulted in the loss of water through non-revenue water, among other things. The Committee, therefore, urges Management to ensure that a mechanised pumping system is put in place without further delay in order to address the concern raised.

29.5 TIMES PRINTPAK ZAMBIA Limited

- **Establishment**

The Committee was informed that Times Printpak Zambia Limited (TPPZL) was a newspaper publishing company which was incorporated in 1970 and was wholly owned by the Government through the Industrial Development Corporation (IDC).

- **Times Printpak Zambia Limited under Liquidation**

The Committee was informed that at its special Board meeting held on 29th October 2020, the Board of Directors at Times Printpak Zambia Limited, resolved that Times Printpak Zambia Limited should be placed under liquidation and be wound up by 31st March, 2021, as the current liabilities far exceeded the current assets, therefore, resulting in the Company failing to settle its liabilities as and when they fell due. However, TPL was still in existence and operating as such save for the restructuring interventions that were being undertaken in a phased manner.

The restructuring process was sequenced in a manner such that employees would not be disadvantaged as a result of an outright liquidation process. Therefore, the redundancy exercise was undertaken as an initial step to ensure that employees' terminal benefits are fully settled, pursuant to the *Employment Code Act No. 3 of 2019* and *Industrial Relations (Amendment) Act No 19 of 2017*.

The second priority area was to ensure that the publication continued uninterrupted during the integration process. Therefore, there was need to conclude the process of the approved integration of the publication of the Times of Zambia, Sunday Times, Zambia Daily Mail and Sunday Mail under the one company and two newspaper business model. At the moment, the Times of Zambia and Sunday Times Newspapers were being published under Zambia Daily Mail Limited (ZDML) as separate brands of newspapers. Therefore, the Times of Zambia and Sunday Times Newspapers were assets of TPL.

In view of the foregoing, the Committee was informed that the liquidation process would commence in accordance with the *Corporate Insolvency Act No. 9 of 2017,* once the restructuring interventions were concluded.

The Committee was further informed that given that the IDC had ownership in ZDML which operated in a similar sub-sector or industry, it was thought prudent and cost efficient to appoint the Board of ZDML to oversee the affairs of TPPL. Furthermore, the Managing Director of ZDML and his management team prevailed over the operations of TPPL as well as safeguarded its interest. For instance, if the TPPL was sued, the Counsel Secretary on behalf of the ZDML would represent the TPPL. The Committee was further informed that TPPL was still facing litigation, most of which was arising from the separation of employees.

Further, the revenue realised from the sale of the TPPL newspapers was also used for the operations of the ZDML. However, the total cost of production for both publications was incurred by the ZDML.

Committee's Observations and Recommendations

i. The Committee observes with concern that TPPL is a going concern and the caretaker management provided by the ZDML appears to have been appointed administratively by the shareholder. The Committee, therefore contends that, liquidation is not an administrative process but a process that should be governed by an Act of Parliament, in this case, the *Corporate Insolvency Act No. 9 of 2017.* The Committee in this regard urges the IDC to ensure that the legal process of liquidation is expeditiously fulfilled in order to avoid exposing the ZDML in the liabilities of the TPPL, among other things and therefore, affecting its operations.

29.6 THE ZAMBIA DAILY MAIL LIMITED

- **Establishment**

The Committee was informed that the Zambia Daily Mail Limited (ZDML) was a newspaper publishing company incorporated in 1978 and was wholly owned by the Government, through the Industrial Development Corporation (IDC).

The Committee was informed that ZDML was an industry leader with eighty percent of the market share. The paper was reliable with distributions to Livingstone and Kasumbalesa.

Discussions with IDC were in place to expand the delivery of the paper to other provinces of the Country. The Committee was further informed that only verified content was published.

- **Import Dependency**

The Committee was informed that the Company was still dependant on imports for its news print which was a major cost to its operations. The effects of the Covid – 19 Pandemic and the ongoing Russia, Ukrain war at some point affected its supply chain. In view of the foregoing, ZDML had put in place some measure to ensure the stability of its supply chain. For instance, the Company was trying to manage its import cost by reducing its newsprint consumption. In this regard, four and a half rolls of print were used per day as opposed to the initial six rolls of print.

- **Cost of Production**

The Committee was informed that the cost of producing one newspaper was thirteen to fourteen Kwacha and a copy of the paper was selling at ten Kwacha. In view of the foregoing, the Company was making a loss. Attempts to increase the cover price had been difficult.

- **Print Order**

The Committee was informed that the average print order for the ZDML during weekends was 7000 copies and during weekends and holidays, about 3000 to 4000 copies. However, when the Company had hot news demanding every quota of the market, such as national recruitments, the demand for the print would go up to 30,000 paper prints per day. In view of the foregoing, the printing of the paper was demand driven. However, the ZDL could not manage its costs through pricing as the demand for the paper was uncertain. Nonetheless, the advertising section of the paper was the biggest revenue earner for ZDML. Therefore, the price of advertising was cushioning the Company's cost of production.

Furthermore, depending on how the Zambian Kwacha was fairing against the United States Dollar, the Company would either make a profit or a loss, as a result of import costs. For instance, when the Kwacha fared well from the Dollar, a profit was made. Vice versa resulted into a loss.

iv. The Electronic Paper

The Committee was informed that the ZDML's Electronic Paper had been running for over three years but has been struggling, partially because some of the features did not meet the expectations of the customers. In this regard, the ZDML was redeveloping the Electronic Paper after getting feedback from the customers. In view of the foregoing, the paln was to raise four million Kwacha towards this cause for a period of three years. So far, 800,000 had been raised.

Committees Observations and Recommendations

i. The Committee observes that social media has dominated the media space. As a result, this has put a strain on the circulation of the print media. The Committee therefore, urges the Management of the Zambia Daily Mail to expeditiously revamp the Electronic Paper to allow it compete with the current market trend.

ii. The Committee is concerned that the Company seems to be recognising legacy debt that is unrecoverable in its financial statement. The Committee therefore, urges the ZDML Board, to write off the unrecoverable debt. Further, the Company's debt policy should be strengthened in order to avoid a further increase in the current debt.

iii. The Committee observes that he ZDML has a mandate of disseminating Government policies and Government activities. However, this particular mandate is not packaged as a commercial product and, therefore, does not generate any revenue. This situation creates a funding gap and puts pressure on the working capital of the institution. The situation, further, affects the short- and long-term sustainability of the institution.

It, is, in this regard therefore, that the Committee urges the Government through IDC, to find a way of closing this funding gap, by providing the funding to cover the cost of executing this mandate. Alternatively, ZDML should be allowed to operate as a full commercial entity without any responsibility to disseminate unfunded Government activities.

29.7 ZAMBIA RAILWAYS LIMITED

Establishment

The Committee was informed that Zambia Railways Limited (ZRL) was established in 1976, following the splitting of the Rhodesia Railways whose network covered Northern Rhodesia (Zambia), Southern Rhodesia (Zimbabwe) and Bechuanaland (Botswana). The rail line covered a distance of 1,248 km.

However, the infrastructure was run-down due to age (over 120 years) and deferred maintenance, arising from the lack of recapitalisation. The rolling stock assets such as locomotives and wagons were inadequate, unreliable and had out-lived their useful life span due to age and deferred maintenance arising from the lack of recapitalisation.

Regarding the staff establishment, the Committee was informed that the Company employed about 800 to 830 direct employees and over 500 indirect employees. Further the Company's annual tonnage was about 800,000 to 900,000 tons per annum.

v. Operating Challenges

The Committee was informed that ZRL was operating under very difficult situations as submitted below.

i. The Poor Condition of the Railway Track.

The Committee was informed that the track was characterised by frequent derailments, very low speeds, longer Temporal Speed Restriction (TSR) distances and huge maintenance costs. The total distance of TSR sections was about 506km out of the total track coverage of 1,248km. Further, the TSR sections were derailment prone areas with maximum allowable train speeds of 15km/h. This, therefore, prolonged the transit time, adversely affecting equipment optimisation and increased the associated maintenance and repair costs.

- **Obsolete and Unreliable Rolling Stock Locomotives**

The Committee was informed that the situation had worsened with average locomotive availability of thirteen to fourteen per day, against the required target of thirty locomotives per day. The available locomotives were characterised by poor reliability. This had led to terminating traffic en-routes due to locomotive failures. The Committee was further informed that ZRL was sitting with hired locomotives whose availability and reliability had also deteriorated due to the state of the track, coupled with maintenance backlogs as the suppliers were experiencing capacity challenges.

- **Wagons**

The available wagons did not meet some of the customer preferences and were not fit to traverse into South Africa. Further, the available wagons were not sufficient to meet customer demand, especially the demand for open wagons. The Committee was further informed that about 260 wagons in excess were required to service coal and sugar clients.

- **Operating Expenses**

On average ZRL was generating monthly revenue of K33.93 million. The total monthly obligations with creditors on payment plans was K55.11 million broken down as follows: fuel for the trains, net salaries and part of administration expenses were at K 20.47 million; the Zanaco loan was K1.90 million (both the interest and principal amount), the IDC (GMC loan) was K1.30 million, .creditors on payment plan and other outstanding obligations were at K 31.44 million.

- **Outstanding Debts and Legacy Issues/ Statutory Obligations**

The Committee was informed that the other outstanding debts and legacy issues/ statutory obligations stood at about K600 million. The K600 million, therefore, included the NAPSA debt which stood at K198 million, the ZRA debt at K195 million, other legal liabilities at about K100 million and the second payroll and creditors not on payment plans at about K107 million.

Committee's Observations and Recommendations

i. The Committee observes that the ZRL is a going concern because of its strategic importance. However, the Company is technically insolvent. In view of the foregoing, there is urgent need for the Company to be recapitalised to enable it procure new rolling stock, among other things, in order to get the Company to break even.

30.0 PART IV

30.0 FOREIGN TOUR TO THE PARLIAMENT OF UGANDA

- **Introduction**

The Committee undertook a seven days benchmarking tour to the Parliament of Uganda, from 28th May, to 3rd June 2023, in order to share experiences and best practices with regard to the mandate, structure and operations of its counter- part Committee at the National Assembly of Uganda, the procedure for Committee meetings, the relationship between the Committee and the

Office of the Auditor General and mechanisms put in place to follow up on Committee recommendations to the Executive.

During the visit, the delegation interacted with the:

- Deputy Clerk of Parliament (Corporate Affairs);
- Auditor General;
- Chairperson of the Parliament Committee on Statutory Authorities and State Enterprises;
- Officials from the National Water and Sewerage Corporation; and
- Officials from the Board of the Uganda Investment Authority.

30.1 Presentation on the Parliament of Uganda By Mr Ronald Bills Agaba, Protocol Officer

The delegation was informed that the Parliament of Uganda was a unicameral Parliament who's most significant function was to pass laws for the good governance of Uganda. The Parliament of Uganda was currently in its Eleventh Session of Parliament and comprised of 556 Members of Parliament as follows:

i. 352 Members of Parliament directly elected to represent constituencies;
ii. 146 women representatives for every district in Uganda;
iii. 10 representatives from the Uganda Peoples' Defence Forces;
iv. 05 youth representatives;
v. 05 persons with disabilities;
vi. 05 workers representatives;
vii. 05 Older persons representatives; and
viii. 28 Ex Official Members

The delegation was further informed that Independent Members of Parliament were amongst the 352 Members, directly elected to represent constituencies. The Independent Members of Parliament signed a memorandum of agreement with either the ruling party or opposition political party during a cycle of Parliament in support of either one of the political parties. Furthermore, the Parliament was presided over by the Speaker and in her absence, the Deputy Speaker, both of whom were elected by Members of Parliament.

30.2 Presentation on the Parliament Committee on Statutory Authorities and State (COSASE) Enterprises by Mr Joel Senyoni, MP, Chairperson of COSASE

- **The Public Accounts Committees in the Parliament of Uganda**

The delegation was informed that the three Public Accounts Committees in Uganda initially existed as one Committee, namely the Public Accounts Committee, whose primary function was to consider different reports from the Office of the Auditor General. However, due to its heavy workload, the Committee was split into three Committees in order to ensure efficaciousness in operatives.

The three Committees, included, the Public Accounts Committee on the Central Government, charged with the mandate to among other things, scrutinise the reports of the Auditor General on the accounts of Government ministries and departments, the Public Accounts Committee on Statutory Authorities and State Enterprises (PAC COSASE) charged with the mandate to among other things, scrutinise the reports of the Auditor General on the accounts of entities created by statute and companies owned by the Government and the Public Accounts Committee on Local Government, charged with the mandate to among other things, scrutinise the reports of the Auditor General on the accounts of the districts and municipalities of Uganda. The delegation was further informed that the Committee on Government Assurances was also considered as an accountability Committee.

- **The Public Accounts Committee on Statutory Authorities and State Enterprises (PAC COSASE)**

The delegation was informed that the PAC COSASE was a standing Committee of Parliament constituted at the beginning of a new Parliament for a period of two and a half years. At the expiration of that period, another Committee was ushered in for the remaining period. The Committee was composed of twenty-five Members of Parliament selected by the party whips of the different political parties represented in the House. The Committee was chaired by an opposition Member of Parliament.

- **Mandate of the PAC COSASE**

The delegation was informed that PAC COSASE was charged with the mandate of among other things, scrutinising the reports of the Auditor General on the accounts of entities created by statute and companies owned by the Government. Therefore, the Committee had over 100 entities under its mandate. Further, the mandate of COSASE stretched beyond the Auditor General's Report. The Committee also inquired into important accountability related matters on an entity outside the Auditor General's Report. Furthermore, commissions of inquiry reports were also considered by the Committee.

- **Operations of the PAC COSASE**

The delegation was informed that the Auditor General audited different entities and produced a consolidated report before Parliament, towards the end of the year. However, due to financial constraints, among other things, PAC COSASE was unable to inquire into all the 100 entities in a given year. In this regard, the Committee selected the entities to be audited during a financial year and a method of prioritisation was adopted, based on those with qualified opinion, those with high fiscal budgets and those that had not been deliberated on in a long time.

The Committee also inquired into important accountability related matters on an entity outside the Auditor General's Report. The inquiry could be as a result of something trending in the local media and in some instances, information received from a whistle blower. The Committee conducted its research and provided evidence that would back a recommendation in an event that the entity was found wanting. The whistle blowers were kept anonymous.

The delegation further learnt that PAC COSASE convened to consider business three times a week only during plenary (Tuesday, Wednesday and Thursday). However, in special circumstances, the Committee was allowed to sit on Fridays and on weekends. During recess, authority had to be sought from the Speaker for the Committee to conduct business.

The delegation was further informed that inquiry into an entity varied between one to two weeks. However, depending on the gravity of issues under consideration, there had been instances where the Committee inquired over an entity for over a month and up to six months.

Furthermore, the Delegation was also informed that PAC COSASE undertook local tours in order to validate what was prevailing on the ground in its line of work and also undertook benchmarking visits to other countries in order to learn best practices.

The Committees reports were non- partisan and were unanimously adopted. Each Member of the Committee was required to sign against the Committees final report before it was tabled on the floor of the House.

- **Implementation of the Committees Recommendations by the Executive**

The delegation was informed that the Committee recommendations to the Executive through its report were not always addressed. Therefore, the Executive could choose whether or not to provide a response. However, the Leader of Government Business on a monthly basis, was required to give updates on the floor of the House, on the progress made regarding the implementation of the Committee's recommendations, through the Government's Action Plan.

- **Permanent Witnesses on the COSASE**

The delegation was informed that the Office of the Auditor General was a permanent witness on the Committee. However, auditors that audited a specific entity under consideration were required to be present during the consideration of the entity.

The Criminal Investigative Department (CID) was another permanent witness of the Committee, whose primary purpose was to handle uncooperative witnesses as well as follow up on issues that bordered on criminality during the Committees deliberations. The CID also assisted the Committee in an event that an order of arrest was issued to a witness. Furthermore, officials from the Ministry of Finance were also permanently represented on the Committee.

- **Servicing of the PAC COSASE**

The delegation was informed that in the Ugandan Parliament, Committees were serviced by a robust secretariat made up of a research officer, the Parliamentary Budget Office (PBO), legal officer and committee clerk. The Committee Clerk was the head of the Secretariat or focal point person charged with the responsibility to coordinate all the activities, while the Legal officer unpacked the legal ramifications of a particular issue under consideration, in addition to ensuring that it was in tandem with the Constitution. On the other hand, the Research Officer provided critical analysis of the issues, including availing the committee with empirical evidence.

- **Challenges**

Because of its nature of work, the Delegation was informed that there were instances were Members of the Committee received threats from officials representing entities that could not account for revenue. Further, the Committee had a limited time within which to operate. The Committee operated three times a week during plenary for about four hours. This was time constraining given its heavy workload. Time was also lost during the Budget sitting, as focus was on the Sector Committees who handled the budget process. In view of the foregoing standing committees were requested to halt operations for the sector committees to conduct their work because the Budget process was time bound in the Ugandan Constitution.

Furthermore, every Member of Parliament in Uganda was assigned two committees, a standing Committee and a sector committee. This made balancing the committees difficult, because all the committees operated at the same time.

Budgetary constraints for field visits and benchmarking tours to enable the Committee fully discharge its mandate were also a challenge. Furthermore, the budget constraints also made it difficult for the Committee to consider all the 100 entities under its mandate and hold them accountable.

There were instances when the Report of the Auditor General was delayed to be tabled before the National Assembly of Uganda, due to inadequate man power which further constrained the amount of time that the Committee required to conduct its work. Furthermore, the Committees recommendations received very little action from the Executive and the lack of action in some instances demotivated the Members of the Committee.

30.3 Presentation on the Office of the Auditor General, presented by Mr Joseph Hirya, Auditor General of Uganda

The delegation was informed that the Office of the Auditor General (OAG) derived its mandate from *Article 163* of the Constitution of the Republic of Uganda, the *National Audit Act of 2008* and the *Public Finance Management Act* of *2015*. The Office was mandated to audit all public institutions and all monies disbursed by the Government.

The delegation further learnt that the Parliamentary Committee on Finance and Planning acted as the Board of the OAG, overseeing the governance and administrative structures of the OAG. The purpose of this Board was to ensure that the OAG was properly supported and protected. Further, the budget of OAG was a direct charge on the Consolidated Fund.

Furthermore, the financial year for Government ministries, departments, agencies and local authorities run from 1st July, to 30th June, while the reporting date/date of submission of the Report of the Auditor General to the National Assembly of Uganda, was the 31st of December, every year.

The delegation was further informed that the Auditor General was appointed by Parliament with the approval of the President. Further, the OAG was composed of the Headquarters and eleven regional offices. At Headquarters, five audit directorates were established with two in charge of auditing specific economic sectors. Other Directorates included the Local Government, Forensic, IT and Investment, and Value for Money (Performance Audits and Specialised Audits such as engineering). As such, the OAG's staff compliment included engineers.

Furthermore, the delegation was informed that the OAG performed various types of audits as submitted below.

- Financial/Regulatory Audits;
- Performance Audits;
- Compliance Audits;
- Forensic Audits;
- Environmental Audits;
- IT Audits;
- Engineering Audits/Procurement Process; and
- Classified Audits/Audit of Security Agencies.

Forensic Audits were performed mainly on request by the Judiciary, Parliament and other law enforcement agencies. For Classified Audits, selected auditors were authorised to carry out the audits and once the reports were prepared, only specific authorised personnel were availed the reports for scrutiny and deliberation. Generally, the Forensic Audit Repots did not go to the Public Accounts Committees.

Furthermore, the Auditor General was audited by auditors appointed by Parliament as provided for under *Section 36(1*) of the *National Audit Act* of *2008*. The delegation was informed that the OAG undertook about 17,000 audits annually, certified the financial statements and submits about 2,500 reports to the National Assembly of Uganda. The three accountability Committees of Parliament did not deliberate on all the reports but selected some based on those with qualified opinion, those with high fiscal budgets and those that had not been deliberated on in a long time. Therefore, the OAG did not participate in the selection process of the entities to be considered in a particular financial year.

The delegation was further informed that the OAG in Uganda did not conduct an audit on the review of operations on parastatal bodies and other statutory bodies. Instead, the office carried out comprehensive audits by examining all the aspects of the operations of an entity as well as certified the financial statements. Normally, audits were not carried out in isolation but in an economic sector. For instance, donor financed projects were audited with other institutions in the same economic sector so that a holistic report was produced for the sector. Therefore, the findings on donor financed projects were also included in the Report of the Auditor General, whilst the financial statements were also certified.

The delegation was further informed that the OAG had sub-contracted about seventy audits to private auditors in the year 2021. In view of the foregoing, the OAG did the procurement of private auditors as opposed to the Zambia situation where the auditees carried out the procurement and made a recommendation to the Auditor General who then appointed the private auditors. Furthermore, the OAG scrutinised internal audit reports and if supported with evidence, incorporated them in the reports which were submitted to the National Assembly of Uganda.

30.4 Presentation on the National Water and Sewerage Corporation, presented by Mr Johnson Amayo, Deputy Managing Director (Technical Services)

The delegation was informed that the National Water and Sewerage Corporation (NWSC) of Uganda was a Government Parastatal Company under the Ministry of Water and Environment established by decree No.34 of 1972. The Corporation was governed by the NWSC Act CAP 317 of the Laws of Uganda. The principal business of the Corporation was to manage and provide water and sewerage services in areas entrusted to it on a commercially and viable basis.

The NWSC provided water to eighteen million people in Uganda and covered the distance of 22,000 kilometres. The Company further extracted raw water from various sources such as lakes, streams, rivers, swamps and wells. This water was subjected to various treatment processes to ensure it complied with the National Standards and the World Health Organisation guidelines before it was distributed to the customers. The delegation was further informed that the Company produced 300.000.000 litres of water per day and treated 9,000.000 litres of wastewater per Day. The Company also collected wastewater from consumers and ensured that it was treated before being discharged into the environment. Further, the Company was generating seventy percent of bio gas energy at its Kampala treatment plant in order to reduce its expenditure on hydroelectricity power consumption which stood at thirty percent. Furthermore, the Company produced manure from the treatment of the wastewater which was sold to the farmers.

The NWSC had embraced Information and Communication Technologies (ICT) as a key enabler of effective and efficient service delivery. Using ICT, NWSC provided many options to make it convenient and comfortable for customers to pay their water bills. These included electronic funds transfer, mobile banking, mobile money payments and direct debits. Further, NWSC had facilities such as on the spot billing system such that whenever customers' metres were read, bills were issued to them instantly. This had improved the time it took for the customer to receive the bill and decide for payments. Additionally, the Corporation had no physical offices for paying water bills and had no water regulator institutions.

The delegation also learnt that the Government of Uganda provided money to NWSC for capital projects while NWSC generated its own funds for operations. The Company signed a social contract with the Minister of Water and Environment, which was evaluated every three months by way of submitting a report to the Minister responsible for water, to see if the Company met its performance targets. The delegation was informed that the contract period was three years.

Furthermore, in order to provide water to every citizen and to achieve 100 percent coverage of Water Supply and Sanitation (WSS) in urban areas, NWSC adopted three pro-poor measures as outlined below.

- Affordable connections policy aimed to increase coverage by lowering the connection fee cost for customers within fifty metres of the water main;

- NWSC shifted from a uniform tariff structure to differentiated structure for domestic and non-domestic customers and public water points, thereby promoting equity in pricing and supply across domestic, commercial, government and industrial sectors; and

- Pro-poor targeting project subsidised water supply connections in poor settlements.

Using the above strategy, the delegation was informed that the money collected from the Kampala city was used in small town operations. This had helped to provide a service equally to the people, as the Country had only one utility company, providing water to all the people across the Country.

30.5 Presentation on the Uganda Investment Authority, presented by Mr Morrison Rwakakamba, Board Chairperson

The delegation was informed that the UIA was established in 1991, and drew its mandate from the *Investment Code Act*, of *2019*. According to the Act, the Authority was responsible for coordinating, encouraging, promoting and facilitating investment in Uganda, as well as advising the Government on investment policy and related matters. In addition, *Section 3* of the Act further stipulated the objects of the Authority as follows:

- to promote, attract, advocate, facilitate, register, monitor and evaluate the development of all forms of investment and business activities in Uganda;

- to promote and encourage investment in new technologies, skills upgrading, automation, training, research and product development;

- to establish and manage a one stop center;

- to publish and avail periodical reports on the state of investment in the country; and

- to assess matters of incentives and the utilisation of local resources and services by the investments.

- **Functions of the Authority**

The functions of the Authority were submitted as highlighted below.

- To promote, attract, facilitate, register, monitor and evaluate all forms of investments and business activities in Uganda.

- To receive applications for investment certificates for the investors intending to establish or set up business entreprises in Uganda under the *Investment Code Act*, of *2019*.

- To facilitate investors to secure licenses, authorisations, approvals and permits required to enable any certificates granted by the authority to have full effect.

- To undertake research and report on investment activities in Uganda.

- To provide information on matters relating to investment activities in Uganda.

- To propose and advocate for policies and measures that would enhance investment in Uganda.

The delegation was also informed that the Act empowered the Authority to monitor the processing of investment approvals that were by law, the mandate of other Government agencies.

- **Cooperation with other Agencies**

The delegation was informed that the *Investment Code Act,* provided a legal framework for cooperation between the UIA and Government ministries, departments as well as agencies performing functions relating to registration, licensing and approval of investment in Uganda. The Act under *Section 11(1)* further compelled such agencies to cooperate with the Authority. Some of these agencies included the:

i. Uganda Registration Bureau;
ii. Uganda Revenue Authority;
iii. National Environment Management Agency;
iv. Uganda National Bureau of Standards;
v. Directorate of Citizenship and Immigration;
vi. Directorate of Lands Administration;
vii. Kampala Capital City Authority and local governments;
viii. The National Identification and Registration Authority;
ix Uganda Free Zones Authority;
x. National Social Security Fund; and
xi. any other ministry, department or agency specified by the Minister by Notice in the Gazette. Furthermore, the Act compelled the identified Government agencies to sign agreements with the Authority that defined the service commitments and maximum delivery time lines for the services they offered to the investors.

- **Corporate Governance Structure**

The delegation learnt that the Authority was governed by a Board as set out in the *Act*. The Board was responsible for the attainment of the objects of the Authority and the discharge of the business and functions of the Authority.

In addition, the Board reported to the Minister responsible for Finance, and it signed performance contracts with the Minister that were used as a basis of monitoring and evaluating the performance of the Board in executing its mandate.

- **Policies Promoting the Participation of Ugandan Citizens**

A number of policies promoted the participation of Ugandan citizens in investments. These included; the Uganda National Industry Policy which provided focus areas of investment; the Buy Uganda Build Uganda Policy which provided a framework on how Ugandans could participate in national development; the Local Content Policy which provided a number of jobs to be created and promoted the purchase of local materials; the Land Policy which provided areas for industrial development.

- **Incentives to Kick Start Industrial Parks**

The delegation was informed that there were taxation laws that provided specific incentives for Foreign Direct Investments (FDIs) and Domestic Direct Investments (DDIs), with local businesses enjoying lower capital thresholds to access the incentives. The *Investment Code Act*, also provided clear guidelines on how investors could benefit from the incentives.

- **Incentives to Locals to Participate in Industrial Parks**

The delegation learnt that the UIA had undertaken deliberate efforts to domesticate and actualise the provisions of various investment policies in Uganda. Some of these interventions included:-

(i) preferential treatment for local investments, as thirty-percent of the land in IPs was reserved to DDI, and the remaining seventy percent of the land was open to both FDIs and DDIs;

(ii) the establishment of a Directorate of Domestic Investments to nature local Small and Medium Enterprises (SMEs);

(iii) linking SMEs to big firms in order to access markets for their goods and services;

(iv) a deliberate policy to encourage Government Banks to provide affordable financing to local investments especially SMEs;

(v) ensuring that there was regional balance in setting up of IPs. The delegation was informed that IPs were zoned based on comparative advantage;

(vi) establishing regional UIAs offices to provide technical assistance and information on development; and

(vii) developing an Investment guide for business development. The Guide provided information based on market research, potential business areas and corresponding markets.

- **Protection of Citizens from Harsh Demands from Investors**

The delegation was informed that Uganda had put a policy and legal framework to ensure that incentives to investors were provided in a transparent manner. An example was given of a *Tax Code Act*, which was very clear on the incentives applicable to both local and foreign investors.

- **Time Taken to Actualise Investment Pledges**

The delegation was informed that there was a clear Business and IPs Strategy that had helped the country benefit from the gains associated with IPs in Uganda. The Strategy had a target of developing twenty-five IPs in the next twenty-five years. Further, fourteen IPs were active with 270 industries running IPs in Kampala. Furthermore, in order to ensure that the targets were actualised, the UIA had prioritized the acquisition of land for the development of IPs across the Country; provided for infrastructure development and support services to IPs and developed regional IPs based on comparative advantages; as well as scaled up investment promotion focusing on DDI and FDI.

30.6 Committee's Observations and Recommendations

i. The Committee observes that the three Accountability Committees at the Parliament of Uganda are referred to as Public Accounts Committees. The Committee, therefore, recommends that the offshoots of the Public Accounts Committees at the National Assembly of Zambia, namely the Committee on Parastatal Bodies and the Committee on Local Government Accounts should be recognised as Public Accounts Committees. In this regard, the Standing Orders should clearly define these Accountability Committees as follows:

    - the Public Accounts Committee on the Accounts of the Republic;
    - the Public Accounts Committee on Parastatal Bodies and other Statutory Institutions; and
    - the Public Accounts Committee on Local Government Accounts.

ii. The Committee observes that the COSASE's mandate stretches beyond the consideration of audit reports by inquiring into important accountability related matters that are unearthed through various sources such as members of the public. The Committee, therefore, recommends that the mandate of the Parastatal Bodies Committee should include the consideration of verified accountability matters of concern affecting parastatal bodies and statutory institutions, brought to the attention of the Committee through independent sources such as members of the public.

iii. The Committee observes that the CID are permanent witnesses on the COSASE, rendering various assistance to the Committee, including follow ups on issues that border on criminality during the Committees deliberations. The Committee, therefore, recommends that a Memorandum of Understanding with the law enforcement agencies in Zambia should be put in place, allowing law enforcement agencies to become permanent witnesses on the Committee in order to provide technical advice on issues that border on criminality as well as investigate and follow up on matters that boarder on criminality.

iv. The Committee observes that the PAC COSASE is serviced by a robust secretariat. Therefore, in order to ensure that the Committee on Parastatal Bodies is more effective in its roles, there is need to enhance the support rendered to the Committee by reinforcing secretariat. This must be done by integrating the services of the research, legal and Parliamentary Budget Office Departments when servicing the Committee.

v. The Committee observes that commercial water utility companies in Zambia have an overarching challenge with respect to electricity bills which form most of their debt. The Committee, therefore, urges the Ministry of Water Development and Sanitation in Zambia to encourage the commercial water supply and sanitation companies to become more innovative and invest in the necessary infrastructure for generating bio gas energy, in order to reduce their expenditure on hydroelectricity power consumption.

vii. The Committee observes the need for the Government of Zambia to develop a long term strategy for the development of industrial parks by both the Government and the private sector. The strategy should include the acquisition of land for the development of industrial parks in different parts of the country, facilitating infrastructure development and the provision of services in the industrial parks.

viii. The Committee observes the need for the Government of Zambia to develop sustainable and affordable financing models to support the growth of local investors. These may include:

- ensuring that Government empowerment programmes to local SMEs are run in a transparent and sustainable manner;
- ensuring that Government banks are restructured and recapitalised in order to meet development financing objectives;
- ensuring that there is adherence to tenets of good corporate governance in the management of public institutions that are mandated to provide affordable financing to investments in the country;
- the Government should also partner with private commercial banks to provide affordable financing to local SMEs; and
- ensuring that SMEs that access Government financing and loan facilities for investment are provided with continuous technical support to ensure viability and growth.

31.0 CONCLUSION

Transparency and accountability in the management of public resources are key to the Country's quest to improve service delivery and growth in the economy. The Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2021, was therefore, conducted in accordance with the Provisions of *Article 250* of the *Constitution of Zambia (Amendment) Act No. 2 of 2016*, the *Public Audit Act No. 13* of *1994, the Public Finance Management Act No. 1 of 2018* and International Standards for Supreme Audit Institutions (ISSAIs).

The Report highlights matters concerning the management and financial performance of selected Parastatal Bodies and Other Statutory Institutions. These matters include weaknesses in corporate governance, the failure to prepare and have accounts audited, the poor management of loans, pension funds and contracts, and weaknesses in internal control systems. It is, therefore, important that these weaknesses are addressed. In view of the foregoing, the Committee is confident that the observations and recommendations contained in this Report will be favourably considered and fully implemented by the Executive, in the interest of the Nation.

We have the honour to be, Madam, the Committee on Parastatal Bodies mandated to consider the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial Year Ended 31st December, 2021.

Mr Brian Kambita, MP
CHAIRPERSON

June, 2023
LUSAKA

Appendix I – List of National Assembly Officials

i. Mr Charles Haambote, Principal Clerk of Committees
ii. Mrs Doreen C Mukwanka, Deputy Principal Clerk of Committees (FC)
iii. Mr Charles Chishimba, Senior Committee Clerk (FC1)
iv. Ms Christabel T Malowa, Committee Clerk
v. Mrs Vainess B Tembo, Administrative Assistant
vi. Mr Muyembi S Kantumoya, Parliamentary Messenger

Appendix II – List of Witnesses

1. Ministry of Finance and National Planning
2. Ministry of Education
3. Ministry of Technology and Science
4. Ministry of Health
5. Ministry of Tourism
6. Ministry of Small and Medium Enterprises Development
7. Ministry of Labour and Social Security
8. Ministry of Agriculture
9. Ministry of Green Economy and Environment
10. Ministry of Transport and Logistics
11. Industrial Development Corporation
12. Citizens Economic Empowerment Commission
13. The Development Bank of Zambia
14. Electoral Commissions of Zambia
15. Evelyn Hone College of Applied Arts and Commerce
16. The Food Reserve Agency
17. Health Professions Council of Zambia
18. The Judiciary
19. Mukuba University
20. Mulungushi University
21. The National Heritage Conservation Commision
22. National Pension Scheme Authority
23. Nursing and Midwifery Council of Zambia
24. Office of the President (Special Division)
25. Public Service Pensions Fund
26. Public Service Management Division
27. The Tanzania Zambia Railway Authority
28. Tropical Diseases Research Centre
29. The University of Zambia
30. Zambia Forestry and Forest Industries Corporation Limited
31. Zambia Medicines and Medical Supplies Agency
32. Zambia National Building Society
33. Zambia Postal Services Corporation
34. Zambia Telecommunication Corporation Limitesd
35. Zambia Consolidated Copper Mines Investments Holdings
36. Zambia Revenue Authority
37. Zambia Electricity Supply Corporation