REPUBLIC OF ZAMBIA

REPORT

OF THE

COMMITTEE ON PARASTATAL BODIES

ON THE

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF WATER AND SANITATION COMPANIES FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2020

FOR THE

SECOND SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

Published by the National Assembly of Zambia

FOREWORD

Water Supply and Sanitation Companies are key players in the attainment of Sustainable Development Goal (SDG) No. 6 on Clean Water and Sanitation. Safe drinking water, sanitation and good hygiene are fundamental to the health and economic development of a nation. However, access to clean water and sanitation is still a challenge in Zambia. Therefore, in order to provide assurance on the Government aspirations of ensuring the provision of safe water, sanitation and hygiene, as contained in the 7th National Development Plan, the Auditor General carried out an audit on the National Water and Sanitation Council (NWASCO); the Water Resources Management Authority (WARMA); and the eleven water and sanitation companies responsible for the provision of water and sanitation services in Zambia.

In view of the foregoing, the Committee on Parastatal Bodies, considered the Report of the Auditor General on the Accounts of Water and Sanitation Companies for the Financial Year Ended 31st December, 2020, 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 sixteen 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 Officer for the Ministry of Water Development and Sanitation and the Chief Executive Officers from NWASCO; WARMA; and the eleven water utility companies 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 and the responses from the Secretary to the Treasury; Part II captures the responses from the Controlling Officer on the individual audit queries and the Committee's observations and recommendations on the audit queries; Part III contains the Committee's general observations; and Part IV is an appendix of the Treasury Minute on the Report of the Committee on Parastatal Bodies on the Special Report of the Auditor General on the Accounts of Water and Sanitation Companies for the Financial Year Ended 31st December, 2018.

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 favourably considered and fully implemented by the Executive, in the interest of the Nation.

Mr Brian Kambita, MP
CHAIRPERSON

List of Acronyms

AGM	Annual General Meeting
CU	Commercial Utility
CUs	Commercial Utilities
DDACC	Direct Debit and Credit Clearing
ESAWASRA	Eastern and Southern Africa Water and Sanitation Regulatory Association
ICT	Information and Communication Technology
ISTWSSP	Integrated Small Towns Water Supply and Sanitation Programme
IT	Information Technology
KWSSP	Kafulafuta Water Supply System Project
LASF	Local Authorities Superannuation Fund
LgWSC	Lukanga Water Supply and Sanitation Company Limited
NAPSA	National Pension Scheme Authority
NHIMA	National Health Insurance Management Authority
NRW	Non-Revenue Water
NWASCO	National Water and Sanitation Council
SDG 6	Sustainable Development Goal No. 6
UC	Utility Company
WARMA	Water Resources Management Authority
WCFCB	Workers Compensations Fund Control Board
ZRA	Zambia Revenue Authority

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1. 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

AUDITOR GENERAL'S COMMENTS AND RESPONSES BY THE SECRETARY TO THE TREASURY, MINISTRY OF FINANCE

INTRODUCTION

i. Auditor General's Comments

The Auditor General reported that the roles and responsibilities of the Auditor General regarding the management of public resources, reporting and accountability were contained in the *Constitution of Zambia (Amendment) Act No. 2 of 2016*; the *Public Finance Act No. 15 of 2004*; the *Public Finance Management Act No. 1 of 2018;* and the *Public Audit Act No. 13 of 1994*.

The Report on the Accounts of Water Supply and Sanitation Companies, covering the financial year ended 31st December, 2020, contained NWASCO; WARMA; and paragraphs on eleven water supply and sanitation companies that were audited, but the issues remained unresolved as at the date of reporting.

The Report also included the findings from the audit of Information and Communication Technology (ICT) systems that some water utility companies had implemented in order to improve on the efficiency and effectiveness of service delivery.

Submission by the Secretary to the Treasury

The Secretary to the Treasury submitted that he took note of the comments of the Auditor General on his mandate to audit the management of public resources, reporting and accountability, as contained in the *Constitution of Zambia (Amendment) Act No. 2 of 2016*; the *Public Finance Management Act No. 1 of 2018;* and *the Public Audit Act No. 13 of 1994*.

He informed the Committee that the audit of NWASCO; WARMA; and water supply and sanitation companies regarding the management of the water sector during the financial year ending 31st December, 2020, was appreciated as it provided the Treasury an opportunity to review the internal control environment of the institutions mandated to provide water and sanitation services to the public.

The review of the ICT systems utilised by these institutions was also appreciated as it provided a review of the effectiveness and efficacy of the systems in the delivery of services.

ii. Scope of the Audit

Auditor General's Comments
The Auditor General informed the Committee that the Report was as a result of the audit of NWASCO; WARMA; and eleven water supply and sanitation companies for the financial year ended 31st December, 2020. Although the Report was for the financial year ended 31st December, 2020, it included financial years 2018; 2019; and 2020 for companies that had not been audited for those years.

During the audit, the Auditor General relied on the NWASCO sector reports. NWASCO, as a regulator of the sector set comparative performance benchmarks and averages in order to measure the performance of the water and sanitation companies. Therefore, the parameters included Non-Revenue Water (NRW); water quality; metering ratio; water service coverage; hours of water supply; staff cost in relation to billing and collection; collection efficiency; and operational and maintenance coverage.

In preparing the Report, the Controlling Officer in the Ministry responsible for the sector and Chief Executive Officers and Managing Directors of the affected water and sanitation companies were availed draft audit report paragraphs for comments and confirmation of the correctness of the facts presented. Where comments were received and varied materially with the facts presented, the paragraphs were amended accordingly.

Submission by the Secretary to Treasury
The Secretary to the Treasury submitted that the scope of the audit used by the Auditor General to scrutinise the NWASCO sector reports that set out the comparative performance benchmarks and averages in order to measure the performance of the water and sanitation companies, was appreciated. The parameters included NRW; water quality; metering ratio; water service coverage; hours of water supply; staff cost in relation to billing and collection; collection efficiency and operational and maintenance coverage, which were the key performance areas of the water sector companies and required a review, in order to determine the efficacy and effectiveness of the service delivery.

iii. Internal Controls

Auditor General's Comments
In the Auditor General's Report, specific mention was made of weaknesses in corporate governance; failure to follow Financial Regulations; and implementation of ICT systems. These were clear indicators of internal control weaknesses in most water and sanitation companies.

Submission by the Secretary to Treasury
The Secretary to the Treasury submitted that the review of the internal control system provided an opportunity for the Treasury, through the Boards, to enhance the internal control environment in the areas identified by the audit such as weaknesses in corporate governance; the failure to follow financial regulations; and the implementation of ICT systems.

a. Audit Recommendations

a) Auditor General's Comments
The Auditor General recommended that the Appointing Authority should always ensure that the water utility companies had functional Boards of Directors in order to provide effective strategic oversight.

Submission by the Secretary to Treasury
The Secretary to the Treasury submitted that the matter was noted. The Minister of Finance and National Planning, would engage his counterpart at the Ministry of Water Development and Sanitation, in order to develop an effective tool to monitor the tenure of office for each Board in order to ensure timely appointment of the Boards of Directors for the institutions.

b) Auditor General's Comments
The Auditor General recommended that the Board of Directors should ensure that financial reports were prepared annually, in compliance with the *Company's Act, Chapter 338 of the Laws of Zambia.*

Submission by the Secretary to Treasury
The Secretary to the Treasury informed the Committee that section 58 of the *Public Finance Management Act, No. 1 of 2018*, provided for the effective reporting framework for annual reports and financial statements through the Executive Authority, in this case, the Minister for Water Development and Sanitation. He informed the Committee that this section effectively dealt with the Auditor General's recommendation. Further, the Government had developed guidelines aimed at enhancing the oversight of all state-owned enterprises.

c) Auditor General's Comments
The Auditor General recommended that the Board of Directors should ensure that a performance assessment system for Management was effectively implemented.

Submission by the Secretary to Treasury
The Secretary to the Treasury informed the Committee that section 58 of the *Public Finance Management Act, No. 1 of 2018*, provided for the effective reporting framework for annual reports and financial statements through the Executive Authority, in this case, the Minister for Water Development and Sanitation. This section effectively dealt with the Auditor General's recommendation. Further, the Government had developed guidelines aimed at enhancing the oversight of all state-owned enterprises

d) Auditor General's Comments
The Auditor General recommended that water utilities should improve efficiency in the provision of their services by way of meeting the operational benchmarks provided by NWASCO. This would help in attaining the Sustainable Development Goal (SDG) No. 6 on the Provision of Clean Water and Sanitation.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that the matter was noted for compliance. He further informed the Committee that NWASCO had given water utility companies operational benchmarks aimed at attaining the SDG No. 6 and the Ministry of Finance and National Planning would enhance the monitoring of these utility companies once the guidelines were approved by Cabinet.

e) Auditor General's Comments

The Auditor General recommended that water utility companies should devise a recapitalisation plan in order to improve their infrastructure and enhance their operations.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that matter was noted for compliance.

f) Auditor General's Comments

The Auditor General recommended that Management in the commercial utilities should ensure that funds raised from the sanitation surcharge were utilised for the purposes of implementing sanitation projects.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that matter was noted for compliance.

g) Auditor General's Comments

The Auditor General recommended that the responsible ministry for the sector should ensure that contract management was enhanced, particularly in the area of funding and supervision.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that matter was noted for compliance and that the Treasury had since issued instructions to ministries; provinces; and spending agencies to ensure that contract managers were appointed to manage contracts, as enshrined in section 76 of the *Public Procurement Act, No. 8 of 2020,* which required the procuring entities to appoint the contract managers.

h) Auditor General's Comments

The Auditor General recommended that the water utility companies should develop an effective debt management system by ensuring that the outstanding bills from the consumers were settled in order to improve their liquidity positions.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that the matter was noted and that the Treasury had been encouraging the water utility companies to install prepaid meters in order to address the accumulation of outstanding bills.

i) Auditor General's Comments

The Auditor General recommended that the management of the water utilities should address the internal control weaknesses identified in the s report in order to enhance systems and protect assets.

Submission by the Secretary to Treasury

The Secretary to the Treasury submitted that the Treasury, through the Controller of Internal Audit and the Office of the Accountant General, would be reviewing the internal control environment in the water utility companies in the first quarter of 2023.

PART II

CONSIDERATION OF SUBMISSIONS FROM THE CONTROLLING OFFICER, MINISTRY OF WATER DEVELOPMENT AND SANITATION; AND CHIEF EXECUTIVE OFFICERS OF THE THIRTEEN INSTITUTIONS CITED IN THE AUDIT REPORT

The Committee considered submissions from the Controlling Officer of the Ministry of Water Development and Sanitation; and the Managing Directors under whose mandate the water utility companies cited in the Report of the Auditor General fell. The submissions are as set out below.

1.0 THE NATIONAL WATER SUPPLY AND SANITATION COUNCIL (NWASCO)

1.1 Audit Findings

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

a) Budget and Income- K10,763,348

Controlling Officer's Response

The Controlling Officer explained that the revenue deficit of K10,763,348 was as a result of the following:

i) the directive issued by the Ministry of Water Development and Sanitation in 2020, not to disconnect customers during the COVID-19 period, resulted in low billings and a trickledown effect of lower license fees for NWASCO;

ii) there were no tenants in 2018, to receive rental income;

iii) the increased electricity tariffs had a negative impact on the commercial utilities' ability to meet production volumes, this ultimately translated into lower billings and resulted in low license fees for NWASCO;

iv) the dwindling water resources, both underground and surface bodies, in 2018 and 2019, due to climate change, negatively impacted on the commercial utilities' billings and ultimately the low license fees;

v) load shedding in 2018 and 2019 negatively affected the water sector and resulted in poor billings due to low productivity volumes as a result of reduced power supply; and
vi) inadequate funding from cooperating partners.

In view of the foregoing, the Controlling Officer informed the Committee that the activities that were affected by the revenue deficit included:

i) the failure to carry out regulation by incentive inspections;
ii) the dissemination of frameworks for Rural Water Supply and Sanitation and Urban Onsite Sanitation were delayed;
iii) the recruitment of the Rural Water Supply and Sanitation and Urban On site Sanitation Inspector was not done;
iv) the technical forums with commercial utilities scheduled to be held in the various financial periods were not undertaken; and
v) the procurement of a vehicle to focus on the regulation activities of rural water supply and sanitation and urban onsite sanitation was delayed.

Committee's Observation and Recommendation
The Committee is concerned that the NWASCO's income is below budget and observes that this may result in the failure to meet its operational costs. The Committee therefore, recommends that NWASCO be directly funded by the Government, independent of the CUs financial Support. The Committee further urges the Controlling Officer to ensure that concrete measures and strategies are put in place to improve the revenue generation of the Council. The Committee will await a progress report.

b. Operational Matters

i. Failure to Achieve Set Targets

Controlling Officer's Response
The Controlling Officer informed the Committee that the failure to meet the set indicators on water and sanitation connections, as well as the hours of supply, was as a result of the delayed implementation of projects in most Commercial Utilities; (CUs), the drying of water sources; and increased power outages, which affected the liquidity in the CUs, resulting into a negative impact in the general performance of the CUs in the new connections thrust.

The Committee was informed that NWASCO had since taken action by:

i) engaging the Ministry of Finance and National Planning through the Ministry of Water Development and Sanitation and cooperating partners to release funds on time for the implementation of projects;
ii) engaging and advising the affected CUs to explore alternative raw water sources such as the drilling of deep commercial boreholes;
iii) advising the CUs to engage ZESCO in order to provide dedicated power supply lines;
iv) directing the CUs to ensure that these targets were part of their strategic plans which would be monitored by NWASCO; and

v) developing a guideline to ring fence funds meant for new connections.

Committee's Observation and Recommendation

The Committee observes that the CUs have different operational capabilities, hence, making it difficult to take note of the performance indicators. The Committee therefore, recommends that the Controlling Officer should ensure that NWASCO`s performance indicators was not dependant on the collective performance of the CUs. Therefore, NWASCO should develop a strategic plan that will directly relate to the specific circumstances of the water supply and sanitation companies, which will subsequently, entail developing specific standards for each of the CUs. The Committee resolves to keep the matter in view in future audits.

ii. Failure to Collect License Fees from Water Utility Companies - K9,560,455

Controlling Officer's Response

The Controlling Officer informed the Committee that the failure to collect license fees from the water utility companies was due to the following:

i) the low hours of supply affected the willingness by customers to pay the CUs, thereby, negatively affecting the cash flows;
ii) the directive by the Ministry of Water Development and Sanitation in 2020, not to disconnect customers during the COVID-19 pandemic, resulted in low collections and a trickledown effect of low license fee collections for NWASCO;
iii) the increased cost of core water production inputs such as electricity and chemicals affected the payment of license fees; and
iv) the contraction in social and economic activities due to the COVID-19 pandemic, resulted in the reduction of revenue generation by the CUs. This created the inability by CUs to pay for license fees.

However, in order to address the irregularity, the Committee was informed that NWASCO had taken the following action:

i) debt swaps planned for weaker CUs;
ii) direct debit and credit clearing (DDACC)and standing orders were agreed with stronger CUs; and
iii) CUs were continuously engaged to come up with sustainable debt liquidation plans.

Committee's Observation and Recommendation

The Committee observes, with concern that the failure by NWASCO to collect the license fees from the water utility companies is as a result of their unsatisfactory performance in the area of revenue generation. The Committee further finds it unacceptable for NWASCO to have allowed the CUs to operate without paying the appropriate license fees and NWASCOs failure to penalise the CUs for non-payment of these mandatory fees. The Committee is further concerned that had the auditors not unearthed the irregularity, the debt would have continued to grow. It is disheartening to note that whereas NWASCO is grappling with inadequate financial resources for its operations, revenue remains uncollected. The Committee, therefore, urges the Controlling Officer to ensure that the water utility companies devise a recapitalisation plan in order to enhance their operations and enable NSWASCO adhere to the provisions of Section 6.1 of the NWASCO Financial Regulation Manual, failure to which the applicable penalties should apply. The Committee further urges the Controlling Officer to sternly caution Management for this query and ensure that the outstanding license fees are liquidated without further delay The Committee will await a progress report on the matter.

iii. Sector Performance

Controlling Officer's Response
The Controlling Officer explained that at the time of the audit, the inspections for Special Regulatory Supervision were not yet due. Therefore, the Special Regulatory Supervision for North Western Water and Sanitation Company was ending on 31st October, 2021, while Western Water and Sanitation Company was ending on 31st December, 2021 respectively.

In view of the foregoing, the inspections for the Special Regulatory Supervision were subsequently undertaken and the Council had since communicated the findings in writing to the respective commercial utility Boards and Management.

The Controlling Officer further informed the Committee that Luapula Water and Sanitation Company and Western Water and Sanitation Company had their licenses suspended for poor performance.

Committees Observation and Recommendation
The Committee observes that the underperformance of most of the commercial utility companies has become perennial resulting in their failure to consistently meet the benchmarks set by NWASCO. The Committee contends that this does not reflect well on the respective Boards and Management of the CUs. The Committee is further concerned that if the status quo continues, the Country will not attain SDG No. 6. In view of the foregoing, the Committee urges the Controlling Officer to ensure that the CUs have functional Boards of Directors at all times in order to provide effective strategic oversight. These Boards should be closely monitored to ensure that performance assessment systems for management are effectively implemented. The Committee further urges the Controlling Officer to ensure that the CUs devise a recapitalisation plan in order to enhance their operations and improve their efficiency in the provision of services by way of meeting the operational benchmarks provided by NWASCO. The Committee will keep the matter in view in future audits.

c) Performance of Water Utility Companies

Controlling Officer's Submission
The Controlling Officer submitted as highlighted below.

- **Lukanga Water Supply and Sanitation Company**

Regarding the delayed connections at Lukanga Water Supply and Sanitation Company (LgWSC), the Controlling Officer explained that the CU`s did not have meters to carry out the connections as directed due to liquidity challenges. Nonetheless, the CU`s had since procured

3,000 meters and had started connecting new customers to clear the backlog. NWASCO had also escalated this matter to the LgWSC.

The Controlling Officer further explained that the Maintenance Management System was put in place. However, it was not cascaded down to all the districts due to negligence by the utility company. Nevertheless, the CUs had strengthened its Maintenance Management System by putting in place checklists and updated maintenance schedules for the districts.

He further informed the Committee that the CUs was not undertaking verification exercises on its customer database to establish the stuck meters and established customers due to oversight by the commercial utility. However, the company was undertaking verifications of all reported stuck meters and disconnected customers before issuing out bills. The Controlling Officer assured the Committee that NWASCO would continue to monitor the situation.

The Committee was further informed that NWASCO did not make any follow up actions as of 31st December, 2021, because the follow up inspections for the CUs were not yet due and were scheduled for February, 2022. The follow up inspections had since been undertaken and the supporting documents were availed for audit verification.

Committees Observation and Recommendation
The Committee finds it unacceptable that NWASCO only attempted to act on the matter after the audit and contends that the outstanding directives are as a result of lack of effective monitoring of the CU by NWASCO. The Committee sternly cautions Management against the recurrence of this query and resolves to close the matter subject to audit verification.

- **Luapula Water and Sanitation Company**

The Committee was informed that the CUs did not have the billing software to support the use of the My Watson Quick Fix Platform. This was because the CUs lacked capacity in terms of information technology infrastructure and human resource. However, NWASCO had since undertaken the training of identified staff to manage the system. Additionally, the CUs was supported with information technology infrastructure through the ISTWSSP. Furthermore, the utility company had also procured billing software to support the use of the My Watson Quick Fix Platform. Additionally, the rolling out of the implementation of the Platform had commenced.

Committees Observation and Recommendation
The Committee is concerned with the level of laxity displayed by Management at NWASCO, as attempts to put in place the My Watson Quick Fix Complaint Platform at the CUs were only made after the audit. The Committee urges the Controlling Officer to sternly caution Management at NWASCO for this unacceptable attitude. The matter is recommended for closure subject to audit verification.

- **Southern Water and Sanitation Company**

The Controlling Officer explained that the CUs had been facing challenges collecting revenue from kiosk vendors due to lack of systems. However, NWASCO had compelled the Company to explore the use of information technology platforms such as mobile money platforms to enhance revenue collections. NWASCO had also compelled the CUs to sign payment agreements with defaulting vendors and had directed the utility company to explore withholding vendor commissions in a bid to reduce outstanding vendor collections.

Committees Observation and Recommendation

The Committee finds the reasons advanced by NWASCO on the failure to collect revenue from kiosk vendors unacceptable. It is disheartening to note that whereas the CUs is grappling with problems of liquidity for their operations, revenue remains uncollected. This shows the poor monitoring of the CUs by NWASCO. The Committee urges the Controlling Officer to ensure that the identified measures are expeditiously implemented in order to avoid the further under collection of revenue. The Controlling Officer is further urged to sternly caution NWASCO for this irregularity. The Committee will await a progress report on the matter.

- **Nkana Water and Sanitation Company**

The Controlling Officer explained that the Maintenance Management Programme was put in place but was not fully functional, as the CUs failed to comply due to lack of materials. He, however, assured the Committee that the CUs had since began stocking repair materials following improved liquidity.

The Committee was further informed that NWASCO did not make any follow up actions as of 31st December, 2021, because the follow up inspections for the CUs were not yet due as they were scheduled for February, 2022. However, the follow up inspections had since been undertaken and the supporting documents were availed for audit verification.

Committees Observation and Recommendation

Your Committee is concerned and finds it unacceptable that the CUs has been operating without a functioning Maintenance Management Programme. The Committee sternly cautions NWASCO to take matters of accountability seriously. The Controlling Officer is further urged to sternly caution Management against being reactive instead of being proactive. The matter is recommended for closure subject to audit verification.

d) Operations of Private Water Supply and Sanitation Schemes

i. Erratic Water Supply– ZESCO Limited

Controlling Officer's Submission

The Controlling Officer explained that the limited capacity to supply water was due to the increase in population in the surrounding areas of Kafue Gorge. He informed the Committee that the current design for the water supply infrastructure was meant for a smaller population, which had grown over the years. This had resulted in the rationing of water supply and ultimately, impacting negatively on water supply to block 9 and 11. Nonetheless, NWASCO had directed ZESCO Kafue Gorge, to improve water supply in the affected township (blocks 9 and 11) and ZESCO; Kafue Gorge, had procured and installed automated valves to balance and regulate water supply so that the elevated areas of the township (blocks 9 and 11) received water. In view of the foregoing, water supply to blocks 9 and 11 had slightly improved.

The Committee was further informed that NWASCO could not take any action as at 31st December, 2021, because the follow up inspection of Kafue Gorge was scheduled for the fourth quarter of 2022, due to the suspension on inspections as a result of the COVID-19 pandemic.

Committees Observation and Recommendation

The Committee observes, with serious concern, that NWASCO was only reminded about the non-adherence of ZESCO, Kafue Gorge, to the provisions of the *Water Supply and Sanitation Act,* after the audit and wonders whether or not the private water scheme was properly monitored by NWASCO. In light of the above, the Committee directs the Controlling Officer to ensure that NWASCO urgently acts on the matter in accordance with the provisions of the Act. The Controlling Officer is further urged to ensure that the officers responsible are disciplined for failure to properly monitor the private scheme and act in good time against the erring company. The Committee further urges the Controlling Officer to ensure that a lasting solution is found to improve the water supply in the affected township in order to avoid water borne diseases in the community. The Committee will await a progress report on the matter.

ii. Poor Maintenance of Ponds– Zambia Sugar Plc

Controlling Officer's Submission

The Controlling Officer explained that the poor maintenance of the waste water treatment ponds at Njomona and Nkabika, was due to negligence by the Zambia Sugar Plc. However, all the waste water treatment ponds at Nkabika and Njomona had undergone major rehabilitation works and were functioning well. Further, a review of the records for water quality effluent showed that the waste water treatment ponds discharge met the standards prescribed by the Zambia Bureau of Standards.

The Committee was further informed that NWASCO could not take any action as at 31st December, 2021, because the follow up inspection of Njomona and Nkabika waste water treatment ponds was scheduled for the fourth quarter of 2022, due to the suspension on inspections as a result of the COVID-19 pandemic.

Committees Observation and Recommendation

The Committee finds the incompetence of NWASCO unacceptable. Such weak monitoring of the adherence to the provisions of the *Water Supply and Sanitation Act,* can result in a serious outbreak of water-borne diseases in the community. It is in this regard that the Committee recommends that NWASCO urgently acts on the matter, in accordance with the provisions of the Act. The Controlling Officer is further urged to ensure that the officers responsible are disciplined for failure to properly monitor the private scheme and act in good time against the erring company. The Controlling Officer is further urged to ensure that NWASCO prioritises field inspections and monitoring in order to avoid the recurrence of the query. The Committee will await a progress report on the matter.

iii. Erratic Water Supply–Kaleya Smallholders Company Limited

Controlling Officer's Submission

The Controlling Officer informed the Committee that the erratic water supply in Mulundu B and Kaleya East was due to the poor network management which resulted in some areas having more hours of water supply than others. He submitted that this could be attributed to the lack of a dedicated engineer to manage the water supply system. However, in order to address the erratic water supply in Mulundu B, Kaleya East and Barracks, the Committee was informed that NWASCO had directed Kaleya Small Holders to improve the hours of supply. In view of the foregoing, the water supply hours had since improved to sixteen hours for Kaleya East and Barracks and twenty-four hours for Mulundu B.

The Controlling Officer further explained that the broken taps causing the water leakages in Kaleya East and Barracks was attributed to inadequate manpower. However, the Company had been directed to implement remedial measures in order to repair the broken taps, which had since been repaired.

He further informed the Committee that NWASCO could not take any action as of 31st December, 2021, because the follow up inspection of Kaleya Small Holders Company, limited was scheduled for the fourth quarter of 2022, due to the suspension on inspections as a result of the COVID-19 pandemic.

Committees Observation and Recommendation

The Committee contends that had NWASCO been properly monitoring the private scheme, the query would not have arisen. In this vein, the Committee recommends that NWASCO urgently acts on the matter in accordance with the provisions of the Act. The Controlling Officer is further urged to ensure that the officers responsible are disciplined for failure to properly monitor the private scheme and act in good time against the erring company. The Controlling Officer is further urged to ensure that NWASCO prioritises field inspections and monitoring in order to avoid the recurrence of the query. The Committee will await a progress report on the matter.

e) Financial Analysis

i) Financial Performance– Statements of Comprehensive Income

Controlling Officer's Submission

The Controlling Officer explained that the deficit in 2018, was as a result of a change in the bad debt provision policy which led to an increase in the provision for doubtful debts. The doubtful debts arose from the non-payment of license fees by commercial utilities. He further informed the Committee that the revised policy required the Institution to make provisions for doubtful debts above 360 days from the initial 120 days, as guided by the audit committee. Further, the Committee was informed that the reduction in revenue in 2018, was as a result of the following:

i) the increased electricity tariffs had a negative impact on the commercial utilities' ability to meet production volumes, this ultimately translated into lower billings and resulted in low license fees for NWASCO;

ii) the dwindling water resources in 2018, both underground and surface bodies, due to climate change negatively impacted the commercial utilities' billings and ultimately low license fees;

iii) load shedding in 2018, negatively affected the water sector and resulted in poor billings (license fees) because of low productivity volumes as a result of reduced power supply;

iv) inadequate funding from cooperating partners; and
v) there were no tenants in 2018, to receive rental income.

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

ii. Financial Performance– Statements of Financial Position

- **Debt to Equity Ratio**

Controlling Officer's Submission
The Controlling Officer explained that the composition of the total debt in question during the period under review, was broken down as submitted in the table below.

Description	2018	2019	2020
	ZMW	ZMW	ZMW
ESAWAS	2,978,745.00	3,371,890.00	21,867,334.00
PAYE	5,049,334.00	7,806,541.00	1,132,192.00
Gratuity Provision and Other Trade Payables	2,955,279.00	3,724,129.00	3,807,249.00
Non Current Liabilities	607,773.00	151,457.00	3,847,885.00
TOTAL	**11,591,131.00**	**15,054,017.00**	**30,654,660.00**

Therefore, the poor debt/equity ratio in 2018 and 2019 was attributed to the following reasons:

i) the continued growth of the Council's Pay-As-You-Earn liability due to limited cash in flows resulting from the poor collection of license fees from commercial utilities;
ii) the increase in the provision of gratuities for staff engaged on contractual basis;
iii) non-current liabilities included a lease facility for a vehicle and deferred income from asset contributions from the Devolution Trust Fund being amortised over the duration of the life of the building; and
iv) the debt/equity ratio in 2020, increased due to the inclusion of the Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS) grant, received from the Bill and Melinda Gates Foundation.

The Committee was informed that the ESAWAS was a regional grouping for Water Supply and Sanitation Regulators, whose secretariat was currently hosted by NWASCO. The Committee further learnt that NWASCO, being the secretariat, was temporarily the account holder for the Association until such a time that the Association's management structure was put in place. Therefore, the funds in question related to subscriptions from regional member countries including grants from the Bill and Melinda Gates Foundation.

However, in order to address the high debt/equity ratio, the Committee was informed that the Council was putting in place the following measures:

i) engaged with the Zambia Revenue Authority (ZRA) to come up with a payment plan. So far, ZRA had made two payments in January and February, 2022, amounting to K600, 000;

ii) setting aside funds to liquidate staff gratuities on contractual basis as they fell due;
iii) servicing the existing vehicle lease obligations in line with the agreed terms; and
iv) the ESAWAS was in the process of establishing its own administrative and management structures in order to detach itself from NWASCO.

Committees Observation and Recommendation
The Committee finds this state of affairs worrying as the increasing reliance on debt financing for NWASCOs operations, exposes the Council to a serious financial risk. This is unacceptable given that NWASCO is supposed to be setting a good example and standards in its operations for the CUs to follow. The Controlling Officer is urged to ensure that the measures put in place yield positive results in order to minimise the extent to which NWASCO is using borrowed capital to fund its operations and growth. The Committee will await a progress report on the matter.

- **Receivable Days**

Controlling Officer's Submission
The Controlling Officer explained that the failure to collect license fees which solely accounted for trade receivables was a result of the following:

i) the increase in electricity tariffs in 2018, had a negative impact on the CUs cash flows thereby, limiting the CUs ability to pay license fees to NWASCO;
ii) the reduction in underground and surface water levels attributed to climate change (in 2018 and 2019), negatively impacted the CUs water production/billings, thereby, making lower payments of license fees to NWASCO;
iii) load shedding in 2018 and 2019, negatively affected water production and low hours of supply. These affected revenue generation among the CUs which ultimately resulted into low license fee collections by NWASCO; and
iv) the directive (in 2020) by the Government not to disconnect customers during the COVID-19 pandemic resulted in low billings and resulted in a trickledown effect of lower collection of license fees for NWASCO.

However, the Council through the Ministry of Water Development and Sanitation had engaged ZESCO to come up with a special tariff for all commercial utilities that would reduce the cost of water production. This would create savings that would help commercial utilities become liquid.

Further, the Council, through the Ministry of Water Development and Sanitation had engaged the Ministry of Finance and National Planning to settle the outstanding Government debt through a debt swap mechanism. The Committee was further informed that the Council had encouraged commercial utilities to start exploring alternative sources of energy.

Committees Observation and Recommendation
The Committee finds it unacceptable that NWASCO is going against its own Financial Procedures Policy and worries that the Council may set a wrong precedence which would recur if left without unchecked. The Committee sternly cautions Management against this irregularity and urges the Controlling Officer to ensure that the measures put in place reduce the receivable days in accordance with NWASCOs Financial Procedures Policy. A progress report will be awaited by the Committee.

f) Accounting Irregularities

i. Unsupported Payments -K105, 468

Controlling Officer's Submission

The Controlling Officer explained that the failure to support the payments with the relevant documents during the period under review, was due to the filling system that the Council was using which required that payment vouchers and the requisite support documents were filed separately. He informed the Committee that these were staff related payments and the supporting documents were kept in the individual staff files kept by the Human Resources Department.

However, the twelve payments, totalling K105, 468 cited as having no supporting documents, were in fact filed separately and had since been attached to the respective payment vouchers. The Committee was further informed that the Institution had since developed a system of attaching all the requisite supporting documents to the respective payment vouchers.

Committees Observation and Recommendation

The Committee finds it unacceptable that evidence was not provided to the auditors during the time of audit and urges the Controlling officer to institute disciplinary action against the responsible officers for this lapse. The Committee further cautions the Controlling Officer to desist from providing evidence in retrospect. The matter is, however, recommended for closure subject to audit verification.

ii. Irregular Use of Imprest - K38, 870

Controlling Officer's Submission

The Controlling Officer explained that the irregular use of imprest for the procurement of goods and services, was as a result of the following:

i) the procurement of facemasks at K10, 400, was an emergency and the Institution had not yet established relationships with suppliers of the product;

ii) the subsequent procurement of face masks at K11, 400 was an oversight which had since been corrected;

iii) the purchase of electricity units and DSTV subscription at K5, 320, using imprest was an oversight; and

iv) the transfer payment for cleaning services at K11, 750, was made directly into the service provider's account.

However, in order to address the irregular use of imprest, the Committee was informed that the Council had made sure that payments made to the suppliers of goods and services, were made directly to the respective companies' bank account and Management had since issued an internal circular to ensure that imprest was not used to procure goods and services. The supporting documents were availed for audit verification.

Committees Observation and Recommendation

The Committee observes that the use of imprest to procure goods and services was highly irregular and in contravention of the financial regulations. In view of the foregoing, the Committee urges the Controlling Officer to institute disciplinary actions on the erring officers and ensures that the officers going forward strictly adhere to the provision of the financial regulations to avoid recurrence of such irregularities. A progress report will be awaited by the Committee.

g) Management of Payroll – Failure to Fill Key Vacant Positions

Controlling Officer's Submission

The Controlling Officer explained that the recruitment of the Rural Water Supply and Sanitation and Urban Onsite Sanitation Inspectors, was planned for the third quarter of 2021. However, the recruitment could not take place at the time of the audit due to the suspension of the recruitment process by Cabinet Office. The Committee was further informed that the position of Corporate Analyst was no longer necessary due to the changes in the organisational needs. As a result, the roles and responsibilities were realigned to the Systems and Customer Service Assistant and the Public Relations and Communications Manager.

However, the recruitment of the Rural Water Supply and Sanitation and Urban Onsite Sanitation Inspectors, had commenced and was in progress. Further, Management had since undertaken the review of the organogram of the Institution and the job descriptions for the realigned positions had been developed and approved.

Committees Observation and Recommendation

The Committee urges the Controlling Officer to ensure that the process is expedited and resolves to await a progress report on the matter.

2.0 WATER RESOURCES MANAGEMENT AUTHORITY

2.1 Audit Findings

An examination of accounting and other records maintained at the Authority revealed the following irregularities to which the Controlling Officer responded as highlighted below.

a) Budget and Income - K5,312,199

Controlling Officer's Response

The Controlling Officer explained that the positive variance of K5,312,199 recorded under revenue collection, was as a result of Management entering into payment plans with clients with outstanding bills, who started making payments towards their arrears. Further, most clients whose permits expired, paid applications fees for permit renewal and the Kafubu Water and Sanitation Company Limited paid for the Kafulafuta Dam permit in advance, up to the 2024 financial year.

Therefore, as a result of the prudent measures mentioned above, Management closed the 2020, financial year with a positive bank balance of K6,844,855 which resulted into improved funding to the core business during the 2021, financial year as follows:

No.	Particulars	2021 Funding (ZMW)	2020 Funding (ZMW)	Funding Increase (ZMW)	Funding Increase (%)
1	Recharge Zones & Headwaters identification	68,005	-	68,005	100%
2	Water Use Compliance & Monitoring	459,415	-	459,415	100%
3	Monitoring & Compliance Enforcement	120,908	-	120,908	100%
4	Water Permitting Investigations-Surface Water	1,148,724	438,374	710,350	162%
5	Operation & Maintenance of Telemetric Stations	325,766	172,441	153,325	89%
6	Flood and Drought Forecasting	19,436	-	19,436	100%
7	Surface Water Levels Quantified	258,304	-	258,304	100%
8	Water Reserves Determination & Mapping	294,020	-	294,020	100%
9	Water Balance Quantification & Assessment	424,475	-	424,475	100%
10	Water Bodies and Zones Mapping	17,162	-	17,162	100%
11	Rehabilitation & Maintenance of Water Quality Laboratories	81,271	-	81,271	100%
12	Ground Water Quality Monitoring & Assessment	177,477	-	177,477	100%
13	Water Quality Monitoring and Assessment	208,050	-	208,050	100%
14	Hydraulic Infrastructure	21,545	-	21,545	100%
15	Gauge Readers Stipend	954,500	-	954,500	100%
	Totals	**4,579,058**	**610,815**	**3,968,243**	**650%**

Committee's Observation and Recommendation

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

b) Operational Matters

i. Poor Funding of Catchment Areas -K629,444

Controlling Officer's Response

The Controlling Officer informed the Committee that the underfunding of K629,444 to the four catchments offices in question, was as a result of delayed payments from the clients. The Committee was informed that most of WARMA's clients paid their obligations at the end of the fourth quarter of 2020. Therefore, in December 2020, WARMA collected an amount of K6,214,267.91, which could not be disbursed as it was at the close of the financial year. This ultimately resulted in the underfunding of the catchment offices.

However, Management had entered into payment plans with clients that delayed to pay and this had resulted into improved payments by clients and ultimately improved the funding to the catchment offices from 81 percent in 2020, to 85 percent in 2021.

Committee's Observation and Recommendation

The Committee finds the underfunding of K629,444 to the four catchments areas in question unacceptable and contends that this shows that the priorities of WARMA in dealing with its core mandate are not properly aligned, as the poor funding of the catchment areas negatively affected the proper maintenance of the hydrometric stations, among other things, critical for transmitting hydrometric information to the head office. The Committee sternly cautions Management against this failure and urges the Controlling Officer to ensure that catchments areas under WARMA, are adequately funded in order to avoid the recurrence of this query. The Committee resolves to keep the matter in view in future audits.

ii. Non-Collection of Water User Fees and Charges - K6,544,709

Controlling Officer's Response

The Controlling Officer informed the Committee that the non-collection of water user fees and charges of K6,544,709 for various water permits and licenses, was as a result of agriculture water charges. He explained that out of K3,251,588, K2,883,892, was an amount owed by the PADIC Project in Western Province. The Authority was unable to collect the amount in question because the Project was not funded by its financiers. Further, the balance ofK367,696 owed by various farmers was not collected because of the reduced business activities resulting from the COVID-19 pandemic.

The Committee was further informed that the hydropower, mining and water utility companies were also unable to make payment due to the advent of the COVID-19 pandemic, as there was contraction in the social and economic activities. This was compounded by the disruption in the global supply chain, especially in the mining sector.

The Controlling Officer further explained that the interest was not charged because the Authority had entered into payment plans with the cited institutions that had since begun paying. He further informed the Committee that in an effort to collect the outstanding water user fees and charges, Management was implementing the preparation of payment plans with all the institutions cited in the query. This had resulted in the reduction in the outstanding water user fees and charges from K6,544,709 to K2,535,342 as of 31st January, 2022. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation

The Committee observes that the PADIC Project in Western Province is a failed project and no realisable revenue will come out of it. In view of the foregoing, the Committee is concerned that this irregularity will continue recurring in subsequent audit Reports. The Committee, therefore, recommends that the debt from the Project should be written off and should not be recognised in the utility company's books of accounts as a receivable. However, the Committee resolves to keep the matter open until the other outstanding water user fees and charges are collected. A progress report will be awaited by the Committee.

iii. Failure to Meter Abstraction Points on the Lunsemfwa River in the Luangwa Catchment Area

Controlling Officer's Response

The Controlling Officer explained that the failure to meter the abstraction points on the Lusemfwa River in the Luangwa catchment, was because the water permit condition then, did not provide for metered abstraction.

However, in order to address the failure to meter the abstraction points, the Authority had reviewed the water permit conditions in order to include the metering of the abstraction point, used the crop water requirement to ascertain the client volumes abstracted and used the gauging station to ascertain the depth and volumes of the water. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation

The Committee finds it unacceptable that it had to take the observation by the auditors for this serious irregularity to be addressed. The Committee sternly cautions Management against this irregularity and urges the Controlling Officer to ensure that WARMA is properly monitored and encouraged to meter abstraction points in order to avoid the loss of revenue and the over abstraction of water, ultimately, resulting in the depletion of the water resource. The matter is, however, recommended for closure subject to audit verification.

iv. Weaknesses in the Management of Hydrometric Stations Controlling Officer's Response

The Controlling Officer informed the Committee that the weaknesses in the management of the hydrometric station were as a result of the following:

i) five of the hydrometric stations were submerged - for instance, Chipili Station on the Lufubu River had been submerged since 2018, as a result, the Authority decommissioned the station;
ii) inadequate human resource and financial resources had affected the timely monitoring of hydrometric stations resulting in delays to maintain the stations;
iii) vandalism as a result of inadequate security; and
iv) lack of easy access to spare parts required to repair most of the stations as the batteries were manufactured outside the Country and importation was expensive.

However, in order to address the weaknesses in the management of the hydrometric station, the Committee was informed that the following interventions were being implemented:

i) management had decommissioned some stations and had planned to relocate flood prone stations to higher ground;
ii) the recruitment of additional technical staff;
iii) community sensitisation on the dangers of vandalism; and
iv) the use of appropriate equipment easily accessible.

Committee's Observation and Recommendation
The Committee observes that the weaknesses in the management of the hydrometric stations are yet another indication of poor monitoring by the Controlling Officer over WARMA. The Committee sternly cautions the Controlling Officer for this lapse and urges him to put internal control measures in place to prevent the reoccurrence of this irregularity. The Controlling Officer is further urged to ensure the periodic maintenance of the hydrometric stations in order to avoid the non-availability of critical hydrological data necessary for the proper management of water resources, especially in the face of climate change. The matter will be kept in view in future audits.

c) Accounting Irregularities

i. Failure to Insure Marine Equipment -K6,886,694

Controlling Officer's Response
The Controlling Officer explained that the Ministry of Water Development and Sanitation handed over nineteen boats to WARMA. The remaining ten boats were still under the Ministry. He further informed the Committee that the status of the boats at WARMA was that five boats at Luangwa Catchment Office in Kabwe were damaged; seven boats were not appropriate for use due to the change in technology; and seven other boats, which were operational could not be insured then, because of the process of valuation and marine time inspection which took long.

However, the seven operational marine equipment had since been insured and the process of engaging the auctioneers to auction the twelve boats that were not operational had started. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee expresses concern at the casual approach exhibited by the Authority in insuring the marine equipment and engaging the auctioners to auction the twelve boats that were not operational after the audit. The Committee urges the Controlling Officer to ensure that Management is sternly cautioned against being reactive as this can result in the non-availability of critical data for water resource management as a result of equipment being difficult to replace if accidentally damaged because of lack of insurance cover. The Committee awaits a progress report on the matter.

3.0 CHAMBESHI WATER SUPPLY AND SANITATION COMPANY LIMITED

3.3.1 Audit Findings
An examination of financial and other records maintained at the Headquarters and regional offices for the financial years ended 31st December, 2019 and 2020, revealed the following irregularities to which the Controlling Officer submitted as highlighted below.

a) Budget and Income - K1,310,024

Controlling Officer's Response
The Controlling Officer explained that the Company could not generate and meet the projected revenue in the 2019 and 2020 budgets because the projected budget income was based on the assumptions that the projects in Nakonde, Chinsali and Kaputa would be completed and increase the

water productions volumes, subsequently, increasing the revenue. However, the projects stalled due to lack of funding. Nonetheless, the Kaputa water project had since been completed and commissioned, with a total network of 37.5km, while the Chinsali and Nakonde projects were still a work in progress, at 98 percent and 90 percent completion respectively, with the total networks of 115.2km.

The Committee was further informed that NWASCO awarded a water tariff that was lower than what was proposed, therefore, affecting the billed revenue income as projected in the budget. In view of the foregoing, activities that could not be undertaken because of the negative variance included: settling outstanding liabilities such as terminal benefits; statutory obligations and payments to the suppliers of goods and services; the purchasing of adequate electricity units to increase production; the extension of water and sanitation services to un-serviced areas; and the purchasing and installation of adequate meters.

As a corrective measure, the Controlling Officer assured the Committee that going forward, budget projections would not be based on unfinished projects and the water utility company would ensure that the unapproved tariffs were not factored in revenue projections.

Committee's Observation and Recommendation
The Committee sternly cautions Management against making haste decisions in future, that may have the potential of resulting in the failure of the CUs to undertake all its budgeted for activities and consequently, its operations. The Committee urges the Controlling Officer to enhance supervision over the CUs and ensure that budget projections are realistic, as opposed to overstating the Company's budget, based on unfinished projects and unapproved tariffs among other things. The matter will be kept in view in future audits.

b) Corporate Governance-Failure to Hold Annual General Meeting

Controlling Officers Response
The Controlling Officer informed the Committee that the Annual General Meeting (AGM) was not held during the year ended 31st December, 2019, due to the financial constraints that the Company was experiencing as a result of infrastructure challenges. However, the installations of prepaid meters capped with the debt recovery of forty per cent on the outstanding debt stock improved the Company's cashflow. Due to improved cashflow, the Company held the Annual General Meeting (AGM) during the Financial Year Ending 31st December, 2020.

Committee's Observation and Recommendation
The Committee warns that it will not condone a situation where rules and regulations are abrogated on account of lack of funding. The Committee holds the view that if trivialised, the abrogation of provisions of section 57 (1) of the *Companies Act No. 10 of 2017*, will become perennial on account of lack of funding, especially that funding challenges are not unique to Chambeshi Water and Sanitation Company alone. It is in this regard that the Committee urges the Controlling Officer to invoke the provisions of the Act for failure to hold the AGM without further delay in order to curb the vice. A progress report on the matter will be awaited by the Committee.

c) Management of Information and Communication Technology Systems

i. Lack of Service Level Agreements

Controlling Officer's Response
The Controlling Officer explained that the lack of service level agreements for the consumer management and My Watsan Systems, was because they were not hosted by the Company, but by the Zambia Public Procurement Authority and the NWASCO respectively. Therefore, the Company was a third party just using the platforms by the two mentioned systems. However, the Service Level Agreements with Precision Prepaid and Baylan Prepaid Systems were available for audit verification.

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

ii. Uninstalled Server

Controlling Officer's Response
The Controlling Officer submitted that the non-installation of the server was as a result of the delay in the delivery of additional accessories (compatible Network Interface Card) by the supplier, which was being procured under the ongoing ISTWSSP. However, the Network Interface Card was delivered and the server had since been installed, tested and commissioned.

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

iii. Lack of Segregation of Duties in ICT Systems

Controlling Officer's Response
The Controlling Officer explained that the lack of segregation was as result of negligence by the Head of Information Technology (IT) to ensure that there was separation of duties in the ICT systems. However, the segregation of duties in the systems had since been done and the Head of IT had since been cautioned in accordance with the Disciplinary Code clause 6.9. The supporting documents were availed for audit verification.

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

d) Operational Matters

i. Comparative Performance in the Water and Sanitation Sector

- **Non-Revenue Water (NRW) - K30,190,249**

Controlling Officer's Response
The Controlling Officer explained that the failure to meet the set benchmark of Non-Revenue Water (NRW), was due to the old and dilapidated infrastructure in some districts resulting in leakages. Further, the construction of township roads damaged the water networks in some districts, leading to water losses. This was coupled with some unmetered customers. Furthermore, the illegal connection of water and vandalism of water infrastructure were the others reasons highlighted by the Controlling Officer.

However, in order to address the NRW losses, the Committee was informed that the Company, under the ISTWSSP and other Government funded projects, was implementing the following interventions:

i) the construction and rehabilitation of 272 km of water supply and sanitation infrastructure, in Kasama, Mbala, Mpika and Nakonde Districts;
ii) the engagement of Local Authorities regarding the compensation on damaged water networks;
iii) the installation of new prepaid meters and the replacement of old meters;
iv) public awareness on the dangers of illegal connections and vandalism through community sensitisation meetings; and
v) law enforcement on legal the provisions which resulted in the prosecution and fining of some individuals who were involved in the illegal water connections.

Committees Observation and Recommendation
The Committee notes, with concern, that the NRW deprived the Company of the much-needed revenue required to help improve its operations. The Committee urges the Controlling Officer to ensure that a lasting solution is found in order to reduce the percentage of NRW, in accordance with NWASCOs set standards. The Committee will await a progress report on the matter.

- **Failure to Meet Water Quality Standards**

Controlling Officer's Response
The Controlling Officer explained that the failure to meet the water quality standards set by NWASCO, was as a result of not meeting the required minimum number of water tests. The failure to meet the required minimum number of tests was due to the failure to follow procedure for water quality testing. He further informed the Committee that water quality was measured by three parameters, namely: confidence level: the number of samples tested in relation to the minimum required; and the number of tests meeting the national drinking standards.

The Controlling Officer also reported that the erring officers were charged and all district managers had been directed to adhere to the water quality procedures. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee is alarmed that Management at the CUs had to wait for the auditors in order to discover that the water tests were not done according to the required standards. The Committee is concerned that this revelation may be proof that that the water consumed by the community during the period under review, was potentially not fit for human consumption, a situation which is highly unacceptable. The Committee sternly cautions Management against this failure and recurrence of the query and further urges Management to ensure that only qualified officers conduct the water testing and water quality procedures and that these officers must be closely monitored. The Committee resolves to keep the matter in view in future audits.

- **Sanitation Coverage**

Controlling Officers Response
The Controlling Officer explained that the failure to attain the sanitation benchmark was due to inadequate capital investment in sanitation, arising from financial constraints. However, in order to improve sanitation coverage, the Company, under the ISTWSSP and other Government funded projects, was constructing and rehabilitating sanitation infrastructure. Once these projects were completed, they would contribute to the improvement in the sanitation coverage. Further, the Company, with support from cooperating partners, such as the Netherlands Development Organisation, was implementing the Urban Sanitation and Hygiene for Health and Development Program, which involved the construction of faecal sludge treatment plants and sanitation facilities in the community. Once this Project was completed, the sanitation coverage was also expected to improve.

Committee's Observation and Recommendation
The Committee observes, with great concern, the failure by Management to reach the sanitation sector benchmark, which has led to the failure to access adequate sanitation by a substantial number of urban households, thereby, compromising public health. The Committee strongly recommends that this challenge should be expeditiously resolved, and that Management should priorities the implementation of all the strategies earmarked to resolve the challenge. The Committee will await an update on the matter.

- **Staff Efficiency Indicator**

Controlling Officer's Response
The Controlling Officer explained that the failure to achieve the required benchmark on staff efficiency was due to the following:

i) the drop in revenue collection due to the non-disconnection of defaulting customers during the rise in cases of the COVID-19 pandemic;
ii) there were no tariff adjustments to compensate for the rising costs of operations and maintenance costs during the period under review; and
iii) there was no significant growth in the revenue base as a result of the impact of the reduction in social and economic activities due to the COVID-19 pandemic.

However, the Company had undertaken the following measures to improve the staff efficiency:

i) the installation of prepaid meters which had increased revenue collection; and
ii) the Company was implementing the ISTWSSP and other Government projects which would contribute to the improvement in the revenue base and ultimately improve the staff efficiency ratio.

Committee's Observation and Recommendation
The Committee is dismayed to note that the number of employees is higher than the number of water connections. The Committee holds the view that this increases the staff costs in relation to the operations and eventually affects the efficiency of the Company. The Committee urges the

Controlling Officer to ensure that Management reduces the staff establishment to the required number. Therefore, the excess staff should be paid their respective dues and trimmed off without further delay. The Committee will await an update on the matter.

- **Operation and Maintenance Cost Coverage by Collection**

Controlling Officer's Response
The Controlling Officer explained that the failure to achieve the required benchmark on operation and maintenance cost coverage by total collections was due to the following:

i) high outstanding receivables due to low collections;
ii) an increase in electricity tariffs to over 100% affecting input costs;
iii) the depreciation of the Kwacha against the major convertible currencies that increased the prices for imported chemicals and materials. Further, the prices for maintenance materials escalated due to high inflation which negatively affected the input costs;
iv) the drop in the revenue collection and the billing was due to the none adjustment of the water tariff during the period under review and the non-disconnection of defaulting customers during the rise in cases of the COVID-19 pandemic; and
v) dilapidated water and sanitation infrastructure resulting in reduced revenue.

In order to address the low operation and maintenance cost coverage by collection, the Controlling Officer submitted that the Company had put in place the following measures:

i) the installation of prepaid meters capped with 40%, to recover the debt from customers;
ii) exploring alternative sources of energy in order to address high energy costs. The Company was working with USAID to implement a solar source of energy;
iii) engaging ZESCO for a special tariff for water utilities through the Ministry of Water Development and Sanitation;
iv) the revenue enhancement program of disconnecting defaulting customers in the all districts was in progress; and
v) the creation of a credit control unit which would enhance debt collection.

Committees Observation and Recommendation
The Committee is concerned that the operation and maintenance cost coverage by collection, was below the set sector standards, which raises concern regarding the Company's continued existence as a going concern. In this regard, the Committee urges the Controlling Officer to enhance supervision of the Company and to impress upon Management to ensure that the strategies earmarked to improve the cost coverage by collection, are expeditiously completed. The Committee resolves to await an update on the matter.

ii. Irregularities in the Municipal Billing System

- **Lack of Requisite Customer Details**

Controlling Officer's Response
The Controlling Officer explained that the lack of requisite customer details was as a result of human errors at the time of the account creation in the Perfect Billing System. This was

attributed to lack of system controls which could not give alert messages, whenever a certain field was not filed. Further, customers without phone numbers had their phone numbers removed at the time they were converted to the Prepaid Billing System, as a way of avoiding sending them messages meant for postpaid customers. However, the customers in question had phone numbers reflecting on the prepaid system and the Company was able to send relevant messages to them. The Controlling Officer further informed the Committee that the Company had maintained these customers on the Post Paid Billing System for future reference purposes and that they would be removed when the purpose was fulfilled.

Furthermore, in order to address the lack of requisite customer details, the Company had since put in place the implementation of the new Municipal Billing System, which had control on the complete creation of customer accounts. This new System would entail that the data entry operator would not proceed unless all the fields were filed, thereby, ensuring that there was no human error.

Additionally, the Company was continuously updating customer account details on the Prepaid System.

Committees Observation and Recommendation

The Committee finds it unacceptable that Management had to wait for the auditors in order to identify the requisite customer details that were missing. The Committee sternly cautions Management and recommends that disciplinary action should be meted out on the erring officer(s) for failure to provide this information to the auditors during the audit process. A progress report will be awaited by the Committee.

- **Customers with Duplicate Account Numbers - K142,020**

Controlling Officer's Response

The Controlling Officer explained that customers with duplicate accounts arose as a result of human errors which occurred at the time of data entry into the new system during migration from the Perfect Bill (old system) to the new Municipal Billing system. This was compounded by the fact that the new system did not have the primary key to detect the errors as the system was undergoing tests.

However, the Company's Internal Auditor had reviewed the customer database and identified the duplicate customer accounts, amounting to K142,020, which had since been normalised. Further, the new system had a primary key which did not allow accounts to be duplicated as it detected any attempt to duplicate an account.

Committees Observation and Recommendation

The Committee finds it unacceptable that Management had to wait for the auditors in order to identify the duplicate account numbers in the system. The Committee sternly cautions Management and recommends that disciplinary action should be meted out on the erring officers for failure to provide this information to the auditors during the audit process. The Committee will await a progress report.

- **Metered Accounts without Meter Readings - K962,232**

Controlling Officer's Response
The Controlling Officer explained that the 657 metered accounts, which had neither previous nor current meter readings, were as a result of the migration from the Post Paid Billing System to the Prepaid Billing System. As the customers were shifted to the Prepaid Billing System, the company stopped billing because the Prepaid Billing System did not require meter readings for the customers to be billed. The Committee was further informed that the meter readings were left out during the migration of accounts from the Perfect Billing System (postpaid) to the Municipal Billing System, as these accounts were already on the Baylan Prepaid Billing System. However, the customer readings were still on the Perfect Billing System for future reference.

The Committee was further informed that the Company was collecting the accrued debt of K962,232 from the cited 657 customers through the capped 40per cent debt recovery program on the prepaid meters.

Committees Observation and Recommendation
The Committee resolves to keep the matter open until the accrued debt of K962,232 is fully collected. The Committee, will therefore, await, a progress report.

- **Customers with Overdue Bills - K27,226,047**

Controlling Officer's Response
The Controlling Officer informed the Committee that the customers with overdue Bills were as a result of the following:

i) the Company could not enforce the withdraw of the service or issue the enforcement notices to defaulters due to the directive by the then Minister of Water Development, Sanitation and Environmental Protection not to disconnect defaulting customers as a result of the COVID-19 pandemic;
ii) some of these accounts belonged to Government institutions who usually took long to settle bills;
iii) during the COVID-19 pandemic, the Company had relaxed its policies in order to provide clean and safe water to customers. However, the Company came up with innovations such as radio programs and online payment platforms promotions in order to encourage customers to pay and avoid disconnections;
iv) some of the customers were placed on payment plans and that was the reason why they were not disconnected;
v) Management could not implement the Debt Management Policy due to the negative impact on the 7th National Development Plan and the Vision 2030, on Universal Access to Safe and Clean Water; and
vi) disconnecting customers with outstanding balances over 60 days, would have resulted in the Company losing revenue as customers tended to find other alternative sources of water such as shallow wells. Hence the Company decided to maintain the defaulting customers on the water network.

However, in an effort to recover the overdue bills, the Committee was informed that Management was implementing the following measures:

i) the installation of prepaid meters capped with 40% debt recovery. Using the Prepaid System, the Company was able to recover 40% of the outstanding debt. Further, the Company was integrating the Prepaid System to mobile payment platforms which would contribute to an effective debt recovery. By December, 2021, the Company had recovered K1,061,853.31 from the outstanding debt;
ii) promotional strategies had been introduced in order to encourage customers with outstanding balances to enter into payment plans instead of disconnecting them;
iii) various convenient and flexible mobile payment platforms had been introduced;
iv) management had pursued the option of debt swaps with quasi Government organisations; and
v) the Ministry of Finance and National Planning had been engaged to settle the Government debt.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that the outstanding debt is expeditiously collected and will await a progress report on the matter.

- **Failure to Take Meter Readings of Water Kiosks**

Controlling Officer's Response
The Controlling Officer explained that the failure to take meter readings and collect bill payments from the kiosks was as a result of negligence from the respective district managers. However, the district managers had since been charged and the Company had enhanced the monitoring of the kiosks by assigning officers to specific zones in order to take meter readings on kiosks and report on a monthly basis. Additionally, the Company had started billing the kiosks and the overstated payables, amounting to K3,842 in the statement of financial position had since been adjusted.

Committee's Observation and Recommendation
The Committee contends that had Management been providing proper monitoring of the water kiosks, the failure to take meter readings and collect bill payments would not have arisen in the first place. It is evident that internal controls have collapsed at the CUs which resulted in the loss of money. The Committee sternly cautions Management for this irregularity and resolves to keep the matter in view in future audits.

iii. Unauthorised Cancellation of Bills-Baylan Prepaid System

Controlling Officer's Response
The Controlling Officer explained that the cancellation of bills in the system by the ICT officers was in line with clause 24.0 of the Company's Commercial Policy. The Policy allowed ICT officers to make cancellations in the system after the approval of adjustments by the relevant officers. Therefore, at the time of audit, the approved adjustment forms with the other relevant documents were filed separately from the report that was being reviewed. However, the approved adjustment forms were availed for audit verification.

Committee's Observation and Recommendation

The Committee finds it unacceptable that this information was not disclosed during the audit process. Therefore, the Committee cautions the Controlling Officer to ensure that the audit process is taken seriously, as the matter would have been dealt with and resolved within the audit process. In order to address the shortcoming, the Committee urges the Controlling Officer to institute disciplinary action against the officers responsible for this lapse. A progress report will be awaited by the Committee.

iv. Questionable Drawing of Water- Mwamfushi Water Treatment Plant, Mpika

Controlling Officer's Response

The Controlling Officer informed the Committee that the questionable drawing of water at the treatment plant by the two individuals was as a result of lack of designated points for bulk water sales. The cited individuals were customers who had paid for the water. He further submitted that the hose used for drawing water was disinfected before being used and the Company was in the process of establishing designated bulk water sale points where customers would be allowed to collect water in bulk after purchase.

Committee's Observation and Recommendation

The Committee finds the unauthorised access to the water treatment plant, classified as a sensitive area in the water treatment process, highly irregular and unacceptable as submerging foreign objects may contaminate the water, thereby, posing a risk to the customers. The Committee further observes that this action was against board approved policies. The Committee therefore, urges the Controlling Officer to ensure that the process of establishing designated bulk water sale points where customers will be allowed to collect water in bulk after purchase is expedited in order to avoid the recurrence of the query. The Committee further urges the Controlling Officer to ensure that disciplinary action is meted out on all the officers responsible for this serious irregularity. A progress report will be awaited by the Committee.

e) Accounting Irregularities

i. Lack of Audited Financial Statements

Controlling Officer's Response

The Controlling Officer explained that the lack of audited financial statements for the year 2019, was a result of the backlog of unaudited financial statements for previous financial years. He submitted that the closing balances for the financial year 2018, were to provide opening balances for the 2019 financial year, as a result, the preparation and auditing of financial statements for 2019, could not be undertaken.

The Controlling Officer further explained that the financial statements for the year 2020, were not audited due to the delay by the office of the Attorney General in approving the draft contract to engage an external Auditor, CYMA Chartered Public Accountants and Management Consultants Tax Advisors. He informed the Committee that the Company had submitted the draft contract to the Ministry of Justice on 11th February, 2021 and the approval was given on 17th

June, 2021. However, the 2019 and 2020 financial statements were audited by November, 2021 and were awaiting signing by the Board of Directors.

Committee's Observation and Recommendation

The Committee observes that the failure to produce audited financial statements does not reflect well on the Board and Management of the Company. Therefore, the Committee urges the Controlling Officer to insist that financial statements must be produced on time and that the process of submitting those outstanding to the Office of the Auditor General for verification be expedited. A progress report will be awaited by the Committee.

ii. Unaccounted for Revenue– Mulenga Hills Collection Point, Kasama - K26,805

Controlling Officer's Response

The Controlling Officer informed the Committee that the unaccounted-for revenue at Mulenga Hills Collection Point in Kasama, was as result of the deposit slips that were filed in a different box file that was not reviewed by the auditors. However, these receipts were accounted for as they were banked with proof of bank deposit slips. The supporting documentation was availed for audit verification.

Committee's Observation and Recommendation

The Committee observes that record keeping at the CUs is very poor and finds this situation unacceptable. The Committee urges the Controlling officer to institute disciplinary action against the erring officers in accordance with the Financial Regulations, to avoid recurrence. The Committee will await a progress report on the matter.

iii. Delayed Banking– Mulenga Hills Collection Point, Kasama - K116,875

The Controlling Officer explained that the delayed banking at Mulenga Hills Collection Point, in Kasama was as a result of oversight on the part of the Customer Services Officer. However, staff had since been sensitized on the need to bank revenue within 24hrs, in line with the *Public Finance Management Act, No 1 of 2018*. Further, in order to avoid the handling of cash by the staff, the Company had introduced mobile payment platforms where customers would be making cash payments directly to the company account. Furthermore, weekly reconciliations would be done apart from the monthly reconciliations put in place to detect the un-deposited collections. The Controlling Officer also submitted that the erring officer had been cautioned and the supporting documents were availed for audit verification.

Committee's Observation and Recommendation

The Committee cautions the Controlling Officer against providing evidence outside the audit process and resolves to close the matter subject to verification.

iv. Lack of Safe-Mpika and Nakonde Offices - K4,328

Controlling Officer's Response

The Controlling Officer informed the Committee that the lack of a safe at Mpika and Nakonde offices was due to an oversight on the part of Management at Head Office. However, the Company had since procured safes for installation in Nakonde and Mpika Districts. Further, the theft of the amount totalling K4,328 at the Nakonde Office was reported to the police for investigations. Furthermore, in order to enhance security, the Company had hired a security company to provide security services in all the districts. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation

The Committee finds the response by the Controlling Officer unacceptable, especially that action was only taken after the audit process. The Committee is also concerned that taking long to secure public funds is an indication that accounting staff are not being properly supervised. The Committee urges the Controlling Officer to ensure that Management is censured for this lapse. Further, the matter should be followed up with the police in order for it to be concluded within a reasonable period. The Committee will await a progress report on the matter.

v. Unaccounted for Fuel -K88,413

Controlling Officer's Response

The Controlling Officer explained that the unaccounted-for fuel was due to the lack of disposal documents at Head Office as a result of misfiling. However, the returns from the districts were currently available for audit verification. The Controlling Officer further submitted that during the period under review, money for fuel for the districts was being deposited into the respective district accounts and was only accounted for by sending expenditure returns with attached receipts. The Committee was informed that the Company had since introduced a fuel management system in line with the Public Stores Regulation and staff had been oriented.

Committee's Observation and Recommendation

The Committee finds the unavailability of the store's records during the audit process unacceptable and at variance with the Public Stores Regulation No. 16. This shows that there is poor management of stores at the CUs. The failure by Management to mete out disciplinary action on the erring officers has exacerbated the situation. The Committee therefore, directs that disciplinary action should be instituted against the erring officers who failed to execute their duties. A progress report will be awaited by the Committee.

f) Lack of Title Deeds - K11,718,439

Controlling Officer's Response

The Controlling Officer explained that the lack of title deeds for the properties in question was as a result of the non-issuance of the statutory instrument by the Ministry of Local Government and Rural Development regarding the transfer of assets from the Councils to the Commercial Utility Company.

He further informed the Committee that the delay in change of ownership for the properties procured by the Company, was as a result of the delay by the Ministry of Lands to produce the survey diagrams for the two properties that were sitting on one title from the Sisters of Jesus, where the Company bought the property from.

However, in an effort to secure the title deeds for the parcels of land in question, the Controlling Officer informed the Committee that the following measures were being undertaken:

i) follow ups were being made with the Ministry of Local Government and Rural Development on the issuance of the statutory instrument through the Ministry of Water Development and Sanitation;
ii) an application for change of ownership for the offices and parcels of land in Kasama and Mpika had been made; and
iii) survey diagrams for the new water and sanitation infrastructure were being prepared.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that the matter is aggressively pursued so that the title deeds to the properties are obtained. The Committee will await a progress report on the matter.

g) Management of Receivables - K27,520,136

Controlling Officer's Response
The outstanding water bills were as a result of the following:

i) some of the water bills belonged to Government institutions who usually took long to settle the bills;
ii) there were a number of inactive accounts for customers who left the network for alternative sources and were not paying, therefore, accumulating amounts totalling K8,092,845.89;
iii) disconnected customers who could not afford to pay resulted in the accumulation of amounts totalling K9,356,381.63;
iv) there were some vacant properties whose accounts resulted in the accumulation of amounts totalling K233,657.84;
v) customers still sitting on the prepaid system and paying 40% of the debt were still maintained on the post-paid database resulting in amounts totalling K 9,837,220.06; and
vi) a majority of customers stopped paying their water bills following the directive by the then Minister of Water Development, Sanitation and Environmental Protection not to disconnect defaulting customers as a result of the Covid-19 pandemic. This was compounded by the contraction in the social economic activities as some of the clients had their businesses closed.

In view of the foregoing, the Controlling Officer submitted that the CUs had put in place the following debt recovery measures:

i) the installation of the prepaid meters capped with 40% debt recovery. Using the prepaid system, the Company was able to recover 40% of the outstanding debt. Further, the Company was integrating the prepaid system to mobile payment platforms which would contribute to the effective debt recovery. By December, 2021 the company had recovered K1,061,853.31 from the outstanding debt;
ii) the issuance of demand notices aimed at compelling customers to settle their bills;

iii) putting in place a promotional strategy in order to encourage customers with outstanding balances to enter into payment plans instead of disconnecting them;
iv) introducing various convenient and flexible mobile payment platforms;
v) pursuing the debt swap option with quasi Government institutions; and
vi) engaging the Ministry of Finance and National Planning on the settlement of the outstanding Government debt.

Committee's Observation and Recommendation

The Committee is concerned that the debt owed to the CUs will affect its ability to provide the much-needed services to the community. The Controlling Officer is, therefore, strongly urged to ensure that the debt recovery measures put in place yield the desired results. The Secretary to the Treasury is, particularly, urged to provide funds to dismantle the amounts owed by the Government by deducting from source in order to expedite the process of debt recovery. The Committee will await a progress report on the matter.

h) Management of Payables - K49,449,302

Controlling Officer's Response

The Controlling Officer explained that the failure to meet the outstanding payables was as result of the following reasons:

i) financial constraints as a result of low revenue generation and collections to meet current liabilities. This was compounded by non-upward tariff adjustment since 2019, despite the increase in ZESCO tariffs which was the major cost driver of water production;
ii) loss of revenue as a result of non-revenue water due to dilapidated infrastructure;
iii) the prioritisation of expenditure for electricity and chemicals which were core elements in the production of water. As a result, the Company could not service debt which increased the inability to service other payables;
iv) the continued adherence to the Constitutional provision of maintaining employees whose benefits had not yet been settled. This had contributed to the increase of outstanding personnel emoluments which was one of the major components of the payables;
v) non-payment of debts by customers; and
vi) the CUs had instilled 17,847 prepaid meters capped at 40per cent. The installed prepaid meters represented 59.5per cent of the customer data base.

Committee's Observation and Recommendation

The Committee finds the state of affairs at the water utility company unacceptable, as its accrued debt is alarming. The Controlling Officer is urged to ensure that concrete measures are put in place to liquidate the accrued debt as soon as possible in order to avoid possible litigation. The Committee will await a progress report on the matter.

i) Weaknesses in Infrastructure Projects Management

i. Delayed Payment to Contractors - K97,716,171 (K41,225,975 and US$3,362,512)

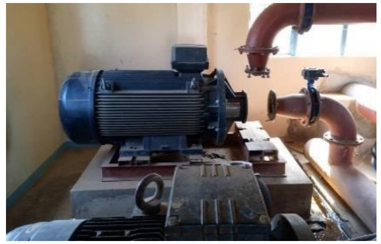
Controlling Officer's Response
The Controlling Officer informed the Committee that the delayed payment to contractors was as a result of the delayed disbursement of funds from the National Treasury. However, the Company had continued engaging the Ministry of Finance and National Planning through the Ministry of Water Development and Sanitation on the need to release funds on time to facilitate the timely payments of outstanding amounts to the contractors. This had resulted in the disbursement and payments to the contractors of amounts totalling K32,760,574.75.

Committee's Observation and Recommendation
The Committee expresses concern that the projects are being delayed on account of the Treasury not releasing the necessary funding and urges the Controlling Officer to liaise with the Secretary to the Treasury on the possible solution to the problem. The Committee further urges the Controlling Officer to ensure that in future, the CUs should only undertake projects when funds have been secured in order to avert such irregularities. The Committee will await a progress report on the completion of the six projects.

ii. Delayed Completion of Projects

Controlling Officer's Response
The Controlling Officer informed the Committee that the delayed completion of projects was as a result of delayed disbursement of funds from the National Treasury which prompted the demobilisation from the projects sites by the contractors. However, the Company had continued to engage the Ministry of Finance and National Planning, through the Ministry of Water Development and Sanitation, on the need to release the funds on time, in order to facilitate the timely payments of the outstanding amounts to the contractors. This had resulted in the disbursement and payments to the contractors of amounts totalling K32,760,574.75. Arising from the payments made, some contractors had since mobilised as submitted in the table below.

Project	Contractor	Contract Date/ Period	ContractSum	Amount Paid K	Scope of Work	Observation/Status
Construction and rehabilitation of water supply systems in Nakonde	China Gansu Engineering Corporation Limited	19 March 2015 to 19 March, 2016 Extended to November, 2019	K33,900,342.64	K19,765,645.13	- Construction of a new raw water intake at the 'New Dam' - Construction of operator Houses at the New Dam, Old Dam, Katozi and Mwenzo -Installation of 2km DN 315 New Dam to Water Treatment Plant HDPE water main from Stations at the Old Dam and Water Treatment Plant -Dredging of the Old Dam - Installation of 2.5km DN250UPVC water main from Old Dam to the Water Treatment Plant Rehabilitation and Replacement of filter media in the slows and filters - Installation of 1 No.300m^3/hr Modular Water Treatment Plant -Construction of 1 No. Administrative office block - - Installation of the 500m^3 Katozi elevated water tank -Rehabilitation of the Existing 2,000m^3 concrete ground tank at Katozi water Distribution	As at 30th September 2021, the Project was 90% complete with the following major works outstanding. 1. Installation of a tank at Katozi, 2.Electrification of operator Houses at Mwenzo, new and old dams, 3.Installation of four(4) pumps at old dam and Water Treatment Station, ***Uninstalled water pump a told*** ***Dam Nakonde*** ***Tanks Installed but not in use at Mwenzo*** 4.Installation of a water supply network in Mwenzo, therefore, The tanks that were installed in 2017 were not in use as at 30th September, 2021. See Picture above 5. Commissioning of new rising Main from WTP to Katozi**,**

					Centre -Completing installation of the $300m^3$ elevated water tank in Mwenzo -Installation of the water distribution network(46km) -Installation of 500 prepaid water meters and 1513 post- paid water meters -Construction and equipping of two (2) boreholes in Mwenzo	6. Supply of office furniture, 7. Painting of operator house at Katozi, and  8. Drilling one borehole and equipping the other drilled boreholes.
Construction of Water Supply systems in Mpulungu	China Gausu Engineering Corporation Ltd	3rd February 2016 to December 2018	K167,252,051.91	K27,475,227.00	Construction of raw water intake on Lake Tanganyika Installation of a 4.5km rising main from raw water intake to WTP Construction of new conventional WTP Construction of 2No. water storage reservoirs Construction of 1No. Administration office block Installation of distribution Network and metering to achieve 100%coverage Constructionofa6.5MLWater Treatment Plant including Electro mechanical equipment	As at 30th September, 2021, the contractor was not on site. As at 30th September, 2021, only partial construction of the water intake at Lake Tanganyika had been done, which translated to 17% of the works, with the rest of works outstanding. See picture below. ***Partial construction of the water intake at the Lake.*** As at 30th September, 2021, the contractor was not on site.

					Construction of reinforced Concrete command reservoir at the water treatment plant Construction of primary, secondary and tertiary distribution mains Construction of new district office block	

Committee's Observation and Recommendation

The Committee resolves to await a progress report on the status of the projects until all the remaining works are satisfactorily completed.

4.0 EASTERN WATER AND SEWERAGE COMPANY LIMITED

4.1 Audit Findings

An examination of financial and other records maintained at the headquarters and regional offices for the financial years ended 31st December, 2019 and 2020, revealed the following irregularities to which the Controlling Officer responded as highlighted below.

a) Budget and Income

Controlling Officer's Response

The Controlling Officer informed the Committee that the failure to attain the set revenue targets for the period under review, was as result of the failure to attain the set target for new connections due to longer lead time resulting from the COVID-19 pandemic, which disrupted the global supply chain. Further, water losses through leakages, water theft, the under registering of meters leading to the loss of revenue amounting to K21,059,820 in 2019, and K23,062,943 in 2020 and the non-approval of the anticipated water and sanitation tariff adjustment during the period under review, were other challenges highlighted. Furthermore, water and sanitation services were sold below the unit operation cost.

This, therefore, affected the limited resources towards the adequate maintenance of old and dilapidated infrastructure; increased payables such as statutory obligations and payments to suppliers; delayed the payments of retirement benefits and gratuities and limited resources for capital investment projects such as network extensions in un-serviced areas.

However, the Company, through the Ministry of Water Development and Sanitation, had commenced the procurement of water meters for new connections and replacements. So far, the Company had procured and installed 4,505 meters. The Company had further mobilised resources from KfW Development Bank for capital investments in the rehabilitation of the water network. The contract had since been signed with the consulting firm (CES Consultants) and involved the design and construction supervision. The Committee was further informed that the Company was undertaking community sensitisation on the dangers of theft and vandalism of water installations and had applied to NWASCO for an upward tariff adjustment. Feedback was being awaited.

The Controlling Officer further submitted that the income over budget variance for the period under review stood at 28 percent (K35,679,884). However, for the financial year ended 31st December, 2021, the income over budget variance stood at 24 percent (K16,305,109).

Committee's Observation and Recommendation

The Committee observes that the Company's income is below budget and is concerned that this may result in its failure to implement budgeted for programmes. The Committee, therefore, urges the Controlling Officer to ensure that the suggested measures are expeditiously implemented in order to help the Company improve its liquidity in order to support its budget. The Committee will await a progress report on the matter.

b) Financial Analysis-Statement of Comprehensive Income

- **Profitability**

Controlling Officer's Response
The Controlling Officer explained that the high operating costs during the period under review, were caused by the high electricity expenses as a result of the 150% upward adjustment of the electricity tariff in 2020, by ZESCO Limited; high chemical costs as a result of increased prices during the period under review; and an increase in labour costs as a result of kiosk commissions and staff training. These contributed to the increase in operating costs in 2020, and an increase in the depreciation expenses. The Committee was informed that this was as a result of the acquisition of assets that were not part of the Company's books. Further, in 2020, there was a substantial increase in fixed assets of more than 150 percent which contributed to the jump in operating expenses in 2020.

The Controlling Officer further informed the Committee that the Company was in the process of increasing the asset utilisation of the water infrastructure through network extensions and customer connections. This would result in an increased revenue generation that would offset the operating expenses recorded in the period under review. Further, the Company, through USAID-WASH-FIN had commenced the implementation of connecting selected well fields at Mufumbizi in Nyimba, to solar energy and it was expected that the Company would save an average of 40 percent of the current power usage in Nyimba.

The Controlling Officer further reported that arising from the general increase in the cost of operations in production inputs such as electricity, chemicals and fuel among other things, without a corresponding increase in tariffs, the Company had continued to incur further losses.

Committee's Observation and Recommendation
The Committee observes, with concern, the failure to realise profits due to operating expenses being higher than the turnover. Further, the Committee takes cognisance of the strategies that have been embarked upon, coupled with the support from other cooperating partners. In this regard, the Committee urges the Controlling Officer to ensure that these strategies are expeditiously implemented in order for the Company to sustain and meet its growing demands. The Committee will await a progress report on the matter.

c) Operational Matters

i. Comparative Performance in the Water and Sanitation Sector

- **Non –Revenue Water (NRW) - K44,281,818**

Controlling Officer's Response
The Controlling Officer informed the Committee that the high non-revenue water was as a result of the following:

i. the old and dilapidated water network infrastructure, especially in Chipata city;
ii. the high accumulation of calcium in the water network in Petauke District resulted in huge water losses during the unblocking of pipes and flushing of water meters;
iii. loss of water meter efficiencies as a result of the under-registering of old water meters; and
iv. data handling errors due to manual meter reading and billing processes.

However, the Company had mobilised resources from KfW Development Bank for capital investments in order to rehabilitate the dilapidated old water network infrastructure in Chipata. The contract had since been signed with the consulting firm (CES Consultants) and the Company was also in the process of securing resources from ASPAC/Global Water Resources Zambia in order to resolve the accumulation of calcium in the water network in Petauke, as a short to medium term measure. The Controlling Officer further informed the Committee that the Company had also continued to unblock the pipes as an immediate measure. However, the long-lasting solution was to migrate the underground to surface water source, and the Company had begun mobilising resources for this intervention. He also informed the Committee that the Company had also acquired a portable meter testing kit to scale up the process of replacing old water meters that were under-performing and had automated the meter-reading operation by procuring the electronic meter-reading application in order to eliminate data-handling errors. The Committee was further informed that the current status of the Company's non - revenue water stood at 44 percent.

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

- **Operation and Maintenance Cost Coverage by Collection**

Controlling Officer's Response
The Controlling Officer explained that the failure to meet the sector bench mark on operation and maintenance cost coverage by collection, was as a result of high energy costs resulting from an increase in electricity tariffs; high chemical costs due to the depreciation of the local currency during the period under review; high depreciation costs; a low revenue base due to limited customer base; and high NRW due to old and dilapidated infrastructure.

However, the Company, through the Ministry of Water Development and Sanitation, had continued to engage the Ministry of Energy on a special tariff for CUs. Furthermore, the Company was also exploring the use of alternative energy sources such as solar. For instance, Kacholola Water Supply Scheme and the Nyimba Well Fields, were being operated using solar energy.

The Committee was further informed that the Company had so far procured and installed 4,505 meters and the Ministry of Water Development and Sanitation had commenced the procurement of water meters for new connections. Furthermore, the Company was undertaking network extensions and rehabilitations. This would result in the reduction of NRW and ultimately, improve the operation and maintenance cost coverage. Nonetheless, the Committee learnt that the current status for operation and maintenance coverage stood at 66 percent.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that the strategies earmarked to improve the cost coverage by collection are expeditiously implemented in order to attain the 100% acceptable benchmark for the sector. The Committee will await a progress report on the matter.

- **Staff Efficiency Indicator**

Controlling Officer's Response
The Controlling Officer explained that the cause of the higher staff cost in relation to billing and collection, was the high staff costs. He submitted that due to the nature of the business, several

districts and business centres were unable to cover their operation cost from the revenue they generated, yet the requisite staffing level and skills mix had to be maintained in such a loss-making business in order to provide a service to the people. Further, the high cost of additional labour and the payment of overtime, due to the maintenance of old and dilapidated water network was another cause of the higher staff cost in relation to billing and collection highlighted.

However, the Committee was informed that the Company had embarked on an infrastructure development programme aimed at increasing the network and connections, had automated business processes by introducing the electronic billing and meter reading application, as opposed to paper-based, which was aimed at reducing the high staff costs and improve staff efficiency. The Company had also introduced payment solutions using various mobile banking platforms in order to reduce labour costs. In view of the foregoing, the status for staff efficiency stood at 79 percent.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that the infrastructure development programme that the CUs has embarked on, is expeditiously implemented in order to reduce the high staff costs and improve the staff efficiency. The Committee will await a progress report on the matter.

ii. Delays in Making New Connections for Paid-Up Customers

Controlling Officer's Response
The Controlling Office submitted that the delay in connecting new customers was caused by the delayed delivery of water meters and new connection materials by suppliers due to the disruption in the global supply chain as a result of the COVID-19 pandemic and customers who were not ready or available to be physically connected on the ground because of death; bare plots or sold property, despite having paid for the new connections.

However, the Committee was informed that the Company had put in place mechanisms to ensure that water meters and connection materials were available for new connections and the customers were connected as and when they paid. Further, the Ministry of Water Development and Sanitation was in the process of procuring water meters in order to address the delays in making new connections for the paid-up customers. The customers in question had since been connected and new customers were being connected within the recommended ten working days.

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

d) Management of Payroll and Staff Related Matters

i. Litigation Costs– Wasteful Expenditure - K239,377

Controlling Officer's Response
The Controlling Officer explained that the officer had resigned during the engagement. In the engagement, the officer was being offered an alternative position but the officer opted to resign prematurely before the conclusion of the engagement process. He was not willing to engage any further, but decided to take the Company to court. Unfortunately, the Company lost the case on constructive dismissal in court. Therefore, the engagement process failed due to lapses in

communication and Management had since taken disciplinary action against the erring officer (s). The Committee was further assured that Management had also resolved to take due care when dealing with unpaid leave, resulting from the lessons learnt.

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

iii. Outstanding Receivables - K16,065,187

Controlling Officer's Response
The Controlling Officer informed the Committee that the outstanding receivables were as a result of the slowdown in economic and social activities due to the COVID-19 pandemic, which affected the disposable income of the customers, resulting in the low payment of water bills. Further, the Government directive not to disconnect customers defaulting on payment of bills, as a measure to mitigate the spread of COVID-19 pandemic also resulted in low revenue collection. Furthermore, the delayed payment of outstanding water bills by Government institutions resulted in the outstanding receivables from water kiosks attributed to NRW at kiosks.

However, the Company had introduced electronic payment platforms, such as mobile money payments; the Investrust online payment system; Kazang; and Shoprite, in order to make it easy for customers to pay their bills, even amid the COVID-19 pandemic and other impediments. The Company also used external debt collection agencies to enhance the collection of debt, especially from difficult customers. The Company also implemented the Prepaid Water Metering Systems; resumed the disconnection of owing customers and continued the implementation of flexible payment plans with customers in distress. The Committee was further informed that the Company had also continued engaging the Ministry of Finance and National Planning through the Ministry of Water Development and Sanitation for possible debt swaps and had continued to repair all the leaks in order to reduce the NRW at kiosks. The Controlling Officer further submitted the current status of the irregularity in the table below.

No.	Customer type	Total K	Current Status 1st July, 2022
1	Domestic Customers	8,864,866	7,306,029.96
2	Commercial Customers	3,008,242	1,917,255.19
3	Government Institutions	3,607,797	2,729,206.83
4	Water Kiosks	584,282	798,131.13
	Total	**16,065,187**	**12,769,905.92**

Committee's Observation and Recommendation
The Committee is concerned that the debt owed to the CUs will result in its failure to meet operational costs due to the poor inflow of funds from the debtors. Therefore, the Controlling Officer is strongly urged to ensure that the debt recovery measures put in place yield the desired results. The Secretary to the Treasury is, particularly, urged to provide funds to dismantle the amounts owed by the Government by deducting from source, in order to expedite the process of debt recovery. The Committee will await a progress report on the matter

e) **Management of Liabilities**

i. **Outstanding Statutory Obligations - K20,207,904**

Controlling Officer's Response
The Controlling Officer informed the Committee that the non-remittance of statutory obligations was as a result of the Company's monthly average billing of K2,800,000, which was lower than the monthly average operational costs of K3,500,000. As a result, the Company was unable to pay both statutory obligations and employee separation benefits in full.

Nonetheless, the Company had since signed payment plans with the ZRA; Workers Compensations Fund Control Board (WCFCB); the National Health Insurance Management Authority (NHIMA); and the Local Authorities Superannuation Fund (LASF). So far, K590,000; K150,000; K162,188.42; and K137,920.21, had been remitted towards the dismantling of the outstanding arrears to ZRA; WCFCB; NHIMA; and LASF respectively, since 31st December, 2021. The Controlling Officer also informed the Committee that the Company had over the period 2019 to 2022, paid an amount of K1,040,108.63 towards the statutory obligations.

Therefore, the current status was submitted in the table below.

No.	Details	As at31.12.2020 K	As at1.7.2022 K
1	Pay As You Earn	17,432,584	23,938,054.25
2	NHIMA	43,976	318,784.12
3	WCFCB	380,341	388,832.89
4	LASF	1,201,889	1,657,862.83
5	National Pension Scheme Authority	1,149,115	2,012,923.58
	Total	**20,207,904**	**28,316,457.67**

Committee's Observation and Recommendation
The Committee expresses disappointment at the failure by the CUs to remit these statutory obligations on time, as failure to do so results in the imposition of huge penalties, which can lead to the loss of public resources. This would affect the CU's financial position and consequently, its ability to execute planned programmes. The Controlling Officer is, therefore, encouraged to pursue the matter to its logical conclusion. The Committee will await a progress report.

ii. **Outstanding Staff Obligations- K1,203,999**

Controlling Officer's Submission
The Controlling Officer informed the Committee that the outstanding staff obligations were a result of the Company facing liquidity challenges. However, the Company had since managed to pay the outstanding staff obligations of K1,203,999 for the period under review.

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

5.0 KAFUBU WATER SUPPLY AND SANITATION COMPANY LIMITED

5.1 Audit Findings

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

a) Budget and Income - K22,016,118

Controlling Officer's Response

The Controlling Officer explained that during the period under review, Management collected a total of K227, 222, 961, out of the targeted revenue of K283, 631, 500, translating into a revenue deficit of K56, 408, 539 for water charges. He further informed the Committee that a total amount of K67, 328, 277, was collected out of the targeted revenue of K113, 454, 600, translating into a revenue deficit of K46, 126, 323 for sanitation charges. Further, a total amount of K7, 189, 870 was collected out of the targeted revenue of K23, 223, 400 translating into a revenue deficit of K16, 033, 430 for other charges. The above variances for water, sanitation and other revenue charges resulted into the overall variance of K22, 016, 118.

The Committee was further informed that the set revenue targets were not attained due to the following reasons:

i) the Company had old and dilapidated infrastructure which resulted in the loss of large volumes of water. The cumulative loss in terms of NRW was K599, 353, 484;
ii) the delay in the completion of the Kafulafuta Water Supply System Project (KWSSP) which had an expected 17, 000 new connections. The project was expected to be completed by October, 2020. It was estimated that on annual basis, the project would connect 4,000 new households to water services translating into K12 million expected revenue per annum. The delay in the completion of the KWSSP had also affected network repair and maintenance which was an integral part of the project. This component of the project was aimed at reducing the NRW which had affected revenue and income generation;
iii) the non-approval of the 30 percent upward adjustment in the tariffs by the NWASCO board contributed to the revenue deficit of approximately K43.2 million; and
iv) the loss of revenue due to the effects of the COVID-19 pandemic which disrupted social and economic activities such as the operation of schools, and other social amenities, which were major sources of revenue.

The Controlling Officer further informed the Committee that the deficit in the revenue collection affected the implementation of water supply and sanitation activities such as the repairs of the water and sanitation network that were not fully undertaken resulting, therefore, in continued water losses and low sanitation coverage, as well as the construction of new water networks in selected areas.

However, the following actions outlined below were taken in order to improve revenue generation.

i) The formation of a Non-Revenue Water Unit, whose function was mainly to ensure the reduction of both the physical and commercial losses of water by identifying leakages and carrying out remedial works among other functions. The Non-Revenue Water Unit's major achievement was the identification of 366 illegal connections, which resulted in the recovery of K473,994.

ii) Management had procured zonal meters under the KWSSP to allow for the accurate measurements of the volumes of water to a particular area. Five zonal meters had been installed in Hillcrest in order to correctly quantify the volume of water in the area. The zonal meters had helped in prioritising areas that required interventions in order to address the losses of water which ultimately contributed to the reduction in the NRW.

iii) The Company, under the KWSSP, had procured 27,000 pre-paid meters, of which 10,500 had been delivered. The remaining 16,500 were yet to be delivered. The Company had installed 10,110 out of 10,500 prepaid meters. So far, K24 million had been collected from the pre-paid customers out of which K7.3 million was debt owed. The installation of pre-paid meters had ensured that customers pay for water consumed and the outstanding bills.

iv) Management had purchased automated meter reading devices in order to increase the billing efficiency.

v) The Company, through the Ministry of Water Development and Sanitation, continued to make follow ups with the Ministry of Finance and National Planning regarding payments towards the KWSSP, to enable the completion of the network in new areas, in order to increase the customer base. The Ministry of Finance and National Planning had reached an agreement with the contractor to resume works by the end of September, 2022.

Committee's Observation and Recommendation

The Controlling Officer is urged to ensure that the introduced measures increase the much-needed revenue for the Company to meet its operational cost especially the completion of the Kafulafuta Water Supply System Project, which will reduce the NRW that has affected revenue and income generation for the Company for the longest time. A progress report will be awaited by the Committee.

b) Corporate Governance

i. Failure to Hold Annual General Meeting (AGM)

Controlling Officer's Response

The Controlling Officer explained that the failure to hold the AGM for the period under review, was because of the non-completion of the audited financial statements by the external auditors. Further, the Company had several challenges among others, the under staffing of key positions critical in the finance department, such as the Finance Manager and Management Accountant. He informed the Committee that the Company had experienced a high staff labour turnover due to uncompetitive conditions of service at the time. This had resulted in, the Company having a backlog of unaudited financial statements.

However, in order to ensure the timely holding of the AGM, the Controlling Officer informed the Committee that Management had employed key accounting staff such as the Finance Manager and Management Accountant to ensure the efficient and timely preparation of financial statements. Furthermore, on 9th February, 2021, permission was sought from the Registrar of Patents and Companies Registration Agency to hold the meeting at a later stage in accordance with *section 57 (2) of the Companies Act No. 10 of 2017.* Authority was given by the Registrar and Chief Executive Officer of the Patents and Companies Registration Agency, to defer the AGM to a later date.

In view of the foregoing, the 2019 audited financial statements had been completed and the commencement of the audit of the financial statements for the year ended 31st December, 2020, was awaiting the clearance of the award of contract to a successful bidder by the Attorney General's Chambers under the Ministry of Justice. The AGM was scheduled to take place on 21st October, 2022.

Committee's Observation and Recommendation

The Committee finds it unacceptable that Kafubu Water and Sanitation Company Limited disregarded the provisions of section 57 (1) of the *Companies Act No. 10 of 2017*, for two consecutive years and is disappointed that the Controlling Officer did not ensure that the provisions of the Act with regard to failure to hold the AGM were invoked. The Committee contends that it is inconceivable that Management failed to employ critical accounting staff such as the Finance Manager and Management Accountant, which negatively affected the operations of the Company. The Committee, therefore, sternly cautions Management for failure to assure good corporate governance and guarantee the effective operations of the Company. The Committee further emphasises the need to invoke applicable provisions of the Act for failure to hold the AGM in order to curb the vice. The Committee will await a progress report on the matter.

ii. Lack of Contract for External Auditors

Controlling Officer's Response

The Controlling Officer explained that the absence of a contract was due to the misplacement of a copy on the Company's part, due to changes in the custodians of the contract documents. However, a copy of an addendum of the contract for the audit of the financial statements for the period ended 31st December, 2019, had been sourced and was in place.

Committee's Observation and Recommendation

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

c) Management Information Technology Systems

i. Lack of Governance Framework

Controlling Officer's Response

The Controlling Officer explained that the failure to adopt an IT governance framework was as a result of financial constraints. Therefore, the Company chose the Information Technology Infrastructure Library (ITIL) instead. He informed the Committee that the average cost of implementing ITIL was over USD 200,000 which the Company could not afford. The cost included process assessment; process design and development; training; and implementation of the framework. However, a budget provision had been made in the 2022, budget and the training in ITIL had been scheduled for the 4th quarter of 2022.

Committee's Observation and Recommendation

The Committee finds it highly unacceptable that the Company did not adopt any standards and frameworks for managing its IT operations during the period under review and only acted after the audit. The Committee observes that this is a serious omission as the management of ICT activities is not well coordinated. The Committee urges the Controlling Officer to sternly caution Management for this failure and to ensure that the ITIL is implemented without further delay, as the benefits of putting it in place will outweigh the cost of purchasing it. A progress report will be awaited by the Committee.

ii. Use of Operating Systems at End of Life Support

Controlling Officer's Response
The Controlling Officer explained that management could not upgrade the operating systems in question to a supported version due to the non-compatibility of the hardware. This entailed that management needed to procure new computers to replace the old ones. However, Management could not procure the computers due to financial constraints.

Nonetheless, thirteen computers had so far been procured with the Windows 10 operating system which was supported. The Company had also managed to upgrade five computers from windows 8 to 8.1 after the installation of the compatible hardware. Furthermore, twenty- nine computers from the reported thirty-nine computers were yet to be replaced. The Company had further procured fifty-six computers awaiting the delivery with the Windows 10 operating system under the KWSSP.

Committee's Observation and Recommendation
The Committee observes that the failure to upgrade the operating systems to a supported version risked the computers to exposure to harmful viruses, spyware and other malicious software as a result of not receiving security updates to support the operating system. Therefore, the Committee urges the Controlling Officer to sternly caution Management for this serious breach of IT requirements. The Committee further urges the Controlling Officer to closely monitor the situation in order to avert a recurrence of such a lapse and ensure that the Company's operating systems were up to date with the required supported versions. The Committee will await a progress report on the matter.

iii. Inadequate Physical and Environmental Controls over the Server Room

Controlling Officer's Response
The Controlling Officer submitted that the inadequate physical and environmental controls over the server room were due to lack of space to accommodate a second backup air conditioner and a grill door due to the nature of the existing demarcation of part of the server room that could not accommodate it.

However, the server room had since been reconstructed with a new modern steel security door installed. Further, the Company under the KWSSP, was also constructing a new head office that was equipped with a modern server room. The new head office was seventy percent complete and would be completed before the end of 2022.

Committee's Observation and Recommendation
The Committee questions the commitment of the CUs towards the management of IT systems given the numerous audit queries cited in the audit Report. The Committee sternly cautions Management against being reactive to the audit and contends that lapses such as these can result in the loss of equipment and vital data. The Committee resolves to close the matter, subject to audit verification.

iv. **Lack of Disaster Recovery Site**

Controlling Officer's Response
The Controlling Officer informed the Committee that the construction of the Company's Offsite Backup and Disaster Recovery Site at Itawa Water Treatment Plant, was halted following the commencement of the Kafulafuta Water Supply System Project. This was because the Project included the construction of the KWSC new head office, which included a modern server room. Therefore, the existing server room would be converted into an Offsite Backup and Disaster Recovery site.

In order to mitigate the risk of disaster, the Controlling Officer informed the Committee that the Company had continued to automatically backup all critical software systems to ensure a minimum impact on the business process in the event of disaster. The Company had also reviewed the available options for the Offsite Backup and Disaster Recovery site and would utilise the servers procured under the KWSSP. This would facilitate the setting up of the DR site. The Controlling Officer further submitted that the Company under the KWSSP had procured four new servers awaiting delivery.

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

v. **Lack of Offsite Backup Site**

Controlling Officer's Response
The Controlling Officer explained that the construction of the Company's Offsite Backup and Disaster Recovery site at Itawa Water Treatment plant, was halted following the commencement of the Kafulafuta Water Supply System Project. This was because the project included the construction of the Company's new head office, which included a modern server room. The existing server room would be converted into an Offsite Backup and Disaster Recovery site.

In order to mitigate the risk of disaster, the Controlling Officer informed the Committee that the Company continued to automatically backup all critical software systems to ensure a minimum impact on the business process in the event of disaster. The Company had also reviewed the available options for the Offsite Backup and Disaster Recovery site and would utilise the servers procured under the KWSSP. This would facilitate the setting up of the DR site. The Controlling Officer further submitted that the Company under the KWSSP had procured four new servers awaiting delivery.

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

vi. **Lack of Control Over Promun Database**

Controlling Officer's Response
The Controlling Officer informed the Committee that the Promun System was built using a progress programming language which did not give direct access to the database. This was because it used an indirect access to the database management system different from the common sequential query language. There was no external party including the vendor that could access the Promun database unless given permission by the Utility Company. This had been confirmed by the developer.

Further, the Company continued to monitor the security of the system through various audit trails automatically generated by the System. This ensured high levels of security. Further, the Company's employees were also trained in the full structure of Promun, table structure, and how to use the open database connectivity. The Committee was further informed that the Company had indirect access to the database tables and data through the open database connectivity and had not recorded any breach in security of the Promun system to date. Furthermore, and all the audit trails were up to date and continued to be monitored.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that all the ICT related matters under this CU, are resolved and that the capacity in the ICT Department is enhanced. However, this matter is recommended for closure, subject to audit verification.

d) Operational Matters

i. Comparative Performance in the Water and Sanitation Sector

- **Non –Revenue Water (NRW) -K599, 353,484**

Controlling Officer's Response
The Controlling Officer submitted that the failure to reach the benchmark of 25per cent for the period under review, resulting in a revenue loss of K599, 353, 484 was due to the dilapidated water network infrastructure due to old age; the wastage of water by some customers that were not metered; the under registering of water consumption by some old and defective water meters; illegal connections and meter by-passes; and the vandalism of water network infrastructure.

However, water network repair materials worth US$2.7 million had been procured under the KWSSP. Further, the Company, under the same Project, had procured 16, 500 meters as a further measure to reduce the NRW. Furthermore, 10,110 prepaid meters had been installed. The formation of a dedicated Non-Revenue Water Unit and a Metering Unit was also undertaking timely leakage detections, repairs and meter management.

The Committee was also informed that the Company was conducting sensitisation on the dangers of vandalism, water theft and illegal connections. In view of the foregoing, a total of 366 illegal connections had been discovered and an amount of K473, 994 had been recovered from water losses and penalties paid. Furthermore, the Company had taken suspected vandals to court, which had resulted in three convictions and one matter pending determination before the courts of law.

The Controlling Officer further submitted that the Ministry of Finance and National Planning had reached an agreement with the main contractor of the Kafulafuta Water Supply System Project to resume works by the end of September, 2022. The Project would address the technical and commercial losses of NRW.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that the measures put in place yield the desired results in order to achieve NWASCO's benchmark of 25 percent. The Committee will await a progress report

- **Sanitation Coverage**

Controlling Officer's Response
The Controlling Officer explained that the low sanitation coverage was due to the inadequate capital investment for the extension of the sanitation infrastructure, lack of integrated planning when opening up new areas for development amongst stakeholders which included the water utility, local authorities and the Ministry of Lands and Natural Resources. This led to low sanitation coverage and the mushrooming of unplanned settlements which were usually highly populated.

However, the Company had embarked on an in-house project to rehabilitate five kilometres of dilapidated sewerage networks in Mpatamatu Township in Luanshya, which would benefit approximately 4,700 households, at a total cost of K11 million and the Company was implementing the NWASCO approved sanitation surcharge. This surcharge was aimed at generating revenue which would be used for the extension of sanitation services to un-serviced townships in its coverage area. So far, the Company had raised a total of K1.2 million from this surcharge.

The Controlling Officer further reported that the Company, through the NWASCO, also billed a sanitation surcharge of 2.5 percent for all water consumed by its customers. The funds were ring fenced and only used to undertake in-house sanitation projects in Mpatamatu and Masala Townships. So far, 1.8 kilometres had been rehabilitated benefiting 1,928 customers. The Company had further acquired two vacuum tanker trucks to empty septic tanks.

Committee's Observation and Recommendation
The Committee is disappointed to note that a number of urban households did not have access to adequate sanitation which may compromise public health. The Committee strongly urges the Controlling Officer to work closely with the Board and Management of the Company in order to resolve this issue. The Controlling Officer is further urged to engage the relevant local authorities and the Ministry of Lands and Natural Resources on the need for integrated planning when opening up new areas for development amongst the stakeholders. The Committee will await a progress report on the matter.

- **Metering Ratio**

Controlling Officer's Response
The Controlling Officer submitted that the failure to achieve the 100 percent metering ratio, was due to financial constraints with regard to the procurement of over 20,000 meters, at an estimated cost of K19.8 million; the failure rate of some of the existing meters which had reached their end of life span; and the theft of meters that were made out of metal components.

However, the Company had made a provision of K27, 440,000.00, in the 2022 budget, to replace dilapidated meters and install new ones, in order to increase the metering ratio.

In addition, the Company had embarked on the installation of pre-paid meters. This measure was anticipated to contribute to the attainment of the 100 percent metering ratio. In this regard, the Company had so far procured 16,500 new water maters in an effort to increase the metering ratio through the KWSSP. Furthermore, the procurement of 1,000 post-paid meters had been approved by the main tender Committee to be installed at unmetered properties. In order to reduce the theft of meters, the Company had procured only plastic meters.

Committee's Observation and Recommendation
The Committee notes the response and resolves to await an update on the improvement of the metering ratio benchmark.

- **Collection Efficiency Standard**

Controlling Officer's Response
The Controlling Officer explained that the failure to meet the collection efficiency standard in 2019, was due to the inconsistent payment for water and sanitation services by Government institutions, which accounted for over 30per cent of the Company's billed revenue per month, ultimately, negatively, affecting the overall collection efficiency and the poor paying culture by domestic customers in medium and low-cost areas.

However, in an effort to attain the 85 per cent collection efficiency benchmark set by NWASCO, the Company had implemented the measures outlined below.

i. Making follow ups with the Ministry of Finance and National Planning on the settlement of the outstanding debt owed by the Government institutions. The engagement with the Ministry resulted in the payment of K62 million in 2020. This contributed to the increase in collection efficiency from 59.9per cent in 2019 to 100per cent in 2020.
ii. Installing pre-paid meters in the medium and low-cost areas. The installation of pre-paid meters had ensured that the customers paid for services before consumption.
iii. Introduction of multiple payment systems in a bid to improve the payment culture. These included mobile money; online banking platforms and DDACC among other systems. In addition, flexible cash plans had also been introduced to enable customers pay debt, over a period of time.
iv. Conducting stakeholder meetings with various client groups in order to emphasise the importance of paying for services.

In view of the foregoing, the collection efficiency was currently at 90 percent K21 million had been collected from the Government and the Company had installed 10,110 out of 10,500 prepaid meters. So far, K24 million had been collected from pre-paid customers and out of which K7.3 million was debt owed. The Controlling Officer further informed the Committee that, through the Office of the Copperbelt Permanent Secretary, the Company had engaged heads of Government institutions and ministries within its catchment area in order to encourage the timely payment of service bills to the Company. Furthermore, various stakeholder meetings had been held in Mushili, Kawama, Mpatamatu and Itawa extension among others.

Committee's Observation and Recommendation
The Committee notes the Controlling Officer's submission and awaits a progress report on whether or not the measures put in place to improve the collection efficiency have yielded the desired results.

ii. Commercial Customers Billed as Domestic Customers - K137, 750

Controlling Officer's Response
The Controlling Officer explained that the inability to change tariffs from commercial to domestic was due to the failure by the customers to notify the Company on the change of usage of the property. Therefore, the customers referenced above changed usage of their properties

from domestic to commercial without notification, ultimately leading to the non-amendment of applicable tariffs by the Company.

Therefore, in order to correct the undercharge of K137, 750 on the 127 customers, the Controlling Officer informed the Committee that the amounts that were undercharged had been added back to the respective customers' accounts, with a view to recover. Further, the Company had engaged the local authorities in its catchment area for quarterly updates regarding the change of use of premises. Furthermore, a consumer tariff and code that classified the accounts as "domestic" had been corrected to "commercial" and the accounts were being billed on the correct tariff.

The Controlling Officer also submitted that the Company through the Non-Revenue Water Unit, had intensified the inspections of customer properties in order to verify the activities being undertaken at the customers properties, in order to ensure that the correct tariffs were applied to the customer properties. Letters of notifications on the adjustments made to the customers' accounts had been delivered and acknowledged. In view of the foregoing, the Company had fully recovered the undercharge of K137, 750 with a total of K341, 061.41 paid by the customers in question. The supporting documents were availed for audit verification.

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

e) Accounting Irregularities

i. Lack of Audited Financial Statements

Controlling Officer's Response
The Controlling Officer explained that the Company had several challenges among others, being the under staffing of key positions which were critical in the Finance Department such as the Finance Manager and Management Accountant. Further, the Company had experienced a high staff labour turnover due to uncompetitive conditions of service at the time. As a result, the Company had a backlog of unaudited financial statements. However, in order to ensure the efficient and timely preparation of financial statements, the Committee was informed that Management had employed key accounting staff and mechanisms had been put in place for retention. Further, Management did not renew the contract of employment for the then Director of Finance.

The Committee further learnt that the 2019, financial statements had been concluded awaiting the Board's approval in readiness for the Annual General Meeting scheduled for 21st October, 2022. The draft 2020, financial statements were also in place awaiting the award of the contract for external audit services.

Committee's Observation and Recommendation
The Committee observes that the failure by the CUs to prepare financial statements is an indication that the Board appointed to oversee the operations of the Company is failing in its duties. In this regard, the Committee strongly urges the Controlling Officer to ensure that performance contracts for the Board Members are put in place in an effort to curb such poor performance. The Committee resolves to keep the matter open until the financial statements in question are audited and availed to the Office of the Auditor General for verification. A progress report, will, therefore, be awaited by the Committee.

ii. Failure to Withhold Withholding Tax -K110, 768

Controlling Officer's Response
The Controlling Officer explained that the Company remitted gross rentals to the landlords on the basis that the landlords would pay the ten per cent withholding tax. However, the Company had written to the landlords in question advising them on the need to pay the withholding tax. This anomaly was corrected as the Company started withholding tax on all rental payments in 2021, as required.

Committee's Observation and Recommendation
The Committee finds the failure by the CUs to comply with the provisions of section 82a (1)(c) of the *Income Tax Act No 3 of 1997,* unacceptable. The Committee directs the Controlling Officer to censure Management for this omission. In addition, the erring officers should also be disciplined for failing to comply with the provisions of the *Income Tax Act* in order to curb this conduct. A progress report will be awaited by the Committee.

f) Failure to Fill Key Vacant Positions

Controlling Officer's Response
The Controlling Officer explained that during the period under review, the organisational structure was being reviewed in order to realign it with the Company operations. Therefore, these positions could not be filled. He further submitted that the Company engaged the Management Development Division under Cabinet Office, to review the organisational structure in order to respond to the strategic direction of the CUs and the sector. The organisational structure review exercise by the Management Development Division had been completed and the structure had since been submitted to Management for implementation. In view of the foregoing, the position of the five key vacant positions was submitted as follows:

i) the position of Manager, Sewerage had been filled effective 1st January, 2022;
ii) the position for Manager, Safety, Health, Environment and Quality, had been filled effective 8th August, 2022;
iii) the roles of the position of Manager, Electrical, had been merged with those of the Manager, Technical Services. Therefore, the position of Manager, Technical Services, was filled;
iv) the position of Manager, Water Production had been filled effective 1st June, 2022; and
v) the roles of the position of Manager, Water Distribution had been merged with those of Manager, Water Production. Therefore, the position of Water Production Manager was filled.

Committee's Observation and Recommendation
The Committee notes the response but is concerned with the huge number of vacancies that have not been filled. The Committee contends that this has the potential of negatively affecting the operations of the Company. The Committee, therefore, urges the Controlling Officer to ensure that all the 189 vacant positions are filled without further delay. A progress report will be awaited by the Committee.

g) Poor Maintenance of Properties

Controlling Officer's Response
The Controlling Officer explained that the poor maintenance and non-rehabilitation of properties was due to financial constraints as the available limited resources were channelled towards the

core business of water treatment, supply and sanitation. Therefore, the twenty-nine unoccupied houses were in a dilapidated state and were not suitable for occupation. However, a budget provision had been made in the 2022, budget to rehabilitate some of the dilapidated houses and a bill of quantity was put in place with regards the rehabilitation of some of the houses in question.

Regarding the water and sewer lines, the Controlling Officer informed the Committee that despite having a regular maintenance program in place, the Company had challenges due to rampant vandalism, which had been a drain on finances. He explained that some manholes including the ones cited, were quite old as they were constructed as far back as 1960. Additionally, the frequent tampering of existing and newly replaced manholes by the community also compromised the integrity of the manholes and the covers, resulting in gaps between the manholes and the covers.

The Committee was informed that despite these challenges, the Company had continued to adhere to an annual sewerage maintenance program in order to monitor, replace and repair sewerage infrastructure. Further, in order to deter the vandalism and theft of the steel manhole covers, a program to rebuild new manholes with concrete covers which could not easily be removed had also been employed. Furthermore, manholes with lockable ductile iron manhole covers had been piloted in Mine Masala in order to address the vandalism, as this material was less attractive to vandals. The locking mechanism had also made it difficult for vandals to remove the covers. This measure had proved to be effective.

In view of the foregoing, 138 manholes with concrete covers in Main Masala, Mine Masala and Chifubu Townships in Ndola, as well as 57 manholes in Mikomfwa, Newtown and Roan Townships in Luanshya had been constructed. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that funds are secured for the rehabilitation exercise of the dilapidated houses without further delay and that the program to rebuild new manholes is rolled out and closely supervised in order to avoid poor workmanship. The Committee will await a progress report on the matter.

h) Outstanding Receivables - K385, 563,600

Controlling Officer's Response
The Controlling Officer submitted that the increase in the receivables was due to the inconsistent payment for water and sanitation services by Government institutions. He informed the Committee that the Government institutions accounted for over 22per cent of the Company's debt for the period under review and as such, the non-payment for services by the Government had an impact on the Company's overall outstanding receivables. Further, the outbreak of the COVID pandemic, which started in the first quarter of 2020, negatively, impacted the social and economic activities in the Company's catchment area. This resulted in reduced revenue collection from domestic and commercial customers and ultimately, an accumulation of debt by customers.

However, in addition to the normal operations involving the withdrawal of services, Management had come up with the strategies outlined below in order to reduce the outstanding debt.

i) Making follow ups with the Ministry of Finance and National Planning for the settlement of the outstanding debt owed by the Government institutions. The engagement with the Ministry resulted in the payment of K62 million in 2020. This contributed to the increase in the collection efficiency from 59.9per cent in 2019, to 100 percent in 2020.
ii) Installing pre-paid meters in the medium and low-cost areas. The installation of the pre-paid meters had ensured that customers paid for services before consumption.
iii) Enhancing and implementing various convenient and flexible mobile and electronic payment platforms to be used by customers. These included mobile money, online banking platforms and DDACC among others.
iv) Regularly sending individual short messaging systems (SMS) to customers to remind them of any overdue payments.
v) Availing flexible payment plans to the customers using post-paid metering, in order to help them liquidate the outstanding debt over an agreed period of time.
vi) Pursuing the option of debt swaps with quasi Government institutions in order to reduce on the Company's debtors.

In view of the foregoing, the debt stood at K380 million representing a K5 million reduction. K21 million had been collected from the Government, the Company had installed 10,110 out of 10,500 prepaid meters and K24 million had been collected from pre-paid customers, out of which K7.3 million was debt owed.

The Committee was further informed that through the Office of the Copperbelt Permanent Secretary, the Company had engaged heads of Government institutions and ministries within its catchment area in order to encourage the timely payment of service bills to the Company. Furthermore, various stakeholder meetings had been held in Mushili, Kawama, Mpatamatu and Itawa Extension among others. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee is concerned that the increase in the receivables was due to the inconsistent payment for water and sanitation services by Government institutions. The Controlling Officer is strongly urged to ensure that the prepaid meters are installed in all Government institutions in order to compel them to pay as they used water without any further delay. The Secretary to the Treasury is, particularly, urged to provide funds to dismantle the amounts owed by the Government by deducting from source in order to expedite the process. The Committee will await a progress report on the matter

i) Management of Liabilities

i. Outstanding Bills - K67, 143,948

Controlling Officer's Response
The Controlling Officer explained that the Company had cash flow challenges in settling the outstanding supplier invoices and utility bills particularly to ZESCO Limited, which accounted for K59, 020,751.30 from the above amount. The remaining balance was outstanding employees' terminal benefits. He further submitted that the main reasons attributed to the poor cash flow position included the inconsistent payment of water and sanitation services by Government institutions which accounted for over 30per cent of the Company's billed revenue per month, ultimately, negatively, affecting the overall liquidity position of the Company. Further, the increase in the prices of maintenance materials and other key production inputs had also contributed to the high operational costs. Furthermore, the COVID-19 pandemic, which started

in the first quarter of 2020, negatively, impacted the social and economic activities in the Company's catchment area. This resulted in reduced revenue collection from domestic and commercial customers. The poor paying culture by domestic customers in medium and low-cost areas was also another challenge highlighted.

However, in order to reduce the indebtedness to the suppliers of goods and services, the Controlling Officer informed the Committee that the Company had continued to make follow ups with the Ministry of Finance and National Planning to dismantle the outstanding water and sanitation bills in respect of Government institutions. Further, through the Ministry of Finance and National Planning, a debt swap of K17, 380, 915.31 was effected in August, 2021, against the K59, 020,751.30 debt owed by Kafubu Water and Sanitation Company to ZESCO Limited. In addition, the Ministry of Finance and National Planning paid K17.9 million to in November 2021, towards the outstanding water and sanitation bills. Part of these funds were utilised to clear all the outstanding terminal benefits at the time. In order to improve revenue collection, the Committee was also informed that the Company had installed 10,110 prepaid meters in various medium and low-cost townships. A further 16,500 prepaid meters had been procured under the KWSSP. This was expected to enhance revenue and improve the Company's liquidity. The Company had also applied for a cost reflective tariff adjustment in order to meet operational costs which had continued to increase.

The Controlling Officer further informed the Committee that an audited amount of K7.3 million in respect of water and sanitation bills was expected to be received from the Ministry of Finance and National Planning by the end of the third quarter of 2022. The funds would improve the liquidity position of the Company. Further, a total of K2, 505,338.42 had so far been debt swapped with various institutions and utility companies for goods and services and the Company was still awaiting the implementation of the approved tariffs through NWASCO.

Committee's Observation and Recommendation

The Committee notes the response from the Controlling Officer and urges him not to relent but ensure that the outstanding amounts are cleared. A progress report will be awaited by the Committee.

ii. Failure to Remit Statutory Contributions - K47, 295,314

Controlling Officer's Response

The Controlling Officer explained that the Company was unable to remit in full, contributions to the National Pension Scheme Authority (NAPSA) and Pay As You Earn to the ZRA, due to the financial challenges that the Company had been experiencing over the years. However, the Company had put in place the measures below to ensure that statutory contributions were remitted and arrears amounting to K47, 295,314 were dismantled.

i) Periodic debt swaps were implemented and facilitated by the Ministry of Finance and National Planning towards offsetting the arrears. In view of the foregoing, an amount of K6, 000,000.00 was paid to ZRA via a debt swap in August, 2021. Further, a debt swap of K14.1 million was paid through the Ministry of Finance and National Planning to ZRA in respect of PAYE.

ii) Monthly contributions to NAPSA were being paid in addition to the monthly standing order of K150, 000 towards offsetting the arrears.

The supporting documents were availed for audit verification.

Committee's Observation and Recommendation

The Committee observes, with concern, that the failure by the institutions to remit the statutory contributions is against the law and denies organisations such as the National Pension Scheme Authority the opportunity to discharge their mandates. In this regard, the Committee strongly urges the Controlling Officer to ensure that statutory obligations are honoured on time by the CUs. A progress report will be awaited by the Committee.

j) Projects Management-Stalled Works at Kafulafuta Water Supply System Project

Controlling Officer's Response

The Controlling Officer explained that the KWSSP stalled due to the debt restructuring program by the Government, through the Ministry of Finance and National Planning. This resulted into the suspension of debt repayments by the Ministry of Finance and National Planning. As a consequence, the lenders (Standard Chartered Bank Plc and Bank of China) stopped the disbursements of funds to the Project which resulted in the stoppage of works by the contractor.

However, the Company through the Ministry of Water Development and Sanitation had engaged the Ministry of Finance and National Planning on the mobilisation of resources. This was in order to pay off the outstanding Interim Payment Certificates and the remaining amount on the works of the KWSSP.

In view of the foregoing, the Ministry of Finance and National Planning had reached an agreement with the main contractor of the Kafulafuta Water Supply System Project to resume works by the end of September, 2022. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation

The Committee observes that most of the CUs are relying on the completion of the Kafulafuta Water Supply System Project in order to improve in their operations. The Committee is, therefore, concerned that works on the project had stalled due to the Debt Restructuring Programme by the Government. The Committee strongly urges the Controlling Officer to liaise with the Secretary to the Treasure and ensure that funds for this project are secured in order to turn the misfortunes of the CUs around. The Committee will await a progress report on the matter.

6.0 LUAPULA WATER AND SEWERAGE COMPANY LIMITED

6.1 Audit Findings

An examination of financial and other records maintained at the headquarters and regional offices for the financial years ended 31st December, 2019 and 31st December, 2020, revealed the following irregularities to which the Controlling Officer responded as follows:

a) Budget and Income - K3,394,921

Controlling Officer's Response

The Controlling Officer explained that the overall negative variance of K3,394,921 was due to the issues outlined hereunder.

i) The Company operated at a low tariff because NWASCO did not approve the tariff increment in 2019 and 2020. Therefore, the income projection was based on the anticipated upward tariff adjustment. The lack of tariff approval in this regard, caused a reduction in the billing compared to the anticipated income projection in the budget.

ii) The adverse effect of the COVID-19 pandemic saw most of the non-domestic customers close their businesses in order to adhere to the health restrictions. These included shops; restaurants; lodges; schools and bars among others. The consumption in water and sanitation services therefore, dropped because of the reduction of customers and a reduction in the ability to pay.

iii) The Ministry of Water Development and Sanitation issued a circular to suspend the disconnection of water and sanitation services due to the COVID -19 pandemic.

iv) There were frequent failures of the water supply pumps and distribution network due to aged infrastructure.

v) The gassing incidents in 2019 paralysed the billing and collection. The restriction in movement resulted in less people frequenting businesses such as lodges and bars, thereby, affecting the CUs revenue. This was further compounded by the early closure of various businesses for fear of being attacked at night. The collections were affected because it was hard to visit the customers' premises to enhance collections. Additionally, the number of customers coming forward to pay at the Company's collection point reduced in fear of being attacked on the way.

The Committee was informed that the Company was implementing the ISTWSSP which involved among others, the expansion and rehabilitation of the water supply and sanitation infrastructure. This would result in an increased customer base and reliable infrastructure. Further, the Company submitted a fresh application to NWASCO in 2021, for a tariff adjustment in 2022. The Controlling Officer also submitted that future budgets would be based on the prevailing approved tariffs. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation

The Committee cautions Management against developing an income projection based on un-approved tariffs as this may result in the failure of the CUs to undertake all its budgeted for activities and consequently, its operations. The Committee urges the Controlling Officer to enhance supervision over the CUs and ensure that other strategies are devised for revenue generation in an event that NWASCO does not approve the tariff increment. A progress report will be awaited by the Committee.

b) Operational Matters-Comparative Performance in the Water and Sanitation Sector

i. Non-Revenue Water - K50,245,107

Controlling Officer's Response

The Controlling Officer explained that the increase in the NRW, was due to the old and dilapidated water network infrastructure which led to frequent pipe bursts and leakages. He informed the Committee that the pipes were more than fifty years old and had outlived their thirty-year-old lifespan. Further, the wear and tear of the water meters, led to the under-recording of water supplied to the customers. The meters had outlived their five-year lifespan. Furthermore, the illegal connections and vandalism by the community was another challenge highlighted.

Further, the Committee was informed that the Company was implementing the ISTWSSP, which involved the replacement of aged meters. The Programme also included the rehabilitation of the water network in districts such as Mansa; Samfya; Mwense; and Kawambwa. Therefore, the

NRW was expected to drop from seventy-four per cent to sixty-nine per cent by 2022. The objective of the Project was to reduce NRW to 25per cent.

Further, sensitisations had been carried out to inform customers on how to legally connect to the system and to report illegal connections. Additionally, active inspections were carried out to identify illegal connections during the time of meter reading and bill distribution.

The Committee was further informed that the constructed new water works/water treatment plants complete with new pumps in Mansa and Samfya Districts and works in Mwense and Kawambwa Districts were still in progress. Further, the rehabilitation of the water supply networks in Mansa; Samfya; Mwense; and Kawambwa Districts, were also underway.

The Committee also learnt that a total of 3,842 new meters had been installed out of which 2,650 were replacements and 1,192 were new connections in both Mansa and Samfya Districts. The plan, therefore, was to install 16,504 meters in the four Districts by the end of the project. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that the measures put in place are fully implemented in order reduce the percentage of NRW in accordance with NWASCO's set standards. The Committee will await a progress report on the matter.

c) Sanitation Coverage

Controlling Officer's Response
The Controlling Officer explained that the reason for the low sanitation coverage was due to inadequate capital investment for the construction and expansion of the sanitation facilities.

In view of the foregoing, the Company was addressing the low sanitation coverage through the rehabilitation and construction of new sanitation infrastructure under the ISTWSSP. The existing sewer network of 12km was being replaced and new extensions were being carried out. Furthermore, the construction of a waste water treatment plant and a sewer pumping station under the Integrated Small Towns Water Supply and Sanitation Programme project would enable sewer network extensions in the future and the impact would be very minimal on ratios because the Sanitation Project was only covering Mansa District. The Committee was further informed that the procurement of a vacuum tanker to service septic tanks and soaker ways in Mansa; Samfya; Mwense; and Kawambwa Districts had been done.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that the Company increases its sanitation coverage to NWASCO's acceptable standard as the current status is alarming and unacceptable, resulting into, a substantial number of urban households not having access to adequate sanitation which may compromise public health. The Committee will await a progress report on the matter.

d) Water Supply Coverage

Controlling Officer's Response
The Controlling Officer submitted that the reason for the low water supply coverage was lack of adequate capital investment for the expansion of water production, plants and pipe network.

However, the Company had increased the customer base (number of connections) from 7,400 customers in2018, to 9,500 customers as of October, 2021. The Company was also addressing the low water service coverage through the rehabilitation and construction of new water infrastructure under the ISTWSSP.

The Controlling Officer also informed the Committee that the water supply network had been extended by 228.47 km, resulting in 1,192 new water connections as at July, 2022.

Committee's Observation and Recommendation
The Committee finds it unacceptable that in this day and age, a large number of the population in Luapula Province does not have clean water, thereby, compromising public health. The Committee strongly urges the Controlling Officer to prevail over the operations of the Company and ensure that the Company's sanitation cover meets NWASCO's benchmark of eighty per cent. The Committee will await a progress report on the matter.

e) Operational and Maintenance Cost Coverage by Collection

Controlling Officer's Response
The Controlling Officer explained that the reason for the low operational cost coverage by collection, was mainly due to high operational costs which were at K1,200,000 per month, against an average monthly billing of K650,000. He informed the Committee that the low monthly collection was attributed to a low customer base of 7,400, high NRW, a non-tariff adjustment since 2018, despite an increase in operational costs and the directive from the Ministry of Water Development and Sanitation not to disconnect water supply and sanitation services due to the COVID-19 pandemic.

However, the customer base (number of connections) had increased from 7,400 customers in 2018, to 9,500 customers as of October, 2021. Further, prepaid meters had been installed in order to improve on revenue collection for both the current bills and debt stock. Furthermore, a collection strategy had been developed and implemented which included bulk messaging and phone calls to customers to remind them to pay their bills on time. Additionally, an integration platform for all payments was made on mobile phones and DDACC among others, which enabled the easy payment of bills by customers. Furthermore, sending bills electronically on mobile phones to ensure that customers received their bills on time and enabling customers to check their account balances using mobile phones was another measure put in place to increase the operational cost coverage by collection.

Committee's Observation and Recommendation
The Committee is concerned that the operation and maintenance cost coverage by collection, was below the set sector standards and expresses worry at the Company's continued existence as a going concern. In this regard, the Committee urges the Controlling Officer to enhance supervision of the Company and to impress upon Management to ensure that the strategies earmarked to improve the cost coverage by collection yield the desired results. The Committee resolves to await an update on the matter.

f) Staff Efficiency Indicator

Controlling Officer's Response
The Controlling Officer explained that the high staff efficiency was attributed to the low revenue base due to a low customer base of 7,400, a high NRW, a non-tariff adjustment since 2018,

despite an increase in operational costs and the directive by the Ministry of Water Development and Sanitation not to disconnect water supply and sanitation services due to the COVID-19 pandemic.

The Committee was informed that the customer base (number of connections) had increased from 7,400 customers in 2018 to 9,500 customers as of October, 2021. Further, the installation of prepaid meters was meant to improve the revenue collection on both the current and debt stock. Furthermore, a collection strategy was developed and implemented which included bulk messaging and phone calls to customers to remind them to pay their bills on time. The Committee was further informed that the Company also came up with an integration platform for all payments made on mobile phones and DDACC, among others, which would enable the easy payments of bills by the customers, sending bills electronically on mobile phones to ensure that customers received their bills on time and enabling customers to check their account balances using mobile phones.

Committee's Observation and Recommendation

The Committee is dismayed to note that the staff efficiency indicator is more that 200 per cent over the NWASCO target. The Committee holds the view that this increases the overhead costs in relation to the operations which eventually affects the efficiency of the Company. The Committee urges the Controlling Officer to ensure that Management reduces the staff establishment to the required number. Therefore, the excess staff should be paid their respective dues and trimmed off without further delay. The Committee will await an update on the matter.

g) Failure to Meet Water Quality Standards

Controlling Officer's Response

The Controlling Officer explained that the measurement of the quality of the water showed that the quality was above 95per cent. Therefore, the low overall score was a combination of the quality measurement and the confidence level of the results. The confidence level was affected by the non-availability of a laboratory and inadequate laboratory equipment.

However, a laboratory had been constructed under the Integrated Small Towns Water Supply and Sanitation Program awaiting the procurement of the laboratory equipment. Further, GIZ had procured testing equipment which had been distributed to Mansa; Samfya; Mwense; Kawambwa; and Nchelenge Districts for quality water tests.

Committee's Observation and Recommendation

The Committee notes, with serious concern the poor water quality which can pose serious health threats, especially waterborne diseases. The Committee urges the Controlling Officer to sternly caution Management for this failure and ensure that the laboratory equipment is procured without further delay. A progress report will be awaited by the Committee.

h) Procurement Matters–Failure to Follow Procurement Procedures

Controlling Officer's Response

The Controlling Officer explained that the failure to follow the procurement procedures in relation to the procurement of the chlorine gas was because the Chemical and Engineering Supplies Limited, was the only relied upon supplier of chlorine and Management relied on the *Public Procurement Act No. 12 of 2017,* particularly, sections (2) (a) and (c), which provided that "*goods, works or non-consulting services are only available from a single source and there* *is no reasonable alternative or substitutes exists and (c) Where additional works or services must be procured from the same because of the need for compatibility or continuity*"

In view of the foregoing, the CUs procured the chemicals from Metmin Limited because it had an account with them dating as far back as 2014. Metmin Limited was also willing to supply the CUs with aluminium sulphate on credit.

With regards to the Company procuring water tanks, the Controlling Officer informed the Committee that the CUs had sent solicitation documents to three suppliers of the water tanks, but, only one responded and the responsive supplier was awarded the contract to supply because there was need for the CUs to urgently complete the works at Musonda Girls' Secondary School, as the School was scheduled for opening during the COVID-19 pandemic period.

However, the CUs had since registered itself on the E-Government Online Procurement Platform in order to increase the transparency in the solicitation process. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee expresses concern that the provisions of the Public Procurement Regulations were not followed and contends that such disregard of laid down procedures is a recipe for abuse of office and corruption in some instances. The Committee therefore, urges the Controlling Officer to institute disciplinary action against the officer (s) who failed to comply with the provisions of the Regulations in question. The Committee further urges the Controlling Officer to ensure that Management and officers in the Accounts Department are oriented with the provisions of the *Public Procurement Act, No 8 of 2020* and Procurement Regulations in order to avoid the recurrence of the query. The Committee will await a progress report on the matter.

i) Accounting Irregularities

i. Unsupported Payments - K178,661

Controlling Officer's Response
The Controlling Officer informed the Committee that the failure to provide the supporting documents for the amount totalling to K178,661.00 was because the Head Office had relocated to another building in order to facilitate the construction of a new Head Office building during the audit period. In this regard, necessary supporting documents were not easily accessible during the time of relocation. However, all the supporting documents for the thirty-seven payments in amounts totalling K178,661 were retrieved and available for audit verification.

Committee's Observation and Recommendation
The Committee observes that poor record keeping is an area that has not been given adequate attention by the CUs and fears that it can be used as a conduit for malpractices. The Committee further observes that this lapse is due to poor supervision by Management and negligence on the part of the officers. The Committee urges the Controlling Officer to take disciplinary action against the officers that failed in their duties of securing the supporting documents. The Committee resolves to await a progress report on the matter.

ii. Failure to Collect Revenue - K2,933,558

Controlling Officer's Response
The Controlling Officer explained that the failure to collect the revenue of K2,933,558 was because of the adverse effects of the COVID-19 pandemic which saw most of the commercial

customers close their business operations in order to adhere to the health restrictions. These included restaurants; schools; bars; and other non-domestic customers. Hence, it proved difficult to follow-up payments for the bills. Further, the Ministry of Water Development and Sanitation issued a circular for the non-disconnection of water and sanitation services due to COVID -19 pandemic.

The Committee was informed that the installing of prepaid meters in order to improve revenue collection on both the current and debt stock was in progress. In view of the foregoing, 3,689 meters had since been installed in Mansa District. Further, the Company developed and implemented a collection strategy such as bulk messaging and phone calls to customers, to remind them to pay their bills on time. Further, the Company also came up with an integration platform for all payments made on mobile phones and DDACC, among others, which would enable the easy payments of bills by the customers.

Committee's Observation and Recommendation
In noting the efforts made by the Company, the Controlling Officer is urged by the Committee, to ensure that more vigorous efforts and strategies are employed to improve the current status on revenue collection. The Committee resolves to keep the matter in view in future audits.

j) Administrative Matters

i. Failure to Secure Properties with Title Deeds - K1,378,563

Controlling Officer's Response
The Controlling Officer explained that the Company could not secure the properties with the title deeds because the statutory instrument for the handover of the assets by the local authorities to the Company had not been issued. In view of the foregoing, the Company was engaging the respective local authorities. Further, the Ministry of Water Development and Sanitation was also engaging the Ministry of Local Government and Rural Development regarding the issuance of the statutory instrument in order to handover the assets.

Committee's Observation and Recommendation
The Committee resolves to await a progress report on the matter.

ii. Failure to Dispose of Motor Vehicle

Controlling Officer's Response
The Controlling Officer explained that the Company did not have the approval to dispose of the four motor vehicles because they belonged to the then Ministry of Local Government and Rural Development and the vehicles had not been boarded by the Board of Survey. However, the Ministry of Water Development and Sanitation had since written to the Ministry of Local Government and Rural Development to inform them of the Utility Company's intention to dispose of the motor vehicles in question, following the recommendation by the Disposal Committee. The Controlling Officer also informed the Committee that the Ministry of Water Development and Sanitation was also written to on the need to dispose of the vehicles but advised against selling them and instead, directed that the vehicles should be surrendered to the Ministry.

Committee's Observation and Recommendation
The Committee finds it unacceptable that the cars have not been disposed of for periods ranging from three to four years contrary to the provisions of the *Public Finance Management Act No. 1*

of 2018. The Committee further expresses concern that despite the matter being highlighted during the audit process, Management has not made any progress towards having it resolved. The Committee, further questions what authority the Utility Company will use to transfer the vehicles to the Ministry of Water Development and Sanitation when the vehicles still belong to the Ministry of Local Government and Rural Development. The Committee urges the Controlling Officer to expeditiously resolve the matter to its logical conclusion in order to avoid further deterioration and striping of the vehicles. The Committee further urges the Controlling Officer to sternly caution Management against this blatant disregard of procedure. The Committee will await a progress report on the matter.

iii. Failure to Settle Outstanding Obligations - K52,035,341

Controlling Officer's Response
The Controlling Officer explained that the failure to settle the outstanding obligations as a result of the Company being loss-making, which was making it struggle to pay salaries and other statutory obligations. The Committee was informed that the Company had not been adequately capitalised from inception to enable it expand and rehabilitate its infrastructure in order to sustain its operations and maintenance costs. The non-upward adjustment on tariffs since 2018 further exacerbated the problem.

However, in order to address the failure to settle the outstanding obligations, the Controlling Officer informed the Committee that the Company was implementing the following interventions:

i) coming up with a payment plan to pay K5,000.00 per month to NAPSA, K5,000.00 to ZRA and K10,000.00 to ZESCO Limited;
ii) entering into a K1 million debt swap agreement with NWASCO in order to offset the outstanding license fees;
iii) installing 9,500 prepaid meters under the ISTWSSP which would increase the collection efficiency and ultimately improve the revenue generation and reduce the debt stock; and
iv) undertaking the construction and rehabilitation of infrastructure , under the ISTWSSP, which would increase the customer base and eventually, increase the revenue base.

Committee's Observation and Recommendation
The Committee expresses disappointment at the CU's failure to settle these obligations on time, which has resulted in the imposition of huge amounts of interest, which may further affect its struggling financial position and consequently its ability to execute planned programmes. The Committee, therefore, urges the Controlling Officer to ensure that the Company devises other strategies of revenue generation to liquidate the debt and additional interest charges, as well as cushion it from eventualities such as delays in completing the Integrated Small Towns Water Supply and Sanitation Programme. The Committee will await a progress report on the matter.

k) Failure to Fill Key Vacant Position

Controlling Officer's Response
The Controlling Officer explained that the Company was unable to fill all the vacant positions because of financial constraints. In view of the foregoing, the Provincial Water Development Officer had been assigned to provide technical assistance to the CUs on projects matters. However, the Company had since filled the position of the Technical Manager. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee will await a progress report on the filling for the remaining positions.

7.0 LUKANGA WATER SUPPLY AND SEWERAGE COMPANY LIMITED

7.1 Audit Findings

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

a) Budget and Income - K11,928,777

Controlling Officer's Response
The Controlling Officer informed the Committee that the negative variance in 2019, was due to the losses in the first half of the year because of the delay in granting a-no-objection to the approved water tariff. He informed the Committee that the COVID-19 situation in 2019 and 2020, also affected the business of the Company, as well as the loss of production due to frequent equipment failures and power outages. Additionally, the gassing situation during the period under review affected the operation of the meter readers. The Committee further learnt that old water meters affected the projected revenue due to the under registration of consumption at the customer's premises. Furthermore, the old and dilapidated network also increased the loss of water and affected revenue.

However, the Company had since procured 12,000 meters and a total of 3,723 meters had since been installed in Serenje; Mkushi; Kapiri Mposhi; Kabwe; Chibombo; Chisamba; Shibunyuji; Mumbwa; and Itezhi-tezhi Districts. Further, the Company was undertaking water supply improvement projects in the following districts:

i) Serenje – constructed a 2.7km transmission line; constructed a 4km distribution line, three boreholes and an elevated tank which would result in 1,354 new customer connections;
ii) Mumbwa –the drilling and equipping of seven boreholes and the reconstruction of Chibila Dam; and
iii) Shibuyunji – constructed a 0.6km transmission line and improved the supply and installation of meters to 470 households. There was also a replacement of pumps and equipment for additional boreholes and a $20m^3$ overhead tank had been installed.

The Committee was further informed that the Company was still awaiting a no -objection to effect the approved tariff. Furthermore, water improvement projects in Serenje; Mumbwa; and Shibuyunji Districts, were still ongoing. The Company was also awaiting the approval of water improvement projects in the remaining six districts.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to enhance supervision over the Utility Company and ensure that the Company devises realistic initiatives and measures in order to improve its revenue generation. The Controlling Officer is further urged to ensure that the water tariff is approved without further delay in order to enable the Company break even. The Committee will await a progress report on the matter.

b) Corporate Governance

i. Unfilled Board Vacancy

Controlling Officer's Response
The Controlling Officer informed the Committee that during the period under review, the Board begun operating with nine members due to the non-ratification of one Board nominee who was supposed to be represented by the Town Clerk or Council Secretary.

He explained that after the non-ratification of the earlier nominee, the Company engaged the Ministry of Local Government and Rural Development, through the Provincial Local Government Office, for another nomination. The Town Clerk for Kabwe Municipal Council was then nominated. However, there was no ratification until the end of the Board tenure. The Committee was further informed that the representation for the position of Mayor or Council Chairperson was the Council Chairperson for Serenje Town Council. Nonetheless, the Articles of Association had since been amended to constitute nine members of the Board and all the nine members were appointed. The supporting documents were availed for audit verification.

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

ii. Excess Expenditure on Board Expenses - K76,629

Controlling Officer's Response
The Controlling Officer explained that the budgeted expenditure on Board expenses in 2020, was K 677,080 and not the K500,000 as reported. In view of the foregoing, the correct budget was highlighted as follows;

1.	Board Sitting allowance/AGM	-	K500,000.00
2.	Transport allowances for board members	-	K79,000.00
3.	Out of pocket allowances/accommodation	-	K98,080.00
	Total		**K677,080.00**

Total Budget (2019 and 2020)	K1,242,080.00
Less Total Expenditure (2019 and 2020)	K1,141,629.00
Variance	K100,451.00

As a corrective measure, the Controlling Officer submitted that virtual Board meetings had been implemented to reduce on Board expenditure and this measure had substantially reduced the costs associated with Board meetings.

Committee's Observation and Recommendation
The Committee finds the disjointed response by the Controlling Officer a mockery to the audit process and is of the view that his responses expose the lack of seriousness paid to the audit process at the Utility Company which should be corrected without further delay. The Committee is further alarmed at the level of indiscipline at the Company where the Board, responsible for the oversight and policy direction of the operation and finances of the Company, can abuse public funds with such impunity. The Committee finds it unacceptable for the Board to be spearheading financial misconduct, thereby e, giving a bad example to Management. In view of the foregoing, the Committee urges the Controlling Officer to closely supervise the Utility

Company in order to avoid the recurrence of this serious breach of financial regulations. The Committee will keep the matter in view in future audits.

c) Management of Information and Communication Technology Systems

i. Lack of an Information Technology (IT) Steering Committee

Controlling Officer's Response
The Controlling Officer informed the Committee that the Company acquired and implemented ICT systems such as Pastel Partner, Dove Payroll, and Promun billing in 2009. Therefore, the ICT Steering Committee was already in existence at the time of the audit and the Committee met several times.

Additionally, the Committee had undertaken projects such as the in-house development of a meter reading application, the installation of a cyber roam and the development of an in house point of sale solution. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee is disappointed that Management at the Utility Company has continued to abrogate the provisions of the audit process. The Committee observes, with concern that the officers at the Company have also continued this vice with impunity because of the failure by Management to discipline the erring officers. The Committee, therefore, urges the Controlling Officer to ensure that stringent measures are put in place to arrest the situation. The Committee further urges the Controlling Officer to ensure that disciplinary action is instituted against the officers who did not provide the necessary documentation to clear this matter with the auditors. A progress report will be awaited by the Committee.

ii. Poor Physical and Environmental Security

- **Lack of Operational Fire Detection System**

Controlling Officer's Response
The Controlling Officer submitted that the lack of an operational fire detection system was an oversight. The system had not been functional from the time the building was built. However, Management had since carried out a technical assessment of the system and the server room had been isolated. Additionally, the procurement process for a new fire detection system had commenced. The Committee was informed that a total of ZMW158, 954.80 was required to install a new fire detection system. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee expresses concern at the potential disaster that might be caused by the absence of a Fire Detection System and is disappointed that Management is only reacting to the audit. The Committee urges the Controlling Officer to censure Management for this failure and ensure that the System is installed without further delay. A progress report will be awaited by the Committee.

- **Lack of Risk Management Policy**

Controlling Officer's Response
The Controlling Officer explained that at the time of audit, a draft Risk Management Policy was put in place. He explained that the draft Policy was recommended for Board approval at the 9th

Audit and Risk Management meeting held on 20th February, 2020. However, before the Policy was fully adopted, the Board of Directors was dissolved. Nonetheless, the draft had since been resubmitted to the new Audit and Risk Committee and was under discussion.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that the process of formulating and approving the Risk Management Policy is expedited and will await a progress report on the matter.

d) Operational Matters

i. Comparative Performance in the Water and Sanitation Sector

- **Non –Revenue Water (NRW) - K115,393,137**

Controlling Officer's Response
The Controlling Officer explained that the high non-revenue water and estimated revenue loss of K115,393,137 was due to the old and dilapidated water supply infrastructure with a number of leakages; the usage of water above the estimated consumption by customers who did not have water meters. (15 per cent of customers were not metered); the under registering of water consumption by old and defective water meters; data handling errors in meter readings; and illegal connections and meter bypasses by customers.

He further informed the Committee that Management had put in place the following measures in order to address the high non-revenue water:

i) the upgrading and replacing of the dilapidated water distribution network had been included in the preparation of the detailed designs under the Integrated Small-Town Water Supply and Sanitation Program. Thereafter, resources would have to be sourced through the Government and other cooperating partners for the project implementation;
ii) the water improvement projects highlighted below, would also increase the water supply to customers:

    - in Shibuyunji District, the replacement of the 0.6km of the transmission line, the replacement of pumps and equipment for additional boreholes and the installation of a 20m3 overhead tank; and
    - K10million had been secured for two major leaking transmission pipe lines in Kabwe District;

iii) Management had procured 12,000 meters (10,000 post-paid meters and 2,000 prepaid meters)in order to replace the old and defective water meters and to ensure that all the customer connections were metered;
iv) the Company had also developed an application dubbed Lukanga Digital Meter Reading which had assisted the Company in becoming efficient and reduced the inherent errors during billing; and
v) Management had introduced a whistle blowing initiative where members of the public were given incentives for reporting illegal connections and meter bypasses.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that the measure put in place reduce the percentage of NRW in accordance with NWASCOs set standards. The Committee will await a progress report on the matter.

- **Metering Ratio**

Controlling Officer's Response
The Controlling Officer explained that the failure to attain the 100per cent metering in the period under review, was due to financial constraints. However, the LgWSC had since procured 10,000 post-paid meters and 2,000 prepaid meters which were expected to increase the metering ratio to 100per cent and provide for the replacement of malfunctioning meters, as well as carter for over 4,000 new connections. The Committee was further informed that a total of 3,723 meters had since been installed in Serenje; Mkushi; KapiriMposhi; Kabwe; Chibombo; Chisamba; Shibunyuji; Mumba; and Itezhi-tezhi Districts.

Committee's Observation and Recommendation
The Committee notes the response and awaits an update on the improvement of the metering ratio in accordance with NWASCO's benchmark of 100 per cent.

- **Staff Efficiency Indicator**

Controlling Officer's Response
The Controlling Officer informed the Committee that the staff efficiency was as a result of the physical and commercial losses resulting in low billing compared to the number of staff as well as the low water tariff in the period under review. However, the LgWSC had taken the following measures in order to reduce the staff efficiency:

i) increased water connection by 2,145 from 2020 to July, 2022;
ii) reduced physical and commercial losses by replacing portions of the dilapidated water lines and replacing old meters. For instance, K10million had been secured for two major leaking transmission pipe lines in Kabwe District;
iii) procured 12,000 meters part of which were earmarked for new connections and the replacement of old under registering meters;
iv) cost containment measures had been put in place such as not increasing the management salaries and other staff conditions of service for three years now had been put in place;
v) Management intended to increase the number of sanitation customers by making 200 sewer connections per year and had operationalised the Faecal Sludge Management;
vi) the collection efficiency had been increased by lobbying the Government to increase its monthly bill payments and accelerate the collections from domestic and commercial customers; and
vii) the 2021 to 2025 Strategic Plan addressed the concerns of the staff efficiency, the metering ratio and the NRW.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that Management reduces the staff establishment to the required number and will await a progress report on the matter.

ii. Irregularities in the Promun Billing System

- **Lack of Requisite Customer Details**

Controlling Officer's Response

The Controlling Officer explained that out of the 3,024 accounts cited to have no plot numbers, a total of 1,737 accounts were identified as accounts on traditional land where the Council had not yet done the numbering. Further, the field for capturing phone numbers at the time of creating the customer numbers was not mandatory.

In order to address the highlighted irregularities in the Promun Billing System, the Committee was informed that Management was implementing the measures highlighted below.

1. Updating the requisite customer details. In this regard, the Company had so far updated 2,563 customers out of the 3,662 customers with incomplete details. Further, the engagement with the respective local authorities to expedite the process of allocating the remaining 1,737 house/plot numbers had been done as submitted in the table below.

No.	Missing Details	No. of Customers	Updated list of Customers	Balance of missing details
1	House/Plot Numbers	3,024	1,925	1,737
2	Incomplete Customer Names	597	597	-
3	Invalid/Incomplete customer	41	41	-
	Total	3,662	2,563	1,737

2. The field for capturing phone numbers had since been made mandatory. Management had under taken a database clean-up exercise which had resulted in the capturing of 97per cent of the phone numbers in the database, as submitted below.

DESCRIPTION	PHONE NO.	EMAIL ADDRESS	DATABASE AS AT 2021
No. OF RECORDS	30,236	766	31,268

Committee's Observation and Recommendation

The Committee urges the Controlling Officer to ensure that the process of allocating the remaining 1,737 house/plot numbers is expedited. The Committee will await a progress report on the matter.

- **Customers with Duplicate Meter Numbers**

Controlling Officer's Response

The Controlling Officer informed the Committee that the customers with the duplicate meter numbers was as a result of the data entry errors, attributed to the data migration errors when the Company was transiting from a manual to an electronic system, the Promun Billing System. Further, the Promun system did not have a locking system to detect duplicate numbers, as the only primary parameter was the account number.

However, Management had since under taken a database clean-up exercise which had resulted in assigning the correct meter numbers to all the 1,166 customer accounts. Further, the billing system had since been locked and was not accepting duplicate meter numbers.

Committee's Observation and Recommendation

The Committee is concerned with the laxity exhibited by Management at the Utility Company regarding the management of the Promun Billing System. It is disheartened to note that had it not been for the audit process, irregularities surrounding the System would have remained unattended to. The Committee cautions Management over this laxity and urges the Controlling Officer to provide the much-needed supervision over the Utility Company. The Committee, however, resolves to close the matter subject to audit verification.

e) Accounting Irregularities

i. Failure to Prepare Audited Financial Statements

Controlling Officer's Response

The Controlling Officer informed the Committee that the failure to prepare the audited financial statements during the period under review, was due to the closure of the offices of the appointed external auditors as a result of the outbreak of the COVID-19 pandemic. He further explained that the Company received auditors from the Auditor General's Office at the time the external auditors were supposed to audit the 2020, financial statements.

However, the 2020, financial statements had since been audited and the Controlling Officer informed the Committee that the Company, going forward, would ensure that the audited accounts were ready by the end of the first quarter.

Committee's Observation and Recommendation

The Committee notes the response and resolves to close the matter.

ii. Non-Remittance of Statutory Obligations - K29,579,562

Controlling Officer's Response

The Controlling Officer explained that the failure to remit tax obligations was due to inadequate funds arising from delays in payments from the Company's major clients, especially Government institutions, which were owing over twenty-three million Kwacha in unpaid bills. He informed the Committee that for the domestic and commercial debt, the Government requested the Utility Company to suspend the re–enforcements on collections as part of the Emergency Response Plan, during the COVID-19 Pandemic. This, therefore, led to the poor collection efficiency, leading to the inability of the Organisation to settle the NAPSA and ZRA obligations. Additionally, the inadequate water tariff to cover the operation and maintenance cost was another reason given for the failure to remit the tax obligation.

Further, the Committee was informed that Management had put in place the measures below in order to improve the Company's liquidity position, in an effort to settle the outstanding statutory obligations to ZRA and NAPSA.

i) The LgWSC had been settling current NAPSA dues since 2020 to date.
ii) The LgWSC had engaged the Ministry of Finance and National Planning to pay the outstanding Government debt or process a debt swap with ZRA. The Ministry of Finance

and National Planning had released K4, 000,000 under the debt swap, which had gone to ZRA. In view of the foregoing, K 4,000,000 out of the K29,579,562 owed, had been settled. Nevertheless, the debt swap deal was still being followed up with ZRA and the Ministry of Finance and National Planning.;

iii) The suspension of the disconnections had since been lifted. The LgWSC had engaged debt collectors and a litigation unit to vigorously follow up the domestic and commercial debt.

iv) The LgWSC had introduced flexible payment options in order to ease the payment of bills for the customers, such as bank points of sale and mobile money platforms. These would help liquidate the NAPSA arrears.

v) The LgWSC had also resolved to liquidate the NAPSA arrears when the Government settled the over K8 Million-Kwacha Government audited debt.

vi) The Company had gone into an agreement with ZRA to pay K100,000 every month.

Committee's Observation and Recommendation

The Committee urges the Controlling Officer to ensure that the interventions put in place by the Company are fully implemented in order for the Utility Company to meet its statutory obligations. The Controlling Officer if further urged to ensure that the outstanding arrears are paid without further delay and that onward payments are made as and when they fall due. The Committee will await a progress report on the matter.

iii. Failure to Claim Compensation for Insured Computers

Controlling Officer's Response

The Controlling Officer informed the Committee that Management had reported the theft to the police but could not press the claims for the stolen assets because of the delay in the issuance of the police report which was a pre-requisite to making a claim. However, the police report for the Mumbwa assets had since been received and the claim had been submitted to the insurance company. The payment from the insurance company was being awaited.

Committee's Observation and Recommendation

The Committee is saddened with the level of impunity displayed at the Utility Company where assets that are comprehensively insured are replaced using public funds. The Committee is particularly concerned because this serious omission is tantamount to wasteful expenditure, as public funds have been lost through unclaimed compensation. The Committee further finds it unacceptable that Management only acted after the audit and finds Managements justification misleading, as it does not take long to obtain a police report. In this regard, the Committee strongly cautions Management against this serious omission and urges the Controlling Officer to ensure that disciplinary action is taken against all the erring officer(s). The Committee further urges Controlling Officer to ensure that the payment from the insurance company is made without further delay. A progress report will be awaited by the Committee.

f) Management of Payroll and Staff Related Matters

i. Irregular Payment of Housing Allowances - K23,870

Controlling Officer's Response

The Controlling Officer explained that from the three employees in question, two were accommodated in the Company houses while the other was moved out of the Company house in

2014. Nonetheless, the LgWSC had commenced the recovery of the funds from the two employees who were erroneously paid the housing allowance, beginning from January, 2022.

Committee's Observation and Recommendation
The Committee expresses concern at the irregular payment of allowances and contends that allowances should not be paid outside the provisions of the collective agreement under any circumstances. The Committee further directs that apart from instituting recoveries, the officers who authorised the payment should be subjected to disciplinary action for failing in their duties. A progress report will be awaited by the Committee.

ii. Overpayment of Terminal Benefits - K137,815

Controlling Officer's Response
In the case of employee, A, the Controlling Officer informed the Committee that the Pastel ledger contained other payments, such as in lieu of notice, repatriation and leave pay (terminal benefits), which were wrongly classified as gratuity payments.

For employee, B, the over payment arose as a result of awarding three months' pay for each worked year, for the first six years (applicable for medical discharge only) instead of 2.5 months pay for each year served for the first six years served. However, Management had acknowledged the oversight and had instituted measures to recover the overpaid amount. Management had resolved to recover the overpayment from the authorising officers. In view of the foregoing, K12,900 was being recovered from the affected officers. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee observes that the query is a result of negligence on the part of the supervising officers and poor supervision by Management. The Committee strongly cautions Management to take charge of the CUs as it is failing in its duties. The Committee resolves to keep the matter open until all the recoveries are made and, will, therefore, await a progress report on the matter.

iii. Non-Remittance of Contributions-National Health Insurance Scheme K166,074

Controlling Officer's Response
The Controlling Officer explained that the NHIMA had not yet issued NHIMA numbers to individual employees for the Company to upload the payments to NHIMA. However, the Authority had been engaged and the matter of allocation of the NHIMA numbers had been resolved. Subsequently, LgWSC was remitting and accessing NHIMA services.

Committee's Observation and Recommendation
The Committee finds it unacceptable that funds were deducted from the employees but not remitted to NHIMA and is particularly concerned that Management only acted on the matter after the audit findings. The Committee sternly cautions Management for this serious omission as such lapses have the potential to de-motivate the workforce and consequently result in poor service delivery. However, the matter is recommended for closure, subject to audit verification.

g) Poor Management of the Water Treatment Plants– Mine Area

Controlling Officer's Response
The Controlling Officer informed the Committee that the open clear water reservoirs were originally constructed as they were, and were transferred to LgWSC since the acquisition of this

infrastructure from the Kabwe Municipal Council in 2007. Since then, LgWSC had not managed to mobilise resources to cover the reservoirs as this required a substantial capital injection, which at the moment, could not be feasible due to financial constraints.

However, the LgWSC, with support from the Government and the African Development Bank, had undertaken a detailed design for an infrastructure upgrade to be funded by the Government, under the National Urban Water Supply and Sanitation Programme (NUWSSP). According to the detailed design, the ponds at the mine plant would not be used as a ground tank and command centre to supply water to surrounding areas. Further, LgWSC carried out regular water quality tests which revealed that the water quality parameters were within the required standards.

The Controlling Officer also informed the Committee that Management acknowledged the audit query on the collapsed wall of the drainage. He explained that the failure of the wall, in particular, was due to the dilapidation of the infrastructure as it must have been constructed before 1950.However, the LgWSC had carried out the regular cleaning of the reservoirs to ensure that algae was maintained within acceptable levels, as reported in the water quality results.

Committee's Observation and Recommendation

The Committee urges the Controlling Officer to ensure that the funds for the National Urban Water Supply and Sanitation Program are secured from the Government in order to guarantee the upgrading of the water treatment plants. The Committee will await a progress report on the matter.

h) Lukanga Water Sanitation Surcharge Projects

i. Failure to Rehabilitate TAZARA Treatment Plant-Kapiri Mposhi

Controlling Officer's Response

The Controlling Officer informed the Committee that the TAZARA Treatment Plant was scheduled for rehabilitation effective April, 2016 to February, 2019, at an estimated cost of K381,193, using the sanitation surcharge funds. The scope of works included site clearance; pipe work rehabilitations; the rehabilitation of manholes; and concrete structures and the fencing of the treatment plant.

However, the LgWSC could not implement the sanitation surcharge project due to cash flow challenges. The Controlling Officer explained that in March, 2020, the Government had instructed all the Water Utility Companies to discontinue revenue collection enforcements (disconnection) due to the COVID-19 pandemic. This adversely affected the cash flow position of the Company to the extent that the regulator allowed it to use the sanitation surcharge funds for its operations.

The LgWSC had mobilised resources through its cooperating partner, to implement some of the sanitation projects. The LgWSC would, also commerce ring fencing the sanitation surcharge in 2022, since the Company had started recovering from the effects of the COVID 19 pandemic. Nonetheless, the cashflow challenges had made it very difficult to perform this task.

Committee's Observation and Recommendation

The Committee finds it unacceptable that despite the availability of funds from the sanitation surcharge fees, as of 31st December, 2020, the CUs failed to rehabilitate such critical infrastructure. In this regard, raw untreated sewer was being discharged in the environment through leakages from the dilapidated components of the plant, thereby, posing a serious risk to public health. The Committee sternly cautions Management for this serious omission and resolves to keep the matter open until the rehabilitation works are satisfactorily undertaken. A progress report will be awaited by the Committee.

ii. Mutwe-Wa-Nsofu Sanitation Project-Kabwe District

Controlling Officer's Response

The Controlling Officer submitted that the LgWSC could not implement the sanitation surcharge project due to cash flow challenges. He informed the Committee that in March 2020, the Government had instructed all the water utility companies to discontinue revenue collection enforcements (disconnection) due to the COVID-19 pandemic. This adversely affected the cash flow position of the Company to the extent that the regulator allowed it to use the sanitation surcharge funds for its operations. The Committee further learnt that the LgWSC had also planned to mobilise funds in 2022, to resolve the sanitation issues in Mutwe-wa-nsofu.

Committee's Observation and Recommendation

The Committee finds it unacceptable that despite the availability of funds from the sanitation surcharge fees as of 31st December, 2020, the CUs failed to rehabilitate such critical infrastructure. The Committee sternly cautions Management for this serious omission and urges the Controlling Officer to prevail over this matter and ensure the rehabilitation works are satisfactorily undertaken and closely supervised. A progress report will be awaited by the Committee.

8.0 LUSAKA WATER SUPPLY AND SANITATION COMPANY LIMITED (LWSSC)

3.8.1 Audit Findings

An examination of the financial and other records maintained At Lusaka Water Supply and Sanitation Company Limited (LWSSC) for the financial years ended 31st December, 2019 and 2020, revealed the following irregularities to which the Controlling Officer submitted as highlighted below.

a) Budget and Income - K101, 112,749

Controlling Officer's Response

The Controlling Officer explained that the negative budget variance of K101, 112,749, was attributed to the adverse budget variance of K 97, 339,538, recorded in 2020, due to insufficient revenue from the water tariff required to cover the operating and administrative costs. This was following the non-approval of the tariff increase in 2020, by NWASCO. He informed the Committee that the revenue budget also considered the water tariff application.

Further, the reduction in water consumption by major consumers, especially brewery and hospitality companies that were affected by the measures taken by the Government to contain the spread of the COVID-19 pandemic, contributed to the negative budget variance. The reduction in reconnection fees received in 2020, due to the suspension of disconnections by the Government, following the outbreak of COVID-19 pandemic also contributed.

The Controlling Officer informed the Committee that in order to improve revenue generation, the Company applied for a water and sanitation tariff increase for the period 2022 to 2024, in order to enable it generate the sufficient revenue needed to meet its operational requirements.

However, NWASCO was yet to grant the Company regulatory approval to increase the tariff, following the withdrawal of the approval that was granted on 21st February, 2022.

The Committee was further informed that the Company had also implemented the Kafue Bulk Water Project in order to generate additional revenue from the 50,000 cubic meters of water produced daily. The Committee learnt that the water treatment plant had been in operation since 24th December, 2021, when adequate power was made available, after switching on the new duty transformers at both substations at Shimabala in Chilanga and Iolanda in Kafue.

The Controlling Officer further informed the Committee that the Company had recorded income amounting to K497,890,293 against a budget of K480,709,998, resulting in a positive budget variance of K17,180,295, for the financial year ended 31st December, 2021.

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

b) Management of Information and Communication Technology Systems

i. Missing Customers (Deleted Customer Key) - K44,056

Controlling Officer's Response
Regarding the missing customer key numbers, the Controlling Officer informed the Committee that the 4,958,198 customer key numbers were not necessarily missing as reported, but were unutilised customer keys as a result of the manual issuance of customer account numbers at the point of registration. He explained that branches were assigned different ranges of account numbers. However, the respective branches did not utilise all the ranges assigned to them, resulting in the cited missing customer key numbers when migrating to system generated numbers, in 2001, a period prior to the audit period. Therefore, the 4,958,198 unutilised customer key numbers could only be addressed when LWSSC migrated to a new billing system, as the current auto generated module could not utilise the 4,958,198 unutilised customer key numbers.

With regard to the deleted customers, the Controlling Officer explained that the cited deletion of the eleven accounts for customers totalling K 44,056, were actually transactions and not accounts which may have been as a result of a system error at the point of migration from the old to the new system in the year 2000. Therefore, considering that the K 44,056 was not attached to any account number, it was, therefore, not possible for the Company to pursue the outstanding amount as it was just hanging in the system.

Committee's Observation and Recommendation
The Committee does not accept the reasons advanced by the Controlling Officer and contends that deleting the eleven accounts was an act of fraud. The Committee, therefore, urges the Controlling Officer to investigate the matter further, as circumstances as to why a deletion could have been allowed on active transactions are not clear. The Committee will await a progress report on the matter.

ii. Missing Customer Name

Controlling Officer's Response
The Controlling Officer explained that the 620 multiple owned properties with no names, were actually transactions on the Company's accounts, reserved for the collection of penalties on

illegal connections; reconnections; and the sale of manure in the old system that LWSSC stopped using in the year 2000. He informed the Committee that all the customers who were paying for the aforementioned penalties and product had their payments receipted in the reserved accounts, hence, the multiple transactions cited as multiple owned properties with no names. He further submitted that the old system did not have a provision for transaction types on the customer account and this made the Company create the above-mentioned cash accounts in order to facilitate the receipts of payments for the illegal connections; re-connections; and the sale of manure using the customer details table.

However, the Company had stopped using the reserved accounts for receipt of payments for illegal connections, reconnections and the sale of manure when the new system was acquired in 2000**.** The Committee was informed that effective the year 2000, the payments for illegal connections and reconnections were posted in the customers' accounts to settle the charged penalty, as opposed to posting them into the reserved accounts, which resulted in the multiple transactions in question.

Committee's Observation and Recommendation
The Committee finds it highly irregular that transactions were made with no names, therefore, making the traceability of the transactions in the system very difficult. In view of the foregoing, the Committee urges the Controlling Officer to sternly caution Management not to indulge in such irregularities in future, as such wrong doings can be a recipe for fraud, alterations and even manipulations on the transactions. The matter will be kept in view in future audits.

iii. Customers with Zero Bills

Controlling Officer's Response
The Controlling Officer explained that the customers had zero bills because their properties were on borehole supply and were no longer using the Company services. He informed the Committee that the Company had conducted a physical verification and established that all the customers cited were using their own boreholes and not consuming the Company services hence the zero bills. In view of the foregoing, the Company did not bill the customers with properties on borehole supply and were no longer using the Company services.

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

iv. Properties not Defined with Connection Details

Controlling Officer's Response
The Controlling Officer informed the Committee that the 29,952 properties were the total number of properties that were migrated to the new system, EDAMS and were not defined with connection details as a result of limitations in the old system. Therefore, when information was migrated from the old system to the new system in 2000, it was imported as defined in the old system and the old system did not have a provision for connection details.

Further, the old system did not have information on the consumer category which was either commercial or domestic. Therefore, the tariff charge applied to the 1,587 cited properties, was thus, based on a fixed charge for either commercial or domestic categories, as approved by NWASCO.

Therefore, effective the year 2000, the Company had been using the new system which had a provision to capture connection details to which all the cited 29,952 properties now had connection details updated. Furthermore, a physical verification had been done for forty-seven properties and it was discovered that thirty of the forty-seven properties in question were on borehole supply and billed on sewer only, while thirteen were not billed because they had their own boreholes and were not connected to the LWSC's sewer system. Additionally, two were on the pre-paid system and another two were disconnected.

The Committee was informed that the Company was using the new system, which had a provision to capture connection details to which all the cited 29,952 properties currently had the connection details updated. However, the forty-seven properties remained unbilled for the reasons stated above.

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

c) Financial Analysis

i. Financial Performance - Statement of Comprehensive Income

- **Operational Losses - K567,950,507**

Controlling Officer's Response
The Controlling Officer explained that the total comprehensive loss, amounting to K98,971,401 for the year ended 31st December, 2019, was due to the unrealised foreign exchange losses amounting to K112,121,457 on account of the depreciation of the Kwacha. This arose from the translation into Zambian Kwacha of foreign currency denominated loans on-lent, to the Company, by the Government of the Republic of Zambia.

However, for the year 2020, the total comprehensive loss, amounting to K567, 950,507 was due to the issues outlined below.

i. A decrease in revenue from K 348,221,108 to K 341,038,819, due to the reduction in water consumption by major consumers especially brewery and hospitality companies. The partial closure of the hospitality industry and the reduced trading hours for bars due to the COVID-19 pandemic, reduced the consumption of water, thus, reduced billing. Further, there was a reduction in reconnection fees due to the suspension of the disconnections in 2020, by the Government, following the outbreak of COVID-19 pandemic.
ii. Insufficient revenue from tariffs to cover the operating and administrative costs following the non-approval of the tariff increase application in 2020, by NWASCO, despite an increase in costs mainly due to inflation and the exchange rate.
iii. Limited infrastructure to enable the Company produce and supply enough water to meet the rising demand for water.
iv. An increase in the cost of sales on account of the upward adjustment of electricity tariffs during the year, which resulted in a 150 per cent increase in electricity costs from K47,116,431 in 2019, to K117,763,952 in 2020.
v. An increase in administrative costs on account of consultancy under the Lusaka Sanitation Programme.

vi. An increase in other operating expenses, as a result of the increase in the provision of doubtful debts by 70 per cent from K29,985,954 in 2019 to K50,858,539 in 2020. The Committee was informed that customers defaulted on the payment of water and sanitation bills following a directive by the Government to suspend the disconnections of water during the outbreak of the COVID-19 pandemic in 2020 and part of 2021.

vii. An increase in the net foreign exchange losses from K112,121,457 in 2019, to K486,051,933 in 2020, due to the depreciation of the Kwacha against the United States Dollar. The losses arose from the translation into Zambian Kwacha of foreign currency denominated loans on-lent, to the Company, by the Government.

viii. An increase in the net finance costs from K28,222,579 to K45,422,148, due to the additional disbursements of concessional loans under the Lusaka Sanitation Programme, on which interest was calculated.

The Committee was informed that the Company had taken a number of measures in order to improve profitability. For instance, in the year 2020, the Company negotiated with the Ministry of Finance and National Planning to restructure foreign currency denominated on-lent loans, in order to reduce foreign exchange losses and interest cost. On 3rd April, 2022, the Minister of Finance and National Planning and the Company signed a consolidated loan agreement through which foreign currency denominated concessional loans, from the World Bank and African Development Bank, amounting to USD104,427,791.96, were converted to K858,437,357.38. Further, the loan amounting to USD16,845,000, was on-granted to the Company, while interest rates for three subsidiary financing agreements were reduced from 0.60 per cent 0.65 per cent and 0.75 per cent to 0.25 per cent. However, the European Investment Bank loan, amounting to Euro 20,500,000 was yet to be converted to Zambian Kwacha as disbursements commenced after the loan restructuring negotiations.

Further, following the increase in operating costs, the Company applied for a water and sanitation tariff increase for the period 2022 to 2024, in order to enable it generate sufficient revenue required to cover all its costs.

Furthermore, in an effort to increase revenue and net profit, the Company completed the Kafue Bulk Water Project, which had the capacity to produce 50,000 cubic meters of water daily. The new water treatment plant had been in operation since 24th December, 2021.

The Committee was further informed that the disconnections of water supply on defaulting customers, following the Government's lifting of the suspension of disconnections in the first quarter of 2021, increased revenue collections and reduced the provision of doubtful debts from K184,345,075 in 2020, to K149,592,701 in 2021.

The Committee also learnt that the Company recorded profit before tax amounting to K551,174,881 in 2021, on account of unrealised foreign exchange gains following the appreciation of the Kwacha against the United States Dollar. The Committee was further informed that a net loss before tax of K53,819,754, was recorded during the period 1st January, to 30th June, 2022, due to unrealised foreign exchange losses incurred in the first quarter of 2022 and the low revenue generated from water and sanitation sales on account of a low tariff. Furthermore, revenue generated by the Company, as at 30th June, 2022, covered 81 per cent of the operating and administrative costs against a target of 113 per cent. The Committee was informed that NWASCO was yet to grant the Company regulatory approval to increase the tariff, following the withdrawal of the approval that was granted on 21st February, 2022.

Committee's Observation and Recommendation

The Committee finds the increase in operational loses in 2020, by 451 per cent alarming, as this shows that the Company was incurring more expenses compared to the revenue it collected. This raises worry regarding the Company's continued existence as a going concern. In this regard, the Committee urges the Controlling Officer to impress upon the Management of the Water Utility Company to develop and implement a more robust resource mobilisation plan in order to improve the Company's profitability. The Controlling Officer is further urged to insist to Management that going forward, authority must be sought from the Ministry of Finance and National Planning to urge the Utility Company's loans against any foreign currency fluctuations, such as the depreciation of the Kwacha. The Committee will await a progress report on the regulatory approval of the water and sanitation tariff as well as the conversion of the European Investment Bank loan to Zambian Kwacha.

- **Increase in the Cost of Sales against Revenue -K207,432,684**

Controlling Officer's Response

The Controlling Officer explained that the revenue declined by 2 per cent in 2020 to K341,038,819 from K348,221,108 in 2019, because of the reduction in water consumption by brewery and hospitality companies that were affected by measures taken by the Government to contain the spread of the COVID-19 pandemic; and the reduction in reconnection fees due to the suspension of the disconnections by the Government, following the outbreak of COVID-19 pandemic. Revenue also declined due to the increase in the cost of sales from K139,652,900 in 2019, to K207,432,684 in 2020, largely due to the electricity tariff increase during the year, resulting in a 150 per cent increase (K70,647,521) in electricity costs from K47,116,431 in 2019, to K117,763,952 in 2020.

However, the Company applied for a water and sanitation tariff increase for the period 2022 to 2024, in order to enable it generate the sufficient revenue required to cover all the cost of sales, especially electricity expenses that increased, as a result of an increase in the electricity tariff.

The Committee further learnt that the cost of sales increased by K33,334,071 from K207,432,684 in 2020, to K240,766,755 in 2021, representing an increase of 16 per cent, while revenue increased by K66,568,321 from K341,038,819 in 2020, to K407,607,140 in 2021, representing an increase of 20 per cent. Therefore, the increase in revenue resulted in an increase in gross profit (revenue less cost of sales) by K33, 234,250 from K133, 606,135 in 2020, to K166, 840,385 in 2021, representing an increase of 25 per cent.

Committee's Observation and Recommendation

The Committee notes the response and urges the Controlling Officer to ensure that the profits that the Company is enjoying are maintained. Therefore, interventions should be put in place to avoid the recurrence of the high cost of sales against revenue. The Committee will keep the matter in view in future audits.

- **Low Gross Profit Margin Ratio**

Controlling Officer's Response

The Controlling Officer informed the Committee that the reduction in the gross profit margin was caused by a reduction in revenue. He explained that the revenue declined by 2 per cent in 2020, to K341,038,819 from K348,221,108 in 2019, because of the reduction in the water consumption by brewery and hospitality companies, due to disruptions in the social and economic activities as a result of the COVID-19 pandemic.

The reduction in the gross profit was also as a result of the high cost of sales, attributed to the upward adjustment of electricity tariffs during the year, which resulted in a 150 per cent increase in electricity costs from K47, 116,431 in 2019, to K117, 763,952 in 2020.

The Controlling Officer informed the Committee that in order to increase the gross profit margin, the Company had taken the measures outlined below.

i. Applied for a water and sanitation tariff increase for the period 2022 to 2024, in order to enable it generate the sufficient revenue required to cover its operating costs and increase the gross profit margin. The regulatory approval for the tariff increase was granted on 21st February, 2022.
ii. With support from the Government, the Company had completed the Kafue Bulk Water Project which had the capacity to produce 50,000 cubic meters of water daily.
iii. Through the Ministry of Water Development and Sanitation, the Company engaged the Ministry of Energy regarding the unbundling of the electricity tariff and the creation of a special tariff for water utilities. It was, therefore, anticipated that once the request was considered, it would result in the reduction of the electricity tariff and the subsequent decrease in the cost of sales.
iv. The Company was exploring alternative sources of energy in order to reduce the cost of energy. The Controlling Officer submitted that the Company had also recorded a 50 per cent reduction in the energy cost on its boreholes in Jack, Linda, Bauleni and International School of Lusaka, where solar energy was installed.

The gross profit margin for the period January to 30th June, 2022 had also declined to 33 per cent from 41 per cent in 2021, following the increase in the cost of sales, while revenue had not increased significantly as the water and sanitation tariff had not been adjusted.

Committee's Observation and Recommendation
The Committee resolves to await a progress report on the matter.

- **Inadequate Interest Cover Ratio**

Controlling Officer's Response
The Controlling Officer informed the Committee that the interest cover for 2019 and 2020 was adversely affected by the reduction in revenue due to limited infrastructure to enable the Company produce and supply enough water to meet the rising demand for water and the non-realisation of the upward water tariff adjustment due to the non-approval of the water and sanitation tariff application in 2020, by NWASCO. This, therefore, resulted in low revenue to sufficiently cover costs including the interest cost.

Additionally, the Controlling Officer also explained that the increase in costs was due to the issues outlined below.

i. The increase in interest expenses from K28, 222,579 in 2019, to K45, 422,148 in 2020, arising from the additional loan disbursements under the Lusaka Sanitation Programme. This resulted in the loss and ultimately worsened the interest cover ratio.

ii. An increase in the net foreign exchange losses from K 112,121,457 in 2019, to K486, 051,933 in 2020, due to the depreciation of the Kwacha against the United States Dollar. The losses arose from the translation into Zambian Kwacha of the foreign currency denominated loans on-lent to the Company by the Government of the Republic of Zambia. This resulted in the loss and ultimately worsened the interest cover ratio.

iii. An increase in electricity costs from K47, 116,431 in 2019, to K117, 763,952 in 2020, due to an upward adjustment in the electricity tariff, leading to a reduction in profit before interest and tax.

iv. An increase in the provision of debts that the Company may not recover (doubtful debts) from K29, 985, 954 in 2019, to K50, 858,539 in 2020, due to customers defaulting on the payment of bills. This was as a result of a directive by the Government to suspend the disconnections of water during the outbreak of the COVID-19 pandemic in 2020, and part of 2021.

The Committee was informed that in order to improve the interest cover ratio, the Company had taken the measures outlined below.

i. Completed the implementation of the Kafue Bulk Water Project which was aimed at increasing customer connections. It was, therefore, anticipated that the increase in customer connections would result in increased revenue and ultimately, improve the interest cover ratio.

ii. Applied for a water and sanitation tariff increase for the period 2022 to 2024. This would enable the Company generate the sufficient revenue required to cover all costs including interest. The regulatory approval for a tariff increase was granted on 21st February, 2022, but was later withdrawn.

iii. Negotiated with the Ministry of Finance and National Planning to restructure foreign currency denominated on-lent loans. This would reduce the foreign exchange losses arising from the depreciation of the Kwacha and improve the interest cover ratio.

iv. In order to enable the Company avert foreign exchange losses and net losses before interest and tax, the Government agreed to convert United States Dollar denominated on-lent loans to Kwacha. The Minister of Finance and National Planning and the Company signed the agreement on 3rd April, 2022.

v. The Company through the Ministry of Water Development and Sanitation, engaged the Ministry of Energy regarding the unbundling of the current electricity tariff and creation of a special tariff for water utilities. Further, the Company was exploring the usage of alternative sources of energy in order to reduce the cost of energy which was adversely affecting the interest cover ratio.

vi. Procured and installed No.810 Baylan pre-paid meters for all communal facilities in the peri-urban area, domestic and commercial properties in order to avoid an increase in debt and subsequently, the provision for doubtful debts.

vii. Created a centralised debt management unit in order to complement debt collection activities in the branches, in order to reduce doubtful debts.

The Controlling Officer further submitted that the interest cover increased from negative 11.6 in 2020, to positive 1.19 in 2021. However, the interest cover for the period January to 30th June, 2022, declined to negative 2.8, following the increase in operating costs and the unrealised foreign exchange losses recorded in the first quarter of 2022. Further, revenue generated as at 30th June, 2022, was insufficient to cover the interest expense and operating costs because the water and sanitation tariff remained unadjusted.

Committee's Observation and Recommendation

The Committee notes the Controlling Officer's submission and urges him to ensure that Management prioritises the identified measures targeted to the Company's interest cover ratio and will await a progress report on the matter.

ii. Statements of Financial Position

- **Return on Capital Employed (ROCE)**

Controlling Officer's Response

The Controlling Officer explained that the ROCE for 2019 and 2020, was adversely affected by the reduction in revenue due to limited infrastructure to enable the Company produce and supply enough water to meet the rising demand for water and the non realisation of the upward water tariff adjustment due to the non-approval of the water tariff and sanitation application in 2020, by NWASCO. This resulted in low revenue to sufficiently cover costs including interest cost. Furthermore, the increase in costs was due to the reasons outlined below.

i. An increase in interest expenses from K28,222,579 in 2019, to K45, 422,148 in 2020, arising from the additional loan disbursements under the Lusaka Sanitation Programme. This resulted in the loss and ultimately worsened the ROCE ratio.
ii. An increase in net foreign exchange losses from K112,121,457 in 2019, to K486, 051,933 in 2020, due to the depreciation of the Kwacha against the United States Dollar. The losses arose from the translation into Zambian Kwacha of foreign currency denominated loans on-lent to the Company by the Government. This resulted in the loss and ultimately worsened the ROCE ratio.
iii. An increase in electricity costs from K47,116,431 in 2019, to K117,763,952 in 2020, due to an upward adjustment in the electricity tariff leading to a reduction in profit before interest and tax.
iv. An increase in the provision of doubtful debts (customers' debts that the Company may not recover) from K29,985, 954 in 2019, to K50,858,539 in 2020, due to customers defaulting on the payment of bills. This was as a result of a directive by the Government to suspend the disconnections of water during the outbreak of the COVID-19 pandemic in 2020 and part of 2021.

The Controlling Officer further informed the Committee that the increase in the capital employed was also due to an increase in the total capital employed from K1,148,922,689 in 2019, to K1, 509,879,422 in 2020, as a result of the capital works in progress under the Lusaka Sanitation Programme and other on-going projects that would only start generating revenue and contributing to profit before the interest and tax upon the completion of works.

Therefore, in order to improve the ROCE, the Company had taken the measures below.

i. Completed the implementation of the Kafue Bulk Water Project which was aimed at increasing customer connections. It was anticipated that the increase in the customer connections would result in increased revenue and ultimately, improve the ROCE.
ii. Applied for a water and sanitation tariff increase for the period 2022 to 2024. This would enable the Company generate sufficient revenue required to cover all costs.
iii. Negotiated with the Ministry of Finance and National Planning to restructure foreign currency denominated on-lent loans. This would reduce foreign exchange losses arising from the depreciation of the Kwacha and ultimately improve the ROCE.

iv. The Government granted treasury authority to convert United States Dollar denominated on-lent loans to Kwacha in order to enable the Company avert foreign exchange losses. The revised consolidated loan agreement in local currency was signed on 3rd April 2022.

v. The Company, through the Ministry of Water Development and Sanitation, engaged the Ministry of Energy regarding the unbundling of the electricity tariff and the creation of a special tariff for water utilities. Further, the Company was exploring the usage of alternative sources of energy in order to reduce the cost of energy which was adversely affecting the ROCE.

The Committee was further informed that the ROCE increased from negative 35 per cent in 2020, to 34 per cent in 2021. However, the ROCE for the period January to 30th June, 2022 declined to negative 1.1 per cent, following the increase in the operating and administrative costs and the unrealised foreign exchange losses recorded in the first quarter of 2022. Further, revenue generated as at 30th June, 2022 was insufficient to cover the operating and administrative costs because the water and sanitation tariff remained unadjusted.

Committee's Observation and Recommendation
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.

- **Receivable Turnover Ratio**

Controlling Officer's Response
The Controlling Officer informed the Committee that the Company exceeded the debt collection period of thirty days due to the poor payment culture by the commercial and domestic customers, despite enforcing debt collection measures including disconnections. Further, the delayed payment of water and sanitation services provided to various Government institutions and the inability to migrate from a post-paid to a pre-paid metering system due to lack of resources were other challenges highlighted. The Committee was informed that the prepaid metering would avoid the accumulation of debt.

However, the Company had taken the measures below to collect receivables in order to improve the receivable turnover ratio.

i. Implemented various e-payment platforms including DDACC, mobile applications (Airtel Money and MTN Mobile Money), mobile banking (Xapit from ZANACO Bank, First National Bank), Kazang and electronic funds transfers, in order to increase the revenue collections and consequently, reduce the receivables.

ii. As of 31st December, 2020, the Company collected a total amount of K171.6 million from the Government, as payment as indicated below.

Payment type	**Amount (K million)**
Cash payment	12.8
Debt swap involving LWSC, GRZ and ZESCO	130.7
Debt swap involving LWSC, GRZ and ZRA	28.1
Total	171.6

iii. The Company collected a total amount of K263,622,826.06 in 2021, from the domestic and commercial customers as indicated below.

CONSUMER CATEGORY	JANUARY-DECEMBER 2021		
	POSTPAID	PREPAID	TOTAL
COMMERCIAL	92,179,501.74	726058.62	92,905,560.36
DOMESTIC	164,464,009.85	6253255.85	170,717,265.70
TOTAL	256,643,511.59	6,979,314.47	263,622,826.06

iv. On 4th January, 2022, the Company submitted another request to the Ministry of Finance and National Planning for the payment of its outstanding water and sanitation debt as of 31st December, 2021, through a debt swap involving Lusaka Water and Sanitation Company, the Government and ZESCO. Records were submitted to the Ministry of Finance and National Planning to facilitate for the verification by its Internal Audit Department. On 16th August 2022, the Company requested for a debt swap payment of K92,845,655 involving the Government, ZESCO and LWSC in order to collect the verified water and sanitation debt owed by the ministries and departments.

v. Procured and installed 810 Baylan prepaid meters for all communal facilities in the peri-urban areas and other domestic and commercial properties.

vi. Created a centralised debt management unit to complement debt collection activities in the branches.

The Controlling Officer further informed the Committee that the receivable turnover ratio increased from 2 times in 2020, to 2.8 times as of 31st December, 2021, based on the draft financial statements being audited. He further explained that as of 30th June, 2022, the Company recorded a receivable turnover ratio of 1.3 times. Further, the debt collection days declined from 180 in 2020, to 130 days as of 31st December, 2021. Furthermore, as of 30th June 2022, the Company recorded debt collection days of 133.

The Controlling Officer also submitted to the Committee that the Company had continued to enhance revenue collections through the promotion of e-payments, metering and debt swaps that had resulted in the collection of debt amounting to K164,913,988.17 from 1st January, 2022 to 30th June, 2022 as indicated below:

CONSUMER CATEGORY	JANUARY - JUNE 2022		
	POSTPAID	PREPAID	TOTAL
COMMERCIAL	53,781,962.43	1,605,675.16	55,387,637.59
DOMESTIC	93,278,639.21	1,756,275.96	95,034,915.17
GRZ	13,863,115.22	628,320.19	14,491,435.41
TOTAL	160,923,716.86	3,990,271.31	164,913,988.17

Committee's Observation and Recommendation

The Committee is of the view that if the failure of the Company to collect debt is not promptly addressed, the Company will continue struggling with poor liquidity levels. The Committee, therefore, urges the Controlling Officer to ensure that the purported debt swap is finalised. The Committee further 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 will await a progress report on the matter.

- **Poor Debt-to-Equity Ratio**

Controlling Officer's Response

The Controlling Officer explained that the poor debt to equity ratio for 2019 and 2020 was due to the factors below.

i. Limited infrastructure to enable the Company produce and supply enough water in Lusaka Province in order to meet the rising demand for water and ultimately increase revenue and equity.
ii. The non-realisation of the upward water tariff adjustment due to the non-approval of the water tariff and sanitation application in 2020, by NWASCO, resulted in low revenue and worsened the debt to equity ratio.
iii. The increase in the interest expense from K28, 222,579 in 2019, to K45, 422,148 in 2020, arising from additional loan disbursements under the Lusaka Sanitation Programme, resulted in the loss and ultimately worsened the debt to equity ratio.
iv. An increase in the net foreign exchange losses from K 112,121,457 in 2019, to K486, 051,933 in 2020, due to the depreciation of the Kwacha against the United States Dollar. The losses arose from the translation into Zambian Kwacha of foreign currency denominated loans on-lent to the Company by the Government. This resulted in the loss and ultimately worsened the debt to equity ratio.
v. An increase in electricity costs from K47, 116,431 in 2019, to K117, 763,952 in 2020, due to an upward adjustment in the electricity tariff leading to a net loss.
vi. An increase in the provision of debts that the Company may not recover (doubtful debts) from K29, 985, 954 in 2019, to K50, 858,539 in 2020, due to customers defaulting on the payment of bills. This was as a result of a directive by the Government to suspend the disconnections of water during the outbreak of the COVID-19 pandemic in 2020, and part of 2021, leading to a net loss.
vii. An increase in debt from K384,083,093 in 2019, to K812,632,704 in 2020, as a result of additional loan disbursements under the Lusaka Sanitation Programme leading to the poor debt to equity ratio.

However, in order to improve the debt to equity ratio, the Company had taken the measures below.

i. Negotiated with the Ministry of Finance and National Planning to restructure the foreign currency denominated on-lent loans. This would reduce the foreign exchange losses arising from the depreciation of the Kwacha and ultimately improve the debt to equity ratio. The consolidated loan agreement in Kwacha was signed by the Minister of Finance and National Planning on 3rd April, 2022.
ii. Completed the implementation of the Kafue Bulk Water Project which was aimed at increasing water production and customer connections. It was anticipated that the increase in the customer connections would result in the increased revenue required to meet the debt obligations and ultimately, improve the debt to equity ratio.
iii. Applied for a water and sanitation tariff increase for the period 2022 to 2024. This would enable the Company generate the sufficient revenue needed to improve its profitability as well as meet its debt obligations and ultimately improve the debt to

equity ratio. The regulatory approval for the tariff increase was granted on 21st February, 2022, but was withdrawn.

iv. The Company sourced capital grants from the Government and donors such as the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ); the Zambia Breweries; and the Bill and Melinda Gates Foundation, in order to finance the capital projects to reduce the dependence on loans. The supporting documents were availed for audit verification.

The Controlling Officer further informed the Committee that the debt to equity ratio reduced from -1 in 2020, to -5 and -4 as of 31st December, 2021 and 30th June, 2022 respectively. He explained that the continued adverse trend was on account of the on-going loan disbursements under the Lusaka Sanitation Programme. The status was anticipated to gradually improve following the commissioning of the Kafue Bulk Water Supply project and the restructuring of part of the concessional loans on 3rd April, 2022.

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

- **Increase in Payables (Creditor) Days**

Controlling Officer's Response
The Controlling Officer informed the Committee that the payable days beyond 30 days were mainly on account of delayed payments to ZESCO, due to inadequate cash flows and the delayed payments to China Civil Engineering Corporation due to the delayed disbursements of funds to the Company by the National Treasury. The two payments accounted for 93 per cent of the total trade payables balances as indicated in the table below:

No.	Description	2020 K	2019 K
1.	ZESCO	128,246,874	81,630,671
2.	China Civil Engineering Corporation	17,951,300	37,951,300
3.	Total	146,198,174	119,581,970
	Percentage of total trade payables balances	93%	93%

However, the Committee was informed that Management had taken a number of measures in order to reduce the payable days. For instance, in order to improve the liquidity required for the prompt payment of accounts payables, Management had enhanced the collections by implementing various e-payment platforms, including the DDACC, mobile applications (Airtel Money and MTN Mobile Money), mobile banking (Xapit from ZANACO Bank, First National Bank), Kazang and electronic transfers.

Further, in August, 2021, the Company paid ZESCO a sum of K130,737,223 through a debt swap involving the Government and ZESCO that fully liquidated its electricity bills outstanding, as at 31st December, 2020. The Company had also paid K20,299,386 in 2021, to China Civil Engineering for the emergency works in peri-urban areas. This was after the Company received capital grants from the Ministry of Water Development and Sanitation for the payment of the amounts totallingK17, 951,300, outstanding as of 31st December, 2020 and the subsequent interim payment certificates.

The Committee was further informed that the payable days reduced from 275 in 2020, to 187 in 2021. As of 30th June, 2022, the Company recorded payables days of 189. This was due to the accumulation of ZESCO arrears from K110,045,697 on 31st December, 2021, to K156,829,636 on 30th June, 2022, as the Company had only been paying an average of K2,000,000 monthly towards the post-paid electricity invoices. The Committee was informed that on 16th August, 2022, the Company requested for a debt swap payment of K72,845,655 involving the Government, ZESCO and the LWSC in order to facilitate the part-payment of electricity bills using the water and sanitation debt owed by ministries and departments.

However, the Company was up-to-date with payment of other suppliers and statutory obligations including Pay As You Earn, NAPSA, LASF and NHIMA.

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

- **Funds Awaiting Allotment of shares - K95,711,210**

Controlling Officer's Response
The Controlling Officer informed the Committee that the delay in the allotment of shares was as a result of the on-going consultations with the Ministry of Finance and National Planning on the matter. He explained that the Company had requested the Ministry to grant it authority to proceed with the allotment of shares to the existing shareholders and a no objection was being awaited in order to proceed with the proposed allotment of shares by the shareholders.

Committee's Observation and Recommendation
The Committee finds it unacceptable for Management of the Utility Company to only act on the matter after the audit findings. This shows the lack of commitment by Management to ensure that the funds in question are allotted into shares. The Committee sternly cautions Management against this laxity and urges the Controlling Officer to engage the Ministry of Finance and National Planning on the matter, in order to address the concern. A progress report will be awaited by the Committee.

- **Failure to Carry Out an Impairment Assets Review**

Controlling Officer's Response
The Controlling Officer informed the Committee that the Company was unable to finance the valuation of its property, plant and equipment in order to determine the fair values required for the impairment assessments annually, as it was an experiencing cash flow challenge.

However, Management had submitted the terms of reference for the provision of consultancy services in order to conduct an asset valuation exercise using funds under the Lusaka Sanitation Programme to the World Bank. The asset valuation and condition assessment would, therefore, be used to conduct an impairment assessment.

In view of the foregoing, on 22nd June, 2022, the World Bank, provided a no-objection on the terms of reference and the utilisation of the K550,000 for the procurement of the consultant in order to undertake an asset valuation.

Committee's Observation and Recommendation

The Committee cautions management against the recurrence of this query as such lapses may lead to assets being recorded at higher values than the recoverable amounts and consequently, leading to the overstatement of the assets. The Committee resolves to keep the matter open until the asset valuation is undertaken. A progress report will, therefore, be awaited by the Committee.

- **Failure to Carry out Revaluation on Property, Plant and Equipment**

Controlling Officer's Response

The Controlling Officer explained that the failure to carry out the revaluation of property, plant and equipment was due to cash flow challenges that the Company had been experiencing. However, the Company amended its financial policies manual in 2020, in accordance with the IAS 16, in order to provide for the valuation of land and buildings using the revaluation model, while other classes of property, plant and equipment would be valued using the cost model. The Committee learnt that the policy required the revaluation of land and buildings only. This was because the land and building was used as security for loan facilities with the commercial banks. The Controlling Officer further informed the Committee that the change in the policy would reduce the cost of revaluation. Furthermore, Management had submitted to the World Bank, the terms of reference for the provision of consultancy services in order to conduct an asset valuation exercise using the funds under the Lusaka Sanitation Programme.

The Committee further learnt that on 22nd June, 2022, the World Bank provided a no-objection on the terms of reference and the utilisation of the K550, 000 for the procurement of the consultant, in order to undertake an asset valuation.

Committee's Observation and Recommendation

The Committee cautions Management against the recurrence of this query as such lapses can result in the understating or overstating of assets. The Committee resolves to keep the matter open until the asset valuation is undertaken. A progress report will, therefore, be awaited by the Committee.

d) Questionable Operation of Medical Schemes

Controlling Officer's Response

The Controlling Officer informed the Committee that the Company had been operating an in-house medical scheme despite contributing to NHIMA due to the existing collective agreements and conditions of service. The collective agreements and conditions of service which provided for an in-house medical scheme existed before the introduction of NHIMA. Therefore, doing away with the existing medical scheme required the engagement and consensus with the labour unions and employees. Failure to do so would be regarded as a unilateral variation of the conditions of service and would, consequently, lead to labour disputes.

However, the members of staff were sensitised on the need to migrate and the benefits of NHIMA, in comparison to the in-house scheme to which they contributed 25 per cent towards the out-patient medical bills. Arising from this interaction, the members of staff first tried to use NHIMA when accessing medical services, as they were aware that there was no additional contribution on NHIMA. However, only when the required services were not available under NHIMA, did they revert to the in-house scheme.

Nonetheless, the Company had written to the labour union for consent to abolish the conditions of service on the existing in-house medical scheme. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to aggressively pursue this matter and ensure that Statutory Instrument No. 63 of 2019 is adhered to. A progress report will be awaited by the Committee.

e) Wasteful Expenditure – Valuation of Assets

Controlling Officer's Response
The Controlling Officer informed the Committee that the amount of K549, 612.50 paid, out of the contract sum of K1,099,225 was in line with the contract payment schedule which was based on deliverables, as highlighted in the table below.

CONTRACT DELIVERABLES	AMOUNT (K)	IPC PAID (K)	COMMENTS ON DELIVERED BENEFITS
Deliverable No.1, inception report, detailed work plan and schedule	164,883.75	164,883.75	Satisfactorily executed and accepted.
Deliverable No.2, condition assessment protocols report, progress report no.1	164,883.75	164,883.75	Satisfactorily executed and accepted. The developed protocols have been adopted by LWSC for in-house condition assessment
Deliverable No.3, progress report no.2	219,845	219,845	Satisfactorily executed and accepted. A tagging system was included in this report that has been adopted for the on-going project of populating our technical register; EDAMS-NAM
Deliverable No. 4, Draft Valuation Report	274,806.25	0	No payment was made as the draft report was not accepted
Deliverable No. 5, Final Valuation Report	274,806.25	0	No payment was made as report not submitted
GRAND TOTAL	**1,099,225.00**	**549,612.50**	

Therefore, the payments were made towards the executed contractual deliverables that were found satisfactory and accepted.

Furthermore, in effecting the payments without a performance bond, the Controlling Officer informed the Committee that the Company relied on Statutory Instrument No.63 of 2011, (Public Procurement Regulations) clause 127, which stated that a procuring entity shall request the performance security for all contracts for goods, works and non-consulting services with the value greater than K500, 000,000 (un-rebased) in order to secure the supplier's obligation to fulfil the contract. Since this was a consulting contract, the performance bond was not applicable. The Committee was also informed that despite the consultant not having produced the revaluation of assets report, the consultant developed the coding system and the condition assessment protocols. The coding system had been adopted and was being used for tagging assets. Further, the condition assessment protocol was also being used for the in-house condition assessment.

The Controlling Officer further explained that Management had obtained a no- objection, from the World Bank, to the terms of reference, to engage another consultant to complete an asset valuation exercise using funds under the Lusaka Sanitation Programme. Therefore, the consultant would build on the milestones attained by the previous consultant in order to complete the valuation report. It was anticipated that the building on the milestones already attained, would de-escalate the cost of preparation for the valuation report.

The Committee was further informed that on 22nd June, 2022, the World Bank provided a no-objection on the terms of reference and utilisation of the K550, 000, for the procurement of the consultant in order to complete the asset valuation. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee bemoans the period it has taken to complete asset valuation, which should have been completed within three months, as stipulated in the initial contract. The Committee wonders what the Company has been doing since 2019, and finds it unacceptable that action was only taken after the revelations by the Auditor General's Office. The Committee sternly cautions Management and urges the Controlling Officer to ensure that the matter is resolved without further delay. The Committee will await a progress report on the matter.

f) Theft of Company Funds - K100,629

Controlling Officer's Response
The Controlling Officer explained that the non-recovery of the stolen funds amounting to K100, 629, was because the Officer's terminal benefits after his dismissal were not adequate to cover the full stolen funds. He informed the Committee that the Company only recovered K2, 898.23 from his terminal benefits, leaving a balance of K 97,730.77.

The Committee was further informed that on 22nd January, 2022, a case hearing was held in absentia for the officer after his wife confirmed that he was still out of the Country. The panel found him guilty as charged, and dismissed him with effect from 23rd December, 2018.

However, in order to prevent the re-occurrence of such malpractices, the Company enhanced supervision through the daily review of collections and bank deposits in all the branches. In addition, quarterly inspections were undertaken in all the regional offices in order to monitor the adherence to the existing controls**.** Nonetheless, the docket had remained open and the Company had continued making follow ups with the Zambia Police who were in touch with Interpol. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee is alarmed with the level of negligence at the Lusaka Water Supply and Sanitation Company. It is evident from this case that internal controls at the Utility Company have collapsed due to weak supervision by the responsible officers. Therefore, the Committee urges the Controlling Officer to enforce internal controls at the Utility Company in order to prevent the recurrence. The Committee further urges the Controlling Officer to ensure that a loss report is collected from the Ministry of Finance and National Planning without further delay. A progress report will be awaited by the Committee.

g) Delayed Insurance Claims - Motor Vehicle -K80,853

Controlling Officer's Response
The Controlling Officer informed the Committee that the Company made follow ups with the insurance company that had since paid the garages for the vehicle and the motorbike in question. In view of the foregoing, the vehicle and motorbike were released in November, 2021 and re-deployed to their respective areas of operation. The supporting documents were availed for audit verification.

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

h) Installation of Water Meters – Lilayi Police Camp

Controlling Officer's Response
The Controlling Officer informed that Committee that the faulty meters were due to the short circuits caused by the ingress of water following vandalism. He submitted that the water network was prone to breakages and leakages as it was dilapidated and fragile. This had been a breeding ground for illegal activities such as the drawing of water from leakage points and by-passing the installed meters by the police officers.

The Committee was further informed that the Company wrote penalty letters in October, 2021, to the five customers, removed the illegal connections and disconnected services to the customers in line with the Company policy. Further, considering that the customers were not paying the penalty charges despite the Company having written to them, the Camp Commandant was engaged to address the non-payment of the penalties. The Controlling Officer further informed the Committee that the Company escalated the matter to the Inspector General of Police, citing the five illegal connections and the non-payment of the related penalties.

He further informed the Committee that in order to avoid the re-occurrence of the illegal connections, the Company had enhanced community sensitisation on the dangers of illegal connections. Furthermore, of the five accounts that were found with illegal connections, two had since settled the penalty and were reconnected. The three that did not settle the penalties were still disconnected.

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

9.0 MULONGA WATER AND SEWERAGE COMPANY LIMITED (MWSC)

9.1 Audit Findings
An examination of financial and other records maintained at the headquarters and regional offices for the financial years ended 31st December, 2019 and 2020, revealed the following irregularities to which the Controlling Officer responded as highlighted below.

a) Budget and Income - K17,211,769

Controlling Officer's Response
The Controlling Officer informed the Committee that during the review period, the Company's actual supply hours averaged 15.5 hours, versus the 17 hours budgeted for, therefore, resulting in

a 13 per cent decrease in billed volumes. This was primarily due to difficulties in obtaining sufficient raw water, frequent equipment failure caused by the infrastructure's age, and rampant vandalism of critical infrastructure, particularly in Chingola and Mufulira. Furthermore, The Utility Company's key customers, the mine operators, continued to reduce their respective water consumptions, therefore, eroding the cross subsidies incorporated into the business model. As a result, the Company did not meet its revenue target by K 26,045,962.00 (a 12 per cent decrease in billed revenues).

The Committee was informed that the Utility Company was working with Konkola Copper Mines (KCM) in order to improve the raw water supply so that MWSC could increase the treated water production. Further, in order to reduce the rate of equipment failure, the Committee was also informed that first aid maintenance on critical equipment was being done and the procurement of five pumps had since been done. Therefore, production was expected to improve. The Committee was further informed that MWSC was also implementing the Zambia Water and Sanitation Project (ZWSP), which would result in the construction of a new water treatment plant with a production capacity of 20 MLD in Chingola.

In view of the foregoing, the variance had reduced to K12,427,331 as of 31st July, 2022 and was projected to reduce further to K8,394,425 by December, 2022.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to enhance supervision over the CUs and ensure that realistic initiatives are put in place to address the issue of raw water. The Controlling Officer is further urged to ensure that measures are also put in place to broaden the customer base that will consume the water that was consumed by KCM so that the water consumption levels are not reduced, thereby, affecting revenue generation and ultimately, budgeted for activities. The Committee will await a progress report on the matter.

b) Information and Communications Technology (ICT) System

i. Use of Unsupported Operating System

Controlling Officer's Response
The Controlling Officer explained that the Company was using computers with the Windows 7 operating system, whose support system had expired due to an oversight. Further, sixty- seven computers had limited random access memory and were not upgraded, while thirty computers were obsolete and were not removed from the network. However, the Utility Company had installed an anti-virus software and firewall, in order to protect the Company from malware and virus attacks.

Nevertheless, the sixty- seven computers had since had their random access memory upgraded and migrated to the Windows 8.1 and 10 operating systems, which was supported. Further, thirty computers were obsolete and had since been decommissioned and deleted from the active directory. Furthermore, the erring officer had been cautioned and the Managing Director had issued a memo to the Director Finance to ensure that the ISO/IEC 27001 requirements were followed. In view of the foregoing, all the computers were currently running on supported operating systems. The supporting documents were availed for audit verification.

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

ii. **Lack of Control Over Billing System-Promun Progress Database**

Controlling Officer's Response

The Controlling Officer submitted that the MWSC procured the billing software in 2008. He informed the Committee that the sector had limited software options and the Promun Software was one of the best available billing systems for a water utility company. Therefore, the focus at the time of procurement was on the functionality of the system. Subsequently, Management had engaged the vendor on multiple occasions to have access to the database, but the vendor was not willing to provide MWSC access. Currently, the vendor could only have access to the database through the MWSC's server computer and access could only be granted at Management's discretion.

However, the Company had acquired an Enterprise Resource Planning (ERP) System over which full access to the database and table structure was available. Further, the MWSC was currently in the process of adding the billing module to the acquired ERP System. In view of the foregoing, the Promun System would be decommissioned as soon as the migration of the billing to the ERP was complete. The MWSC had projected that this would be completed by 31st December, 2022, as the procurement process was at the contract signing stage under the currently running ZWSP. Phase one, which covered Finance, Procurement and Human Resources had been completed.

Committee's Observation and Recommendation

The Committee finds the amount of time Management has taken to develop the billing module unacceptable, considering that billing is the core mandate of the Company. The Committee sternly cautions Management for failure to have control over the Billing System, as such a serious omission had the potential to allow the consultant block access to the system resulting in the loss of revenue as a result of failure to bill the clients. The Committee, therefore, urges the Controlling Officer to prevail over this matter and ensure that the process of adding the billing module to the acquired ERP System is expedited. A progress report will be awaited by the Committee.

ii. **Weaknesses in the Billing System**

- **Un-reconciled Invoiced Amounts -K699,039**

Controlling Officer's Response

The Controlling Officer explained that MWSC operated two billing systems, the Post-paid System (Promun) and the Prepaid System in Chililabombwe. However, both Systems were not integrated to Pastel (the accounting system). Therefore, the billing systems were not configured to support the interface with any external system due to the fact that the Company did not have access to the billing system database and table structure. The K699,039 difference reported was therefore, prepaid sales of water that had not been considered in the reconciliation.

However, the Company had since reconciled the difference, amounting to K699,039 manually. The Controlling Officer further informed the Committee that the billing revenues in the accounting and Promun Billing Systems continued to be different since the values in the accounting system also included the billing from the pre-paid system. However, manual reconciliations would continue until the post-paid and prepaid billing systems were integrated, after the migration from the Promun Billing System to the ERP Billing System was complete.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that the post-paid and prepaid billing systems are integrated without further delay in order to avoid the loss of revenue through pilferage by the employees. A progress report will be awaited by the Committee.

- **Adjustment without Supporting Documentation**

Controlling Officer's Response
The Controlling Officer informed the Committee that the Company had made adjustments with approved customer adjustment forms. He explained that the supporting documentation was not provided to the auditors at the time of the audit because the documents could not be retrieved on time. This was because the Company did not have sufficient office space, therefore, documents up to 2020, were kept offsite. However, the forms had since been retrieved and the supporting documents were available for audit verification.

Committee's Observation and Recommendation
The Committee finds the purported tracing of the approved customer adjustment forms after the audit process, a clear case of poor record keeping at the Company. It is unbelievable that forms that were not available during the audit process are easily traced when the Utility Company appears before the Committee. This brings into question their authenticity, especially that a lot of time has elapsed. The Committee sternly cautions Management that this will not be tolerated and urges the Controlling Officer to ensure that disciplinary action is instituted against the officer(s) responsible for this serious omission. The matter is however, recommended for closure, subject to audit verification.

- **Missing Information on Client Master-Customers without Contact Details - K77,785,707**

Controlling Officer's Response
Regarding the accounts without customer names, the Controlling Officer explained that the names of the 1,441 properties referred to, were captured in the wrong fields on the billing system. With regard to the accounts without contact numbers, the Controlling Officer submitted that the missing information on the client master, was mainly due to resistance from some customers in the process of collecting customer phone numbers.

However, the customer names for the 1,441 accounts had since been placed in the correct field and the Company had continued collecting phone numbers from the customers. In view of the foregoing, 2,826 new phone numbers had since been captured in the client master,, leaving a balance of 1,890 phone numbers. The supporting documents were available for audit verification.

Committee's Observation and Recommendation
The Committee is alarmed that internal control systems failed to detect this anomaly and observes, with concern, that this weakness has resulted in the Company being owned colossal sums of money by the customers to the tune of K77,785,707, due to the failure to communicate the monthly bills to the customers. The Committee sternly cautions Management for this failure and urges the Controlling Officer to ensure that the matter is fully rectified without further delay. A progress report will be awaited by the Committee.

iii. Unaccounted for Revenue - K2,226,565

Controlling Officer's Response
The Controlling Officer informed the Committee that the funds received from the customers were captured on seventeen different computers located in the seventeen pay-points operated by the Company. At the end of the day, all the receipts were added together and banked as one lump sum and not per each computer total, as picked by the auditors.

In view of the foregoing, the MWSC had sampled amounts from the list making up the K2, 226,565 and demonstrated how receipts were accounted for by tracing them to their respective bank deposits. The data was availed for audit verification. The Committee was further informed that the Company had continued to bank all receipts promptly and intact.

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

iv. Failure to Collect Debt - K290,491,976

Controlling Officer's Response
The Controlling Officer explained that one of the reasons that the debt for domestic and commercial customers increased, was due to the restrictions imposed on the Company by the Government, not to disconnect defaulting customers due to the COVID-19 pandemic. Further, the physical engagement to coerce customers to settle their bills was also limited as a result of the restriction of movements due to the COVID-19 pandemic. Furthermore, the low economic activity in the areas of operation due to the impact of the liquidation of KCM, affected the liquidity of the districts, particularly, Chingola and Chililabombwe. The Committee was further informed that the gassing issue in 2020, also affected the Company's physical disconnections efforts. Furthermore, Government institutions were also slow in settling the debt.

However, given the limitation of the physical engagements, the Committee was informed that MWSC had devised a novel way of contacting customers via phone to enhance collections. The phone calls were triggered by an application developed in-house that filtered customers that were due for engagement. Further, the Company streamlined the debt management function and had since segmented the customers and appointed employees to manage these segments.

The Company had also resumed disconnections and was engaging the Ministry of Finance and National Planning through the Ministry of Water Development and Sanitation to help collections through debt swaps. Engagements with the KCM Management had also increased. In view of the foregoing, the debt had since reduced from K290,491,976 to K266,802,115. The supporting documents were available for audit verification.

Committee's Observation and Recommendation
The Committee notes, with concern, the minimal reduction in debt which suggests that the measures put in place for debt collection are not yielding the desired results. The Committee, therefore, urges the Controlling Officer to put in place concrete measures to improve the revenue collection and turn the misfortunes of the Utility Company around. The Committee further urges the Controlling Officer to ensure that the engagement with the Ministry of Finance and National Planning regarding the collection of the debt, through debt swaps, is expedited. A progress report on the matter will be awaited by the Committee.

c) Operational Matters

i. Comparative Performance in the Water and Sanitation Sector

- **Non-Revenue Water - K390,313,200.00**

Controlling Officer's Response
The Controlling Officer explained that the NRW had gone up due to the old and dilapidated water network, resulting in excessive water losses, the unmetered customers and the age of the meters. He informed the Committee that the age of the meters had impacted negatively on the accuracy of the meters resulting, therefore, in the under registering of the consumption and leading to the high NRW. Further, the illegal consumption of water and the vandalism of the water network was also cited as reasons for the increase in NRW.

The Controlling Officer further clarified that, while the NRW figures cited, did show the general situation, they were still a product of estimations, as most of the production figures were based on estimates. The Committee was further informed that in order to address the high NRW, Management had replaced 287.1 km length of pipes in the three towns of MWSC's operation under the ZWSP and the Company had procured 12,000 meters to improve the metering ratio. The installation of the meters stood at 8,000 as of 30th June, 2022. The Company had also sensitised the communities on the negative impact of theft and vandalism on service delivery. The Committee learnt that the Company's NRW stood at 48 per cent.

Committee's Observation and Recommendation
The Committee observes, with concern, that despite the interventions put in place, the NRW has continued to increase from 43 per cent during the audit to 48 per cent, way above NWASCOs benchmark of 25 per cent. This therefore, raises doubt on whether the mentioned strategies were actually implemented. It is in this regard that the Committee strongly urges the Controlling Officer to ensure that a lasting solution on the issues of NRW is found at the Utility Company to reduce the percentage of NRW in accordance with NWASCO's set standards and avoid the further loss of revenue. The Committee will await a progress report on the matter.

- **Failure to Meet Water Quality Standards**

Controlling Officer's Response
The Controlling Officer explained that the water quality results, as obtained from the testing kits/lab had been above the bench mark and were satisfactory. He informed the Committee that water quality was measured by three parameters; the number of tests meeting the national drinking standards, the number of samples tested, in relation to the minimum required and the confidence level.

Therefore, for the first two parameters (the number of tests meeting the national drinking standards and the number of samples tested in relation to the minimum required), the Company was above the minimum acceptable standard. The Company only failed in two of the ten confidence level points namely, the calibration of the autoclave and incubators and the non-standardisation of the water analysis books across the water treatment plants of the Company.
However, Management had taken the following action:

i. the calibration and certification of the autoclave and incubators had been done;
ii. the standardisation of the water analysis books had been done; and

iii. the Company had set up a Programme to continually adhere to the ten points criteria of the confidence levels. In view of the foregoing, the water quality standard currently stood at B (better than the relevant average) as per the last 2021 NWASCO Sector Report.

Committee's Observation and Recommendation

The Committee is alarmed that Management at the CUs had to wait for the auditors in order to discover that the water tests were not done according to the required standards. The Committee is concerned that this revelation may be proof that that the water consumed by the community during the period under review was potentially not fit for human consumption, a situation which is highly unacceptable. The Committee sternly cautions Management against this failure and recurrence of the query. The Committee resolves to keep the matter in view in future audits.

- **Operation and Maintenance Cost Coverage by Collection**

Controlling Officer's Response

The Controlling Officer explained that the failure to meet the operation and maintenance cost coverage by collection in 2020, was due to the increase in the cost of service delivery, particularly energy and employee costs. The Committee was informed that the ZESCO energy tariff effectively increased by 92 per cent while employee costs increased due to the requirements to adhere to the *Employment Code Act No. 3 of 2019*. The Controlling Officer further explained that the billed revenues dropped because the Company did not have enough raw water (KCM) to treat and sale to its customers. Further, the mines operators reduced the consumption of both raw water (Mopani Copper Mine) and treated water from the Company.

However, Management was taking the following actions in order to address the drop in the operation and maintenance cost coverage:-

i. engaging KCM in order to improve the availability of raw water and improve the supply hours and billing;
ii. repairing critical pumps and ensuring that there were standby facilities on all the treatment plants in order to boost the production and distribution of treated water;
iii. enhancing customer engagements in order to improve the collection efficiency through the use of phones, bulk SMS, public address, disconnection and debt swaps with the Government;
iv. building additional production facilities under the ZWSP in order to increase production;
v. engaging the Government to review the energy tariffs for commercial utilities; and
vi. engaging the regulator to consider revising the water and sanitation tariffs in order to factor in the increased cost of service delivery.

The Controlling Officer further lamented that the cost coverage by collections had continued to worsen due to the continued rise in the cost of service delivery not supported by a corresponding increase in water tariffs. Therefore, as of 31st December, 2021, the cost coverage by collections was at 71per cent.

Committee's Observation and Recommendation

The Committee is concerned that the operation and maintenance cost coverage by collection, is below the set sector standards and contends that this raises worry regarding the Company's continued existence as a going concern. In this regard, the Committee urges the Controlling

Officer to ensure that the processes of engaging the Government for an energy tariff review is expedited. The engagement with the regulator to consider revising the water and sanitation tariffs in order to factor in the increased cost of service delivery, in an effort to improve the cost coverage by collection, should also be expedited. The Committee will await an update on the matter.

- **Metering Ratio**

Controlling Officer's Response
The Controlling Officer informed the Committee that the failure to meet the benchmark of the metering ratio was as a result of insufficient financial resources to procure and install meters. Further, the depreciation of the Kwacha increased the cost of the meters, while the fixed meter charge remained unchanged.

However, the Company had embarked on a metering project and was working to improve the generation of resources through increased billing and collections. Further, the Company had secured 12,000 water meters, which would increase the metering ratio in addition to replacing faulty meters once fully installed. The Committee further learnt that through the ZWSP, the Company had budgeted to procure more water meters in order to attain a 100 per cent metering ratio. The metering ratio remained at 88 per cent as priority had been given to the replacement of faulty meters before the metering of additional accounts could be done.

Committee's Observation and Recommendation
The Committee notes the response and urges the Controlling Officer to ensure that the identified measures targeted to improve the metering ratio yield the desired results. A progress report will be awaited by the Committee.

- **Staff Efficiency Indicator**

Controlling Officer's Response
The Controlling Officer informed the Committee that the failure to meet the staff efficiency indicator, because the billed revenues dropped as the Company did not have enough raw water (KCM) to treat and sale to the customers as earlier alluded to. Further, the mines operators reduced the consumption of both raw water (Mopani Copper Mine) and treated water from the Company. The five percent increment in the employee expenses was due to the enactment of the *Employment Code Act No. 3 of 2019*, which made certain employee benefits mandatory.

However, the Company had acted to address the failure to meet the staff efficiency indicator by increasing the billing, through the engagement of KCM to improve the availability of raw water in order to improve the supply hours and billing. The Company had also engaged NWASCO to consider revising the water tariff in order to factor-in the increased cost of service delivery. Further, the Company reduced the NRW by implementing the NRW strategy.

The Controlling Officer further informed the Committee that the Company would also increase the collection efficiency by enhancing customer engagements in order to improve the collection efficiency through the use of phones, bulk SMS's, public addresses and disconnections. The Government was also being engaged for debt swaps. The Committee further learnt that due to the revenue generation and collection challenges already alluded to, the staff efficiency dropped to 0.59 as of 31st December, 2021.

Committee's Observation and Recommendation
The Committee observes, with concern, the high staff costs in relation to the operations, thereby, affecting the efficiency of the Company. The Committee urges the Controlling Officer to ensure that the measures put in place are fully implemented in order to meet NWASCOs set target of 40 percent. The Committee will await a progress report on the matter.

ii. Customers with Questionable Negative Balances -K1,124,657

Controlling Officer's Response
The Controlling Officer explained that the reported figure of K1,124,657 was because the accounts were counted twice by the auditors. Therefore, the correct value of the negative balances was K640,501.69 sitting on forty- two accounts. He further informed the Committee that the causes for these balances varied but prominent among them, were customers on DDACC payments, whose funds kept coming in even after what they owed had been cleared. Further, payments received from corporate customers with multiple accounts, where some payments were credited to, only a few accounts caused credit balances on those accounts. However, the Company was reconciling individual accounts with negative balances in order to confirm the actual debt position and the Manager Revenue and Debt Management, had since been charged for failure to act.

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

d) Accounting Irregularities

i. Unsupported Payments -K504,076

Controlling Officer's Response
The Controlling Officer explained that the failure to attach supporting documents on the queried payment vouchers was as a result of the following:

- **Receipts**

The Company made most payments electronically. Therefore, once the payment was made, a proof of payment from the banking system was printed which showed that the payment was actually made to the intended recipient. However, at the time of audit, a number of proofs of payment had not yet been attached to the payment vouchers. The Committee learnt that according to the Public Financial Management (General) Regulations of 2020, proofs of payment were sufficient as acknowledgement of payment to complete the transaction. In this regard, the Company had continued using proof of payment, as provided for in the Public Financial Management (General) Regulations of 2020.

- **Quotation**

The queried transactions were pertaining to two transactions made in cash using petty cash for the purchase of a power pack, valued at K1,950.00 and a urinal flush valued at K1,020.00.

- **Activity Report**

The Company's accounting manual did not mandate the issuance of an activity report for the travel expenses payment, as these were paid based on the approved conditions of service. However, in order to be in conformity with the requirements of the auditors, activity reports had been provided for and the Managing Director had issued a memo advising that an activity report was now a requirement.

Committee's Observation and Recommendation
The Committee notes that this is a serious omission and urges the Controlling Officer to take disciplinary action against the custodians of these documents for failing to secure them and, in future, ensure that appropriate documents are attached immediately the payments are made in accordance with Financial Regulation Numbers 45 and 52. The matter is, however, recommended for closure, subject to audit verification.

ii. Irregular Issuance of Imprest –

- **Allowances and Personal Related Payments -K306,526**

- **Procurement of Goods and Services - K298,868**

Controlling Officer's Response
The Controlling Officer informed the Committee that the irregular issuance of imprest to pay allowances and personal related payments and the procurement of goods and services, was due to Management having no sight of the applicable Government circulars. Consequently, the Utility Company was following its own internal Company procedures which provided for the issuance of imprest.

However, the Company had since adopted the guidelines contained in the relevant circulars and Financial Regulations and allowances to members of staff were now paid directly into their bank accounts. Therefore, the practice of using imprest to procure goods, whose values were readily available on the market, had been stopped in compliance with the applicable Government regulations.

Committee's Observation and Recommendation
The Committee observes that the breakdown in internal controls at the Utility Company, coupled with the poor supervision of the accounting staff, has contributed to this misconduct. The Committee sternly cautions the Controlling Officer to ensure that officers at the Utility Company desist from wilfully disregarding Government circulars and the Financial Regulations in question. The Controlling Officer is further urged to ensure that disciplinary action is taken against the erring officers who abrogated the Financial Regulation and Circular in question. A progress report will be awaited by the Committee.

iii. Unaccounted for Stores - K3,945,974

Controlling Officer's Response
The Controlling Officer explained that the MWSC financial systems had segregated the payables module and inventory module. Therefore, supplier invoices and payments were processed in the payables module, while goods received notes and goods issue notes were processed in the Inventory Module. Therefore, the only link between the payables module and the inventory module, was the goods received notes. He further informed the Committee that the procurement of goods was subject to varying payment terms that matured way after the delivery of the goods was done. The auditor used payment vouchers to sample the verification of inventory disposals. However, the disposal documents (goods issue notes) were not attached to the payment vouchers but were in the custody of the Divisional Stores Officers. The process of tracing the goods

received notes to the payment voucher and thereafter, the goods issue notes took long. This delayed the retrieval of the required goods issued notes from the Stores Officers.

However, the Company had since extracted the inventory movement reports which were ready for audit verification and the goods issued notes had been retrieved from the Stores Officers and were also ready for review. The Committee was informed that the Company had automated the inventory management system in order to make the retrieval of information much easier.

Committee's Observation and Recommendation
The Committee observes that there is a great risk of pilferage in the absence of accountability for stores. The Committee, therefore, urges the Controlling Officer to ensure that disciplinary action is taken against the erring officers for their failure to secure the relevant documents. The Committee will await a progress report on the matter.

iv. Failure to Deduct Tax on Board Allowances - K243,060

Controlling Officer's Response
The Controlling Officer explained that failure to deduct PAYE on the sitting allowances paid to the Board Members was an oversight. The Company had submitted the PAYE returns, however, payment to ZRA had not been made.

Nonetheless, the Company had written to ZRA in order to help with the interpretation of the conditions contained in the appointment of the Board Members. The Company's interpretation was that the amounts stipulated in the appointment letters, was the net of PAYE, hence, the Company making a return of K243,060. This amount had not yet been paid to ZRA, as the Company was awaiting ZRA's interpretation.

Committee's Observation and Recommendation
The Committee is concerned that the Utility Company found it normal to pay the Board allowances without deducting the PAYE, as provided for under the *Income Tax Act, Chapter 323 of the Laws of Zambia*. Therefore, the Committee urges the Controlling Officer to prevail over the affairs of the Utility Company and insist that there is no allowance under the *Act* exempt from tax, therefore, PAYE should be deducted from the board allowances. The Controlling Officer is further urged to ensure that disciplinary action is instituted on the officers who abrogated the provisions of the *Act*. The Committee will await a progress report on matter.

e) Administrative Matters

i. Management of Liabilities– Outstanding Bills - K69,763,438

Controlling Officer's Response
The Controlling Officer informed the Committee that the accrual of debt, amounting to K 69,763,438, as of 31st December, 2020, was mainly due to the reduction in revenue collections. He explained that the billed revenues dropped because the Company did not have enough raw water (KCM) to treat and sale to the customers. The mines operators reduced the consumption of both raw water (Mopani Copper Mine) and treated water from the Company due to them having secured alternative sources of water. Lower collections also resulted from the effect of the COVID-19 pandemic. Additionally, the prices of goods and services escalated, thereby, distorting the cost recovery structure of the Company, particularly the ZESCO energy costs that

increased by 92 per cent. Further, the water and sanitation tariffs had not been adjusted to reflect the current cost structure of the Company.

However, the Committee was informed that Management had taken the following actions in an effort to address the matter:

i. reduced the rate of debt contraction. The commitment of debt was limited to critical operations and revenue generating initiatives;
ii. engaged KCM to improve the availability of raw water in order to improve the supply hours and billing;
iii. enhanced customer engagements in order to improve the collection efficiency through the use of phones, bulk SMS, public addresses, disconnections and debt swaps with the Government;
iv. engaged NWASCO to consider revising the water and sanitation tariffs in order to factor in the increased cost of service delivery; and
v. engaged the Ministry of Water Development and Sanitation on the high energy tariff with the view of renegotiating the current energy tariffs with ZESCO.

The Controlling Officer further informed the Committee that the liabilities to ZAMTEL and the Chemical and Engineering Limited, had been reduced from a combined balance of K2,059,564.18, as of 31st December, 2020, to K1,297,360.11, as of 30th June, 2022. Furthermore, the ZESCO and PAYE liabilities had increased even though the Company had entered into payment plans.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that the accrued debt is liquidated as soon as possible in order to avoid the loss of public funds through litigation. A progress report will be awaited by the Committee.

ii. Wasteful Expenditure

- **Payment of Penalty Fee - K164,701**

Controlling Officer's Response
The Controlling Officer explained that the employees' NAPSA contributions that were transferred from Nkana Water Supply and Sanitation Company Limited (NWSC), to MWSC accrued interest. Therefore, the NAPSA contribution was included in the assets and liabilities transferred to MWSC following the delinking of the NWSC operations in the three districts of Mufulira; Chililabombwe; and Chingola. Therefore, the payment was made, however, only after the debt was reconciled with NAPSA in 2019. The Committee was informed that the MWSC was currently meeting its current NAPSA obligations.

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

- **Litigation Costs**

- **Kenny Mukosha and 3,560 Others Vs Mulonga Water Supply and Sanitation Company - K1,159,385**

Controlling Officer's Response
The Controlling Officer informed the Committee that the contamination of the water was caused by the vandalism of the sewer line and water networks in Mupambe by the community, which resulted in the sewage mixing with the treated water in the water network. The Company only came to know about this after the typhoid cases were reported.

In view of the foregoing, the Committee was informed that the Company had continued sensitising the communities on the negative effects of vandalism and had signed an MOU with the Zambia Police Service to fight vandalism. The Company had also offered incentives to members of the public to report acts of vandalism and the Government, through the Disaster Management and Mitigation Unit, rehabilitated the water and sanitation infrastructure at the cost of K 6.6 Million from 2011 to 2012.

The Committee further learnt that the Mupambe Sewer Line was repaired and there was no more contamination. The legal case had since been disposed-off and all costs settled.

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

- **Elijah Mwale Vs Mulonga Water Supply and Sanitation Company - K250,359**

Controlling Officer's Response
The Controlling Officer explained that this was caused by the termination of the Officer's employment from MWSC, following a disciplinary hearing process. The court ruled that MWSC did not follow the due process, hence, the award of the damages. He further informed the Committee that the disciplinary and grievance procedure had since been revised to ensure clarity on the procedure.

Committee's Observation and Recommendation
The Committee is concerned with the various litigation cases involving the Utility Company that have resulted in the loss of colossal sums of public funds. The Committee, therefore, strongly urges the Controlling Officer to put in place a deliberate policy providing for water utility companies facing litigation of any kind to involve the Office of the Attorney General.

- **Chirock Investments Limited Vs Mulonga Water Supply and Sanitation Company -**

Controlling Officer's Response
The Controlling Officer informed the Committee that the supplier sued the Company due to the delay in settling the debt owed by the Company. The delay was caused by the poor cash flow experienced by the Company. However, the Company had restricted its commitment to debt in order to curb the continued rise in liabilities. In this regard, the full amount had since been liquidated.

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

f) Staff Related Matters

i. Irregular Payment of Leave Pay - K435,129

Controlling Officer's Response
Regarding the annual leave pay, the Controlling Officer informed the Committee that the failure to avail the fifteen leave forms for the unionised and supervisory employees was because the leave forms were located at their respective divisional offices and not at the Head Office. This, therefore, delayed the retrieval of the leave forms. However, the leave forms for the fifteen unionised and supervisory employees had been retrieved and were available for audit verification.

With regard to the terminal leave pay, the Committee learnt that the failure to avail the other twenty-seven leave forms for the employees that were paid their terminal leave pay at the end of their employments or expiry of their contracts, was because it was not a requirement for an employee to apply for the terminal leave pay. The terminal pay statement was automatically prepared by the Human Resources Department at the time of the preparation of the separation pay. Therefore, the terminal leave pay statements for the other twenty - seven employees who were paid the leave pay at separation had also been provided and were available for the audit verification.

The Controlling Officer informed the Committee that the leave application process had now been automated and all leave application forms were electronically available.

Committee's Observation and Recommendation
The Committee expresses concern at Management's disregard for the audit process, during which this clarification should have been made. The Committee urges the Controlling Officer to ensure that disciplinary action is meted out against all the responsible officers for this serious omission and cautions Management against the recurrence of this irregularity in subsequent audits. The Committee further directs that all the relevant documents in this matter should be verified by the Auditor General, after which the matter should be closed.

ii. Failure to Recover Salary Advances - K19,500

Controlling Officer's Response
The Controlling Officer explained that the failure to recover the salary advance in time, was due to the delayed input into the payroll. However, monthly reconciliations of salary advances had been enhanced to ensure prompt recoveries and the Company had since recovered all the overdue salary advances. Additionally, the officer responsible for inputting the salary advances was given the first verbal warning. The Committee was informed that there were no more unrecovered salary advances.

Committee's Observation and Recommendation
The Committee expresses concern that recoveries were only made after the audit findings. This shows the laissez-faire attitude by Management in recovering these funds. The Committee sternly cautions the Management of the utility Company over this failure and urges the Controlling Officer to ensure that disciplinary action is instituted against the erring officers. The Committee further, directs that all the relevant documentation be submitted for audit verification, after which the matter should close.

iii. Failure to Provide Oral Contracts - K261,110

Controlling Officer's Response
The Controlling Officer explained that Management could not avail the oral contracts at the time of the audit because the contracts were filed in the divisions where the casuals were employed. However, the oral contracts had since been retrieved from the divisional offices and the Company was revising its file management system in order to improve the retrieval of the files from the divisions. The oral contracts were properly filed for any casual workers engaged.

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

iv. Failure to Recover 25% of the Cost of the Mobile Phone Handsets

Controlling Officer's Response- K22,449
The Controlling Officer informed the Committee that the failure to recover the 25 per cent of the total cost of the handsets was due to the delayed input in the payroll. However, the Company had since recovered the 25 per cent of the total cost of the handsets. Further, the provision of mobile handsets was no longer a condition of service.

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

f) Asset Management

i. Lack of an Asset Management Policy

Controlling Officer's Response
The Controlling Officer explained that the failure to have the Asset Management Policy was because the Company relied on the accounting manual that included a detailed asset register. Further, the fixed asset register included the date of purchase; location; asset class; asset description; method of valuing the asset; depreciation rate; and asset code.

However, Management had since developed a comprehensive Asset Management Policy and the Policy had been approved by the MWSC Board of Directors. The supporting documents were availed for audit verification.

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

ii. Lack of Title Deeds - K63,179,727

Controlling Officer's Response
The Controlling Officer explained that the lack of title deeds was because of the delay by the Government surveyors and the local authority in issuing survey diagrams which was a prerequisite step to obtaining the title deeds.

However, the MWSC had since engaged private surveyors to expedite the process of preparing survey diagrams and twelve sets of survey diagrams had been submitted to the Ministry of Lands, Regional Office in Ndola. Of the twelve sets submitted, eight title deeds had since been acquired and the remaining four were yet to be collected as Management had continued numbering and surveying with the private surveyor for the rest of the properties.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer not to relent but pursue this matter to its logical conclusion. The Committee will await a progress report on the matter.

iii. Poor Maintenance of Infrastructure

- **Kafue Chingola Water Treatment Plant**

▪ **Defective Water Pump**

Controlling Officer's Response
The Controlling Officer submitted that the delay in repairing the pumps was due to the poor cash flow experienced by the Company. However, the pump was taken out for repair and had since been re-installed and was in operation since 12th December, 2021.

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

▪ **Faulty Chlorine and Aluminium Sulphate Dosing Tanks**

Controlling Officer's Response
The Controlling Officer explained that the pre-chlorination tank (green) was decommissioned and no longer in use, whereas the other Aluminium Sulphate Solution Dosing Tank had developed a crack. However, the Aluminium Sulphate Solution Dosing Tank was repaired and put back in use.

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

▪ **Defective Aluminium Sulphate Dosing Equipment - K1,554,625 (US$99,033.30)**

Controlling Officer's Response
The Controlling Officer submitted that the equipment experienced post commissioning challenges due to the quality of aluminium sulphate that was being used, which caused blockages. However, the MWSC had engaged the contractors to assist find a lasting solution to the challenges. Nonetheless, the two Aluminium Dosing Pumps had since been repaired and the Aluminium Dosing Equipment was operational.

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

▪ **Water Distribution Pump**

Controlling Officer's Response
The Controlling Officer explained that the equipment was quite old and prone to frequent breakdowns. Due to a lack of service contracts with vendors servicing technical equipment, the process of sourcing the service each time the need arose, was subject to a lengthy procurement

process. However, the pump was repaired and re-installed and the non-return valve was also repaired. In view of the foregoing, both the pump and non-return valve were currently operational.

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

- **Kabundi Water Booster**

Controlling Officer's Response
The Controlling Officer explained that the equipment was quite old and prone to frequent breakdowns. Due to a lack of service contracts with vendors servicing technical equipment, the process of sourcing the service each time the need arose, was subject to a lengthy procurement process. Further, limited cash flows had slowed the servicing and repair of critical installations even more. However, a new pump was procured and installed in November, 2021, and the faulty pump was repaired and was used as a standby pump.

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

- **The Close Booster Station**

Controlling Officer's Response
The Controlling Officer explained that the equipment was quite old and prone to frequent breakdowns. Due to a lack of service contracts with the vendors servicing technical equipment, the process of sourcing the service each time the need arose, was subject to a lengthy procurement process. Further, limited cash flows had slowed the servicing and repair of critical installations even more. However, the motor for the pump was repaired and re-installed and the close booster station was running on the required number of pumps.

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

- **Chililabombwe Water Treatment Plant**

Controlling Officer's Response
The Controlling Officer explained that the building was quite old and was affected by mining activities. Furthermore, limited cash flows had stymied critical installation maintenance and repair works. However, the structure had been designated for demolition. Nonetheless, the filter house was still being used in its state but plans were underway to put up a new building under the ZWSP.

Regarding the regulator and the scale, the Controlling Officer submitted that the regulator and the scale were faulty due to the normal wear and tear. In view of the foregoing, the regulator and scale were routinely calibrated and were now in use.

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

- **Mufulira District**

  - **Chibolya Treatment Plant**

Controlling Officer's Response
The Controlling Officer explained that the plant was initially designed to run with four pumps, with a fifth pump option. However, the equipment was quite old and prone to frequent breakdowns. Limited cash flows had also slowed the servicing and repair of critical installations even more. However, the configuration for Chibolya Plant Pump Station was redesigned to run on two pumps with higher capacity. In this regard, the two pumps were operational.

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

  - **Kantanshi Zonal Office**

Controlling Officer's Response
The Controlling Officer submitted that the building was quite old and the delayed maintenance impacted its state. Furthermore, limited cash flows had stymied critical installation maintenance and repair works.

However, the contractor was engaged to build the perimeter fence and the doors to the offices had been replaced and the building had been earmarked for standardisation under the ZWSP business improvement component.

Committee's Observation and Recommendation
The Committee notes the response and awaits a progress report on the matter.

- **Kankoyo South Pond**

Controlling Officer's Response
The Controlling Officer explained that the vandalism of the infrastructure and blocking of the sewer inlet lines were the main cause of the sewer pond malfunctioning. This was deliberately done by the residents to divert sewage to their respective gardens. However, the MWSC had engaged the Local Authority's Public Health Department to curb the improper use of untreated sewage by locals and had continued unblocking the affected sewer lines. Further, the embankments were scheduled to be worked on in the fourth quarter of 2022, subject to the availability of funds.

Committee's Observation and Recommendation
The Committee notes the response and awaits a progress report on the matter.

  - **Mufulira Divisional Office**

Controlling Officer's Response
The Controlling Officer submitted that this was due to the old age of the building; differential ground settlements caused by mining activities in the vicinity; and vandalism of the infrastructure. Limited cash flows had also delayed the works to under-pin the building. The Committee was informed that the building was still in the same state awaiting for the commencement of repairs once the funds were available.

Committee's Observation and Recommendation
The Committee notes the response and awaits a progress report on the matter.

- **Mupambe Sewer Pump Station**

Controlling Officer's Response
The Controlling Officer informed the Committee that the deterioration of the buildings was due to old age and differential ground settlements caused by mining activities in the vicinity. The uncovered sump at the time of the audit was as a result of vandalism where the reinforced concrete covers were vandalised to extract the steel reinforcement. However, the MWSC had constructed the new pump station that would be commissioned by December, 2022 and the old pump station would be decommissioned to include burying the old pump chamber.

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

- **17th Street Booster Station**

Controlling Officer's Response
The Controlling Officer submitted that the equipment was quite old and prone to frequent breakdowns. However, the old pump had since been serviced and repaired and a new pump had been procured and installed. In view of the foregoing, the station was running on a new pump with a stand-by pump facility.

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

- **River Water Pump Station**

Controlling Officer's Response
The Controlling Officer explained that the equipment was quite old and prone to frequent breakdowns. Due to a lack of service contracts with vendors servicing technical equipment, the process of sourcing the service was subject to a lengthy procurement process. Further, limited cash flows had slowed the servicing and repair of critical installations even more. However, the two pumps were taken for servicing and repair.

Furthermore, the pump station was not fenced off in order to protect it from access by unauthorised persons because of limited funds for capital investment. However, the MWSC had secured funding under the ZWSP to rehabilitate and construct the fence around the pump station. Nonetheless, the pump station remained unfenced awaiting the commencement of construction works under the ZWSP.

Committee's Observation and Recommendation
The Committee notes the response and awaits a progress report on the matter.

- **Chibolya Water Kiosk No. 1**

The Controlling Officer explained that the kiosk was not in use due to the inconsistent water supply in the area. However, water network repairs under the ZWSP had commenced in order to supply water to the kiosk in the peri-urban areas.

Committee's Observation and Recommendation
The Committee notes the response and awaits a progress report on the matter.

- **Kawama West Pond**

Controlling Officer's Response
The Controlling Officer explained that the water and sanitation infrastructure was vulnerable to theft and vandalism. Further, limited cash flow prevented the frequent desludging of sewage ponds. However, the primary and secondary ponds at Kawama West Pond were desludged and cleaned in October 2021 and the overgrown vegetation had been cleared.

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

- **Kamuchanga Booster Pump**

Controlling Officer's Response
The Controlling Officer explained that the equipment was quite old and prone to frequent breakdowns. Due to a lack of service contracts with vendors servicing technical equipment, the process of sourcing the service was subject to a lengthy procurement process. Further, limited cash flows had slowed the servicing and repair of critical installations even more. However, the pump was taken for servicing and repair and had since been re-installed and working. Further, the valve was repaired under the scheduled maintenance.

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

10.5 NKANA WATER SUPPLY AND SANITATION COMPANY LIMITED

10.1 Audit Findings
An examination of financial and other records maintained at the headquarters and regional offices for the financial years ended 31st December, 2019 and 2020, revealed the following irregularities to which the Controlling Officer submitted as highlighted below.

a) Budget and Income- K4,627,000

Controlling Officer's Response
The Controlling Officer explained that during the period from 1st January, 2019 to 31st December, 2020, the total revenue generated for water charges, sanitation charges and other revenues was more than the total budgeted revenue. This resulted in a favourable variance of K4.6million, contrary to what was reported as a negative variance. The Controlling Officer submitted the summary of the actual total revenue, compared to the budgeted total revenue in the tabled below:

Details	**Total**
	K'000
Revenue	503,615
Budget	498,988
Variance	**4,627**

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

b) Unpaid Water Bills - K355,518,875

Controlling Officer's Response
The Controlling Officer informed the Committee that the high amount of unpaid water bills was because the COVID-19 pandemic affected the operations of the Company as the Company could not carry out the planned monthly and quarterly disconnection exercises in 2020 and 2021. Therefore, the disconnections had a great impact on the reducing arrears. Further, the unpaid bills at Government properties and the unwillingness and inability to pay for water bills by customers in low-cost areas who made up 60 per cent of the Company's customer base, were other challenges highlighted.

However, the Committee was informed that the Company had put in place a number of measures in order to improve debt collection and reduce on customer arrears as submitted below:

i. engaged the Ministry of Finance and National Planning to assist in settling the outstanding water bills on behalf of the Government institutions through cash settlements and debt swaps;
ii. installed prepaid meters on some Government institutions such as the Copperbelt University Administration Block and other low-cost areas in order to enhance collections and the recovery of debt;
iii. installed smart meters (automatic meter readers) which helped in debt collection by way of remotely disconnecting a customer. This prompted the customers to make payments immediately they were disconnected;
iv. made a provision of flexible payment plans to customers with huge outstanding bills;
v. conducted customer interaction events and door-to-door customer sensitisation on the importance to pay and provided engagement through sending electronic bill payment reminders; and
vi. put various payment platforms in place, which included mobile money and DDACC.

In view of the foregoing, the Controlling Officer submitted the following status on the ground as a result of implementing the above measures:

i. the debt for the Government properties had been cleared up to December, 2020;
ii. the debt had been reducing in high-cost areas following disconnections carried out in the last two months. These areas had automatic meter readers installed and disconnections were done remotely; and
iii. the installation of an additional 6000 prepaid meters for low-cost customers was done in order to aid in reducing arrears.

In view of the foregoing, a total of K5, 042,960.30 had been recovered from the arrears as at 1st December, 2021.

Committee's Observation and Recommendation
The Committee expresses concern that the high amount of unpaid water bills is reducing the Company's revenue for reinvestment. In this regard, the Committee urges the Controlling Officer to ensure that in addition to the listed methods of collection, the Management of the Utility

Company should devise more aggressive measures in order to recover the outstanding debt and also avoid future debt. The Committee will await a progress report on the matter.

c) Comparative Performance in the Water and Sanitation Sector

i. Non-Revenue Water (NRW) -K599,479,468

Controlling Officer's Response

The Controlling Officer informed the Committee that the increase from 49 per cent to 60 per cent of the NRW was attributed to the increase in water production, coupled with the worsening of the already dilapidated infrastructure, some of which was ear-marked for rehabilitation under the Nkana Water Supply and Sanitation Project II (NWSSP II). Other reasons advanced included an increase in unbilled properties; the water wastage on unmetered customers; and illegal connections.

The Committee was further informed that the NRW strategic target of 25 per cent, which was also NWASCO's benchmark was planned to be attained by 2021, after the full implementation of the Investment Plan, for the Strategic Plan, for the period of 2016 to 2020, supported by the NWSSPII.

The Controlling Officer further explained that the Investment Plan would address the replacement of dilapidated bulk water mains and the distribution network, 100 per cent customer metering and the database clean up company-wide in order to ensure that all the unbilled properties were captured and installed in the billing system. The Plan would also address the installation of the production and distribution of bulk meters in order to improve the accuracy of measuring the NRW.

However, the NWSSP II on which most of the NRW reduction activities were based suffered a setback due to the non-disbursement of funds to cover the payments of the contractor in 2019 and 2020. The Committee was informed that despite the suspension of the project works, some strides were made towards the management and reduction of NRW in 2021, and these included:

i. the 100 per cent metering of all production lines at the water treatment plants;
ii. the replacement of over 33km of selected dilapidated transmission mains which included the transmission pipeline from Nkana East Water Treatment Plant to 17th Avenue Distribution Centre, 17th Avenue Distribution Centre to Ndeke Distribution Centre and 17th Avenue Distribution Centre to Wusakile Distribution Centre;
iii. the repairing of leaking reservoirs at Ndeke Distribution Centre and Kwacha Distribution Centre; and
iv. the repairing of two leaking ground reservoirs at Riverside Distribution Centre.

In view of the foregoing, the NRW recorded as of June, 2022, was 62 per cent and the following interventions were submitted as being undertaken in order to further reduce the NRW:

i. the rising main from Chambishi Water Treatment Plant to Chambishi Distribution Centre was commissioned, therefore, decommissioning the old line that had multiple leaks;
ii. the verification of zero consumption accounts and ensuring that those customers receiving water on the ground were billed accordingly;

iii. 10,000 batteries for the prepaid meters had been ordered in order to address unbilled properties in prepaid areas and the delivery was expected in October, 2022;
iv. production had been optimised in Chambishi and the zoning of Chambishi into a district metered area would be done by the end of the year;
v. effective July, 2022, the Company was piloting an enhanced caretaker approach in five areas and it was expected that there would be a decrease in the illegalities which included illegal connections, unbilled properties and illegal reconnections;
vi. the NRW strategy for the year 2022 to 2026, was approved by the Board of Directors and was being implemented;
vii. the Company had a system in place for reporting and repairing leaks; and
viii. internal and external sensitisation on NRW had been done.

Committee's Observation and Recommendation
The Committee observes that whereas the Company has formulated progressive strategies to arrest the situation, no timeframe has been given to fully implement them. The Committee, therefore, urges the Controlling Officer to ensure that the implementation of strategies to reduce the NRW to the set target of 25 per cent by the regulator, is achieved within a specific and reasonable period. The Committee will await a progress report on the matter.

ii. Metering Ratio

Controlling Officer's Response
The Controlling Officer informed the Committee that the activities planned to attain the target of 100 per cent were tied to the NWSSP II project. He explained that the 100 per cent target could not be achieved due to the non-disbursement of funds to cover payments to the contractor in 2019, and in 2020, leading to the suspension of NWSSP II project.

The Committee was further informed that the Company had secured 4,000 meters and the procurement of the fittings was currently in progress.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that the Utility Company devises other strategies to improve its metering ratio apart from tying the activities planned to attain the 100 per cent target to the NWSSP II Project, in order to avoid the further reduction of the Company's profitability in an event that the Project does not accomplish the purpose for which it was established, given the funding challenges highlighted. The Committee will, await a progress report on the matter.

d) Infrastructure –Failure to Maintain Equipment

Controlling Officer's Response
The Controlling Officer explained that the leak in question developed on 6th September 2021, on a discharge high pressure pipeline to the storage tank. This section of the pipeline had experienced several leaking points due to old age. Therefore, leakages were promptly repaired as and when they occurred. In view of the foregoing, the leaking pipe had been repaired and the Committee was informed that the infrastructure was dilapidated as it had been in operation since the late 1950s.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that Management prioritises the permanent replacement or fixing the equipment in order to avoid the recurrence of this irregularity. However, the matter is recommended for closure, subject to audit verification.

e) Asset Management-Lack of Title Deeds -K182,578,341

Controlling Officer's Response
The Controlling Officer explained that the lack of title deeds was caused by delays in regularising the properties by Kitwe City Council and Kalulushi Municipal Council. He informed the Committee that the two properties in Kitwe, namely; Stand No.4751 Kitwe and Stand No.2936 Kitwe, were on title. Regarding the remaining twenty-two identified properties, the Controlling Officer submitted that two title deeds were pending issuance by the Ministry of Lands and Natural Resources; eight properties were pending the preparation of survey diagrams and regularising by both the Kitwe City Council and Kalulushi Municipal Council; ten properties were regularised by Kalulushi Municipal Council and the Ministry of Lands and Natural Resources was yet to issue invitations to NWSC as part of the process of preparing direct leases from the state and survey diagrams were pending for two properties.

Committee's Observation and Recommendation
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.

f) Staff Related Matters –Failure to Fill Key Vacant Positions

Controlling Officer's Response
The Controlling Officer explained that the position of Manager, Water and Sanitation became vacant following the non-renewal of the contract at the option of the employee. He informed the Committee that the duties of this position were attached to the NWSSP II Project, which was on suspension during the same period. The Committee was further informed that the Senior Procurement Officer position became vacant following the officer's resignation and the plant operators positions were being covered by a fixed term contract. The Company could not employ on permanent and pensionable employment due to cash flow challenges.

However, the following appointments were made for the vacant positions:

i. one Project Engineer;
ii. two Debt Management Officers;
iii. two Assistant Accountants were appointed and one was reassigned to Assistant Management Accountant;
iv. the Senior Procurement Officer and Manager, Planning and Infrastructure Development;
v. the Maintenance Manager; and
vi. the Manager, Water and Sanitation.

The Controlling Officer further informed the Committee that an organisation structure review would be undertaken and job enhancements would be done, in order to consider some of the vacant positions. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee observes, with concern, that the failure to recruit and fill the key vacant positions not only compromises the discharge of the Utility Company's mandate but also limits its effectiveness. It is in this regard that the Committee urges the Controlling Officer to engage the Management on a specific timeframe in which the other positions will be filled in order to facilitate the smooth running of the Institution. The Committee will await a progress report on the matter.

11.0 NORTH-WESTERN WATER SUPPLY AND SANITATION COMPANY LIMITED

11.1 Audit Findings
An examination of financial and other records maintained at the headquarters and regional offices for the financial years ended 31st December, 2019 and 2020, revealed the following irregularities to which the Controlling Officer responded as highlighted below.

a) Budget and Income -18,683,477

Controlling Officer's Response
The Controlling Officer explained that the Company recorded a revenue deficit of K18,683, 477, due to the non approval of the water tariff by NWASCO; the failure to achieve targeted new water connections due to inadequate financial resources to procure meters; reduced social and economic activities due to the COVID -19 pandemic, resulting in low consumption and reduced billing and an increase in Non- Revenue Water due to old and dilapidated infrastructure (water pipes, tanks and meters).

However, the Utility Company had continued to ask for an upward tariff adjustment with NWASCO. Further, the Company, through the Ministry of Water Development and Sanitation, was in the process of procuring meters to ensure new customers were connected and the Zambezi and Kapompo water tanks were repaired while network maintenance had continued.

In view of the foregoing, by June, 2022, 1150 customers had been connected with new meters acquired from internal resources. The Utility Company, through the Ministry of Water Development and Sanitation, was in the process of procuring more meters to ensure that new customers were connected. The Utility Company had further continued to ask for an upward tariff adjustment with NWASCO.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that Management priorities the procurement of the meters and follows up the approval of the water tariff in order to improve the revenue generation of the Company. The Committee will await a progress report on the matter.

b) Corporate Governance– Failure to Appoint a Full Board

Controlling Officer's Response
The Controlling Officer explained that from inception, the composition of the Board was ten members, in line with the Articles of Association and Circular No. MLGH/102/17/1. However, the three vacancies at the time of audit were due to the transfer of the Provincial Local Government Officer, the tenure of the appointee from the Engineering Institution of Zambia expired and a replacement was not appointed by Engineering Institution of Zambia, despite

writing to the Organisation and the high turnover on the position of the Town Clerk for Solwezi Municipal Council.

However, in an effort to have a full Board, the Committee was informed that Management, through the Ministry of Water Development and Sanitation, had made amendments to the Articles of Association in order to align the Board membership appointments from individual to specific positions. The Company had also held an Extra Ordinary General Meeting, in order to recommend proposed Board Members and the Board of Directors was appointed.

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

c) Management of Information and Communication Technology Systems

i. Lack of IT Steering Committee

Controlling Officer's Response
The Controlling Officer explained that the lack of an ICT steering committee, was as a result of Management not being aware of the requirement to have an IT Steering Committee, in line with the CoBIT APO01.01.

However, in order to ensure the adherence to the CoBITAPO01.01, Management had appointed an ICT Steering Committee and the Head of Information and Communication Technology was employed on 1st June, 2022.

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

ii. Lack of IT Strategic Plan

Controlling Officer's Response
The Controlling Officer explained that the failure to have the ICT Strategic Plan, was an oversight on the part of Management. However, the ICT Strategic Plan had been developed and had been approved by the Board.

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

iii. Lack of Off-Site Backup Facility

Controlling Officer's Response
The Controlling Officer explained that the facility that was being used for backup, was a residential company house allocated to the Managing Director, who opted to move to his own house. When time came to allocate the house to the new Managing Director, the facility was moved to the Head Office, while a new location was to be secured. Therefore, the Backup Policy was still at draft stage at the time of audit. However, the offsite backup facility had since moved to the Company offices in Kabitaka, 8 km away. In this regard, the Backup Policy was available.

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

d) Comparative Performance in Water and Sanitation Sector

i. Non–Revenue Water (NRW) - K24, 843,904

Controlling Officer's Response

The Controlling Officer explained that the increase in NRW, was attributed to the old and dilapidated infrastructure which contributed to water leakages; stuck; dirty; and under registering meters, as most meters had out lived their life span and connection by-pass and vandalism.

The Committee was informed that, in order to address the high NRW, the Company, with support from the Government and cooperating partners, was implementing projects such as the Solwezi Water Supply Upgrade Project, which included 3 km of raising the main from the treatment plant to Kyawama, in order to reduce the water loss, and the Mufumbwe Water Supply Project, which was commissioned on 13th May, 2022. Further, the Company had established a unit to carry out the cleaning of existing meters and the replacement of faulty one. Furthermore, the Utility Company through the Ministry of Water Development and Sanitation, was in the process of procuring more meters. The Company had also continued to sensitise the customers on the risks of connection by- passes and vandalism.

In this regard, 824 meters had been cleaned up, as of 31st August, 2022 and the NRW stood at42 percent.

Committee's Observation and Recommendation

The Committee urges the Controlling Officer not to relent, but to ensure that Management priorities the implementation of all the strategies earmarked to improve the percentage of the NRW, in accordance with NWASCOs set standards. The Committee will await a progress report on the matter.

ii. Sanitation Coverage

The Controlling Officer explained that the low sanitation coverage in urban areas, was as a result of the inadequate investment in sanitation infrastructure development that had not been addressed for a long time. This had resulted in an investment gap of USD 200 Million. Further, the non-capturing of households on onsite sanitation such as septic tanks was another challenge highlighted.

However, feasibility studies had been conducted in order to inform investment in sanitation infrastructure development and the report would be utilised to source for financing from the Government and the cooperating partners. Further, the Company was currently undertaking a survey to capture all the onsite sanitation facilities under the sanitation survey, by the inclusion of onsite sanitation facilities such as septic tanks that had not been captured. This would contribute to the improvement in sanitation coverage in urban areas. The sanitation survey had been done for Solwezi, while data collectors had been recruited for Kabompo and Zambezi. The Committee was informed that the sanitation coverage was currently at 22.8 percent.

Committee's Observation and Recommendation

The Committee urges the Controlling Officer to ensure that Management priorities the implementation of all the strategies earmarked to improve the sanitation coverage in order to meet NWASCO's benchmark of 80 per cent in order for a substantial number of households to have access to sanitation services. A progress report, will, therefore, be awaited by the Committee.

i. Water Supply Coverage

Controlling Officer's Response
The Controlling Officer informed the Committee that the wrong base value for the population used in 2019, resulted in the plummeting of the water coverage. However, after consultation with the regulator, NWASCO had since corrected the base. The Committee was informed that the water coverage currently stood at 71.3 percent.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that Management puts in place concrete measures to improve the water supply coverage in order to meet NWASCOs benchmark of 80 per cent. A progress report will be awaited by the Committee.

e) Accounting Irregularities

i. Non-Preparation of Financial Statements

Controlling Officer's Response
The Controlling Officer explained that the financial statements for 2019 and 2020, were not prepared due to the backlog that the Company had since 2015, when the last audited financial statements were prepared. The backlog was caused by system challenges, as it was failing to produce expected financial reports.

The Committee was further informed that the contract for the Director, Finance, was terminated by the Board in October, 2019, for the failure to produce financial statements. A new Director Finance was employed on 15th January, 2021 and the externally audited financial statements for the years 2016 and 2017 had since been prepared and were yet to be signed by the Board. As of 15th August, 2022, the external audit for 2018 had started and the 2019 and 2020, Financial Statements were yet to be externally audited. Additionally, the Financial Accountant and the Assistant Financial Accountant - Revenue, had since been employed to deal with the backlog and the preparation of the externally audited financial statements.

Committee's Observation and Recommendation
The Committee is concerned that the Utility Company has not prepared financial statements for a long time and questions what functions of NWASCO in the years under review if it had to take the auditors to highlight this inefficiency. The Committee perceives this to be a sign of laxity on the part of NWASCO to monitor the Water Utility Company, which the Committee finds unacceptable, considering that the Utility Company had qualified personnel in the Accounts Department, who were drawing salaries during the periods in question without adding value to the institution. In this regard, the Committee strongly censures the Controlling Officer for this lapse and urges him to also institute disciplinary action against the accounting officers who failed to execute their duties. The Committee will await an update on the matter.

ii. Failure to Update Collections Accounts - K23,314,960

Controlling Officer's Response
The Controlling Officer explained that the failure to update the collection account was as a result of system challenges, which resulted in the backlog of unposted transactions, including deposit slips from 2017 to 2019. However, the Committee was informed that in order to address the failure to update the collection account, bank reconciliations were brought up to date until the

collections account was cleared. In view of the foregoing, K23, 314,960, had since been posted for the period under review. As of May, 2022, the balance on the account had reduced K264, 826.44.

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

iii. Failure to Collect Receivables - K16,370,646

Controlling Officer's Response
The Controlling Officer explained that the failure to collect the receivables, was as a result of lack of a Debt Management Unit to effectively collect debt and the Government directive not to disconnect and withdraw services from the customers during the COVID-19 pandemic. This resulted in the accumulation of the receivables; disruptions in the economic and social activity, which in turn resulted in the reduction of disposable income for customers. This also resulted in the failure to pay bills. The delayed settlement of outstanding debt by the Government was another reason for this failure.

However, the Committee was informed that in an effort to collect the outstanding bills, engagements with owing customers had been heightened and the customers agreed to sign commitment letters to pay their outstanding bills. The Company had further intensified the issuance of demand notices in an effort to collect debt from the clients. Furthermore, debt swaps were being implemented with institutions such as ZESCO; ZAMTEL; local authorities and other Government institutions in order to manage debts. The Company had also established a Debt Management Unit and customers that had defaulted had been prosecuted through the courts of law. The Committee further learnt that as of 30th June, 2022, the amount outstanding on receivables was K15,417,221.55. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee is disappointed to note that it took the Auditor General for Management to formulate strategies on how to collect the money from its debtors. The Committee also finds it unacceptable that the Company was operating without a dedicated Debt Management Unit to effectively collect debt. In this regard, the Committee urges the Controlling Officer to ensure that Management attends to the issue of debt collection with the seriousness that it deserves and to ensure that all the strategies to that effect yield the desired results. The Committee will await a progress report on the matter.

iv. Failure to Connect Customers - K420,677

Controlling Officer's Response
The Controlling Officer explained that according to the Company's Commercial Policy, customers were expected to pay 40 per cent of the total connection fees, while the Company subsidised the 60 per cent. He informed the Committee that the failure to connect the customers to the network was, as a result of the Company not mobilising the 60 per cent required, due to financial constraints.

The Committee learnt that in order to address the failure to connect the customers, Management was mobilising resources to meet the 60 per cent required to procure materials for new connections. So far, 400 customers had been connected, which included the 347 queried customers. The supporting documents were availed for audit verification.

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

v. Lack of Safe Facilities

Controlling Officer's Response
The Controlling Officer submitted that the failure to have safe facilities in place, was an oversight on the part of Management. However, Management had since procured the safe facilities for the operation centres in question.

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

vi. Failure to Remit Statutory and Other Contributions -K20,609,742

Controlling Officer's Response
The Controlling Officer informed the Committee that the failure to remit statutory obligations was as a result of liquidity challenges. However, Management had come up with the following payment plans**:**

- **PAYE**

The Company was currently paying K50,000 monthly to ZRA towards the debt, while monthly obligations were now being paid when they fell due.

- **NAPSA**

The monthly NAPSA obligations were being paid in full as they fell due and a monthly payment plan of K10,000 had been made towards the outstanding penalties.

- **WORKERS' COMPENSATION FUND**

The Company had negotiated a payment plan of K20, 000 per month.

- **ZWASEAWU**

The company was paying K12,000 towards the current union contributions and arrears.

In view of the foregoing, the current status of the statutory and other contributions was as submitted in the table below.

		Liability as at 31.12.2020	Liability as at	Amount	Appendix
1	PAYE	17,906,071	30.06.22	23,549,525	21
2	ZWASEAWU	314,341	30.06.22	428,590	21
3	Workers Compensation Fund	176,498	30.06.22	490,663	19
4	NAPSA	2,212,832	30.08.22	3,492,846	18
	Total	**20,609,742**	**27,917,625**	**27,961,624**	

Committee's Observation and Recommendation
The Committee finds it unacceptable that the Controlling Officer keeps giving assurances that are not being acted upon. It is disheartening to note that the unsettled statutory and other obligations have been outstanding for periods ranging from one to five years and have worsened

during the period under review. This illustrates laxity on the part of the Management. The Committee, therefore, urges the Controlling Officer to ensure that statutory and other obligations are remitted as required by law and those outstanding are liquidated without further delay in order to avoid the loss of Government revenue, the lack of social protection for the employees, as well as disadvantage the employees in an event of an accident that may require compensation. The Committee will await a progress report on the matter.

12.0 SOUTHERN WATER SUPPLY AND SANITATION COMPANY LIMITED

12.1 Audit Findings

An examination of the financial and other records maintained at the Headquarters and regional offices for the financial years ended 31st December, 2019 and 2020, revealed the following irregularities to which the Controlling Officer responded as highlighted below.

a) Budget and Income -K21,616,324

Controlling Officer's Response

The Controlling Officer explained that the revenue deficit was as result of the drought situation in 2019, which resulted in seven dams, namely: Sianakanga; Muzuma; Choma; Likweele; Gwembe; Nadunkula; and Haachanga drying up completely. This then resulted in the reduction of water production and sales, ultimately affecting revenue generation. Further, the COVID-19 pandemic also had an adverse effect on revenue due to the fact that commercial customers ran out of business, and some closed. To date, one of the biggest customers was still closed. This, therefore, resulted in the contraction of the revenue. Furthermore, load shedding also contributed to the reduction in water production in 2019 and there was no reactive tariff adjustment from NWASCO following the increase in one of the cost drivers, electricity. The Committee was informed that electricity increased by 136 per cent.

In view of the foregoing, activities such as the failure to pay statutory obligations; the failure to pay suppliers on time; and the failure to carry out infrastructure development such as metering, and the replacement of equipment were affected.

The Controlling Officer informed the Committee that, in order to improve revenue generation, Management had taken the following measures:

i. drilled boreholes and equipped boreholes with solar powered pump sets in order to avert the dried dams as a drought mitigation measure;
ii. suspended the disconnecting of defaulting customers in order to sustain sales through monthly billing. In addition, the Company had also applied and received a grant from the Government to improve its cash flows;
iii. as a load shedding mitigation measure, the Company installed solar systems on some of the drilled boreholes in order to mitigate the impact of load shedding on water production and subsequent sales; and
iv. working with other water utility companies, the Company engaged the Ministry of Energy through NWASCO, on the need for a special tariff for water utility companies.

The Controlling Officer further informed the Committee that the income over budget variance for the period under review, stood at 16 per cent (K 16,754,831). However, for the financial year ended 31st December, 2021, the income over budget variance stood at 15 per cent (K 18,096,384).

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that the measures put in place by Management improve the Company's collection capacities and revenue generation. The Committee will await a progress report on the matter.

b) Financial Performance-Statement of Comprehensive Income

- **Profitability**

Controlling Officer's Response
The Controlling Officer informed the Committee that the cost of sales increased from 2019 to 2020, by K18, 113,127 (38 per cent), mainly due to the increase in electricity tariffs. This was the major cause of the financial loss of K3, 792,341 in 2020. However, in an effort to address the loss, which was attributed to the high operating expenses, the Controlling Officer informed the Committee that Management had put in place the following measures:

i. engaged the Ministry of Energy with other water utility companies, through NWASCO, on the need for a special tariff for water utility companies; and
ii. commenced using solar energy in small stations like Batoka; Sinazeze; Namafulo Border Post; parts of Choma; Mambova; selected rural health centres; and schools. This was aimed at reducing the high energy costs**.**

The Committee was informed that the Company had continued making losses due to the increase in the cost of production, mainly attributed to the cost of electricity.

Committee's Observation and Recommendation
The Committee observes, with concern, that failure to realise profits was due to operating expenses, which were higher than the turnover. The Committee holds the view that Management has a duty to minimise operating expenses, and to ensure that they are not higher than the generated income. In this regard, the Committee urges the Controlling Officer to enhance supervision of the Utility Company and ensure that the strategies that have been embarked upon are expeditiously implemented. The Committee will await a progress report on the matter.

c) Statement of Financial Position

i. Liquidity Position

Controlling Officer's Response
The Controlling Officer explained that the marginal increase in the current assets from K32,750,610, in 2019, to K39,252,268 in 2020, led to the low current ratio and worsening of the working capital, as a result of high electricity tariffs. The Committee was informed that ZESCO Limited increased electricity by 136 per cent causing the increase in the current liabilities. Further, the trade and other receivables did not improve as anticipated, because some businesses closed due to the COVID 19 pandemic (one of the biggest customers was still closed) and other businesses consumed relatively less. This adversely affected billing and consequently, trade receivables and cash.

The Committee was informed that in order to improve the current ratio through the increasing trade receivables and cash (current assets), the Company was doing the following:

i. working with other water utility companies, engaged the Ministry of Energy, through NWASCO, on the need for a special electricity tariff for water utility companies;
ii. dismantling debt as the Government had started settling the debt owed by Government institutions and grant aided institutions which had resulted in the reduction of the outstanding debt. So far, the Government had paid K5,532,497.30;
iii. started disconnecting defaulting customers in an effort to improve revenue collection and reduce the receivables;
iv. through a board resolution, introduced another position of Commercial Manager to enhance collections;
v. implemented the Siavonga and Kazungula Water Supply and Sanitation Projects which would increase customer coverage; and
vi. increased coverage by drilling and equipping three boreholes and network expansion in Monze's Manungu area.

Nonetheless, the liquidity position of the Company was worsening due to the increase in current liabilities mainly attributed to the high electricity tariffs which increased by 136 per cent without the corresponding increase in the water tariffs.

Committee's Observation and Recommendation
While noting the efforts undertaken by Management, the Committee expresses concern that the Company is operating with a negative working capital, which may result in its failure to meet its financial obligations as they fall due. The Committee urges the Controlling Officer to ensure that the Company strictly follows the measures it has put in place to improve its current ratio. The Committee will await a progress report on the matter

ii. Receivable Days

Controlling Officer's Response
The Controlling Officer explained that the receivable days worsened in the period under review because of the non-withdrawal of services (disconnections) to the defaulting customers in 2020, in compliance with the directive by the Ministry of Water Development and Sanitation not to disconnect customers, as a way of contributing towards the fight against the COVID 19 pandemic. Therefore, a lot of customers took advantage of this by not settling their bills on time, or in some cases, never at all. This, resulted in an increase in receivables and consequently, receivable days. However, the Company had started disconnecting defaulting customers, following the lifting of the directive by NWASCO. Further, the delayed payment from the Government institutions and grant aided institutions also made matters worse. However, the Company had been engaging the Government through the parent ministry to pay the water and sewerage bills owed by the public institutions. In view of the foregoing, the Government had started settling the debt owed by Government institutions and grant aided institutions, resulting in the reduction of the outstanding debt. So far, the Government had paid K5, 532,497.30.

The Committee was informed that the receivables days had improved from 152 days in 2020 to 136 days as of June 2022.

Committee's Observation and Recommendation
The Committee strongly urges the Controlling Officer to ensure that the measures put in place further reduce the receivable days in accordance with the Company's Commercial Policy, including further debt swaps with Government institutions. Further, the Committee urges the Secretary to the Treasury to intervene in this matter by deducting the outstanding amounts at

source for Government institutions that owe the Utility Company. The Committee will await an update on the matter.

iii. Return on Capital Employed (ROCE)

Controlling Officer's Response

The Controlling Officer informed the Committee that the bad Return on Capital Employed, was due to the high operational costs in 2020, mainly due to the sharp increase in electricity bills which could not be covered by the revenues, thereby, resulting into a loss. Further, the low billing due to low consumption was because most of the commercial customers such as lodges and hotels scaled down on their businesses and others even closed down due to the COVID 19 pandemic. This resulted into a low cash growth rate, consequently, worsening the ROCE.

However, in order to improve the ROCE, the Controlling Officer informed the Committee that alternative sources of energy (solar) in small stations were being used to curb the effect of the electricity cost increase on liabilities, as well as reduce the high energy costs.

Management was also engaging NWASCO to increase the water tariff that had been static for the past two years. This was in an effort to increase revenue generation in order to cover the operational expenses and settle liabilities.

However, the capital employed was at -4 per cent, mainly due to the sharp increase in electricity bills and the non- cost reflective tariff.

Controlling Officer's Response

Committee's Observation and Recommendation

The Committee notes the Controlling Officer's submission and resolves to await an update on the measures put in place to improve the Company's return on capital employed.

d) Operational Matters

i. Comparative Performance in the Water and Sanitation Sector

- **Non -Revenue Water (NRW) - K115,640,000**

Controlling Officer's Response

The Controlling Officer explained that the high non-revenue water of 41 per cent in 2019 and 39 per cent in 2020, which resulted in the cumulative loss of K115,640,000, was due to water losses as a result of the old water network which had not been replaced due to lack of capital funding; the wastage of water by unmetered customers (24 per cent of the total customer database); and water theft and illegal connections by some customers.

However, regarding the water losses due to lack of capital funding, the Committee was informed that the Company was implementing the Kazungula Water and Sanitation Projects, which would address the non-revenue water through zone creation and metering. The Company had also received funding from the Government in order to replace 4 km of the raising mainline in Choma. Furthermore, the Company had developed detailed designs for the rehabilitation of water and sanitation infrastructure in six towns. For Choma Town, the Company had acquired financial support amounting to Euro 8 million through the Government from KfW (German Development Bank), partly to also address the on-revenue water.

With regard to the wastage of water by unmetered customers (24per cent of the total customer database), the Committee was informed that the Company, through the Ministry of Water and Sanitation Development, was procuring 14,840 domestic water meters which would improve the metering ratio.

On the water theft and illegal connections by some customers**,** the Committee was further informed that the Company had established the Water Demand Unit which was an inspectorate unit to detect illegal connections/reconnections; meter calibration; and water theft. The culprits were fined according to the approved tariff on fines and further charged for the consumption in retrospect.

The Controlling Officer also informed the Committee that the Company had established online leakage reporting platforms from any mobile network on customer complaints reports including leak reports. Furthermore, WhatsApp groups had also been formed in all the districts on which customers reported leakages. This had enhanced the speedy repair of leakages. The Committee learnt that the NRW stood at 46 percent.

Committee's Observation and Recommendation
The Committee observes that whereas the Utility Company has formulated progressive strategies to arrest the situation, no timeframe has been given for their full implementation. The Committee urges the Controlling Officer to ensure that the implementation of strategies to reduce the non-revenue water to the set target of 25 per cent by the regulator, is achieved within a specific and reasonable period. The Committee will await a progress report on the matter.

- **Metering Ratio**

Controlling Officer's Response
The Controlling Officer explained that the failure to meet the benchmark for the 100 per cent metering ratio in 2019 and 2020, was due to the inadequacy of capital funds to procure and install the required meters.

The Committee was informed, however, that in order to meet the benchmark for the metering ratio, the Company was procuring 14,840 domestic water meters with the support from the Ministry of Water Development and Sanitation. Through the meter charge levied on customers, the Company had procured and installed 3,150 water meters. However, the metering ratio still stood at 76 percent.

Committee's Observation and Recommendation
The Committee finds it unfortunate that the failure to meter all the customers resulted in revenue loss to the Company through wastage on unmetered customers. It is in this regard that the Committee urges the Controlling Officer to ensure that the process of procuring the 14,840 domestic water meters is expedited in order to improve the metering ratio. A progress report will be awaited by the Committee.

- **Staff Efficiency Indicator**

Controlling Officer's Response
The Controlling Officer explained that the failure to meet the benchmark for the staff efficiency ratio of 0.4 in 2019 and 2020, was due to a significant drop in the water billing and revenue collections due to the COVID-19 pandemic and the drought experienced in the period under review. Further, the geographical spread of the Company demanded staff in all the twenty – one operational centres, in particular, the water treatment plants demanded four shifts by regulation. Therefore, even when the billing was negatively affected by the drought and the COVID-19 pandemic, the reduction in staff could not be effected hence, the high staff cost.

The Committee was further informed that in order to improve the staff efficiency indicator, the Company was intensifying revenue collection measures such as the disconnections of all defaulting customers. In addition, the Company was continuously sensitising customers on bill payments and commitment to payment plans. Furthermore, plant automation had curbed the growth in staff compliment. The Company had also gone completely cashless by using mobile platforms on customer payments and this had reduced the labour demand.

The Committee was informed that the staff efficiency stood at 0.54.

Committee's Observation and Recommendation
The Committee observes that the high staff costs in relation to the operations affected the efficiency of the Company and therefore, urges the Controlling Officer to ensure that the measures that Management has put in place improve the staff efficiency indicator in order to achieve the required bench mark by NWASCO. The Committee will await a progress report on the matter.

e) Management of Payroll and Staff Related Matters-

Failure to Recover Staff Loans - K66,584

Controlling Officer's Response
The Controlling Officer explained that the employees left the Utility Company prematurely before completing their loan repayments. However, the Company recovered the funds from their terminal benefits, but the terminal benefits were not enough to clear the loans. Therefore, in an effort to recover the staff loans, the Company wrote to the Credit Reference Bureau to compel the four former employees to come forward and settle their outstanding loans. The former employees came to commit and were servicing the loans accordingly. In view of the foregoing, K5,499.59 had been recovered.

Committee's Observation and Recommendation
The Committee is disappointed to note that the paid staff loans in question had not been recovered for over six years. The Committee further finds it unacceptable that a salary advance paid to an officer in 2017, had not been recovered by 30th September, 2021, four years later, and interventions were only made after the audit process. The Committee therefore, contends that this is lack of seriousness by Management and points to inefficiencies in internal control systems at the Utility Company. The Committee urges the Controlling Officer to sternly caution Management for this very serious irregularity and further urges him to institute disciplinary action on the officers that failed in their duties. A progress report on the full recovery of the staff loans will be awaited by the Committee.

f) Accounting Irregularities

i. Unaccounted for Revenue - K59,201

Controlling Officer's Response
The Controlling Officer informed the Committee that the shortfall of K59,201, was caused by two officers. One based in Namwala and the other in Mazabuka. The shortfall in Namwala was due to the delayed banking. During the internal audit, the officer could not account for K31,614.32. In Mazabuka, the Officer was printing fake receipts and issuing them to unsuspecting customers. These were not posted on the customers' accounts which resulted in customer complaints. On investigation by Management, it was discovered that K46,352.50 was unaccounted for.

When Management discovered the malpractice, disciplinary action was taken against the erring officers by dismissing them in May, 2020. K8,227.63 was recovered from the accrued terminal benefits of the officer in Namwala and in August 2020, K10,537.69 was recovered from the accrued terminal benefits of the officer in Mazabuka. In order to recover the balance of K59,201.18, the Company reported the two officers to the district police office and this had since been escalated to the provincial Police command. The two officers had since been reported to the Commissioner of Investigations and the matter was still under the Zambia Police.

However, the Company had completely migrated to a cashless payment system in order to curb fraudulent activities such as delayed banking and receipt forgery.

Committee's Observation and Recommendation
The Committee observes that this is a serious irregularity for which public funds can be lost through fraudulent activities and therefore, recommends that measure should be taken to forestall future occurrences of the query.

ii. Wasteful Expenditure

- **Questionable Purchase of a House–Mazabuka - K850,000**

Controlling Officer's Response
The Controlling Officer explained that the wasteful expenditure in the questionable purchase of a house in Mazabuka, was due to the fact that the Company could not detect the authenticity of the documents appointing the widow as the administrator with the courts of law, before transacting.

He informed the Committee that after paying the final instalment to the widow, the stepson surfaced with another order of appointment as an administrator from the same court, claiming to be the rightfully appointed administrator. The stepson then sued the Company and the judgment was passed in his favour resulting in the house being repossessed.

The Committee was further informed that the Company sought the Attorney General's opinion to appeal the matter in the judgment made by the High Court to the Supreme Court. However, the Attorney General advised against appealing and advised that the Company should instead recover the funds from the erring officers and the Board at the time.

The case was disposed of in favour of the step son in November, 2020. After the judgment, the Company realised that it had been defrauded and reported the case of forgery to Zambia Police Service in 2021.

The company was still pursuing the widow through the provincial Zambia Police Service for obtaining money by false pretences. The widow had since been reported to the Commissioner of Investigations and the Company had also instructed the legal counsel to pursue the erring officers and the Board at the time. The supporting documents were availed for audit verification.

The Controlling Officer informed the Committee that in future, the Company would ensure that a complete due diligence was done.

Committee's Observation and Recommendation
The Committee questions why the Utility Company only started pursuing such a huge irregularity after being unearthed by the external auditors and contends that the manner in which the matter was handled is highly irregular. The Committee recommends that the Controlling Officer revisits this matter and re-engages the Attorney General's Chambers in order for it to be resolved to its logical conclusion. A progress report will be awaited by the Committee.

- **Appointment of the Managing Director - K256, 400**

Controlling Officer's Response
The Controlling Officer explained that the extension of the contract for the Managing Director in the absence of the Board of Directors, was an oversight on part of the Ministry of Water Development and Sanitation. This was compounded by lacunas in the Articles of Association regarding the appointment of the Managing Director in the absence of the Board of Directors.

In view of the foregoing, the Company decided to go for mediation in the courts of law, after the round table negotiation with the former Managing Director failed, due to his claims which were out of the conditions of services. He was claiming for K1,084,239.39, instead of K200,797.70.

The Committee was informed that the Articles of Associations had since been revised to allow a maximum of three months for a Company to run under a care taker appointed by the Minister before another Board of Directors was constituted. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee finds it unacceptable that the Controlling Officer extended the contract for the Managing Director beyond his jurisdiction and wilfully violated the provisions of the Terms and Conditions of Services for Senior Management No 2.1. The Committee recommends that the Controlling Officer and the erring officer(s) must be surcharged for this gross negligence that resulted in the loss of public funds. The Committee will await a progress report on the matter.

- **Rehabilitation and Expansion of Water and Sewerage Infrastructure–Choma - K2, 000,000**

Controlling Officer's Response
The Controlling Officer informed the Committee that the payment of K2,000,000 was made in August, 2021 and not March, 2018, and that the payment was legitimate towards the final

account and not mobilisation, as observed. The supporting documents were availed for audit verification.

Regarding the contractor abandoning the site, the Controlling Officer informed the Committee that the correct position was that the contractor was on site for the full contract period from February, 2018 to March, 2019 (13 months) in anticipation of funding from the Government. However, only contracts above 80 per cent could be funded. However, the final account was done and the contract was closed. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee notes the response and resolves to close the matter as it has been verified by the Office of the Auditor General.

iii. Lack of Title Deeds

Controlling Officer's Response
The Controlling Officer explained that the failure to obtain the title deeds for the parcels of land in question, was due to inadequate funding for the process of obtaining title deeds and the delay by the Office of the Surveyor General, who got engaged in February, 2020, to survey the Company properties due to the COVID 19 restrictions.

However, the Company had made headway in that the Office of the Surveyor General had surveyed ten properties and the approved survey diagrams had since been submitted to the Ministry of Lands. The process of surveying was on-going as budgeted for and four title deeds had since been secured.

Committee's Observation and Recommendation
The Committee resolves to keep the matter open until the title deeds for the parcels of land are secured by the Utility Company and will await a progress report on the matter.

iv. Failure to Settle Outstanding Obligations - K47, 274,375

Controlling Officer's Response
The Controlling Officer explained that the failure to settle the outstanding obligations was because of the low billing due to low consumption with the commercial customers that had scaled down on their businesses due to the COVID 19 pandemic.

Further, the low revenue collection efficiency was due to the effects of the COVID 19 pandemic compounded by the non-withdrawal of services to defaulting customers in 2020, as a contribution to the fight against the COVID-19 pandemic. The Committee was informed that a lot of customers took advantage of this and did not settle the bills on time or never, at all. This resulted into a drop in collection efficiencies hence the stressed cash flows. The Committee was further informed that due to low cash flows, the Company had prioritised the payment of prepaid electricity in order to continue the production and supply of water. Hence, the Company could not adequately settle other liabilities. In view of the foregoing, the Company incurred a total amount of at least K 2,200,000.00 per month on electricity bills.

The Committee was informed, however, that in order to settle the outstanding obligations, the Company was doing the following:

i. embarked on improving its cash in-flows through disconnecting defaulting customers to compel them to pay bills. In order to curb the electricity cost increase, the company had engaged in the use of alternative sources of energy (solar);
ii. entered into payment agreements with various suppliers (Saro Agro Limited, Chemical and Engineering Limited, and Cure Chem). The Company has so far paid K8,261,555 towards the K9,276,740, therefore, leaving a balance of K7, 856,840.84; and
iii. went into a payment agreement with ZESCO limited to pay K250,000.00 monthly towards the settlement of the outstanding bills.

The Committee was informed that for the rest of the suppliers, (service, rental, legal fees, sundry and other fees), the Company was paying on ad hoc basis, depending on the availability of financial resources. The status of the outstanding obligations was as submitted in the table below.

No.	**Details**	**Amount K**	**PAYMENTS**	**STATUS K**
1	Various Suppliers	9,276,740	8,261,555	1,015,185
2	Utilities	34,960,132	1,350,000	33,610,132
3	Insurance	760,383	251,955	508,428
4	Service	612,478	584,894	27,584
5	Rental	71,388	31,500	39,888
6	Sundry and Other	1,304,880	852,050	452,830
7	Legal Fees	288,374	238,544	49,830
	Total	**47,274,375**	**11,570,498**	**35,703,877**

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

v. Failure to Remit Statutory Contributions -K18, 239,454

Controlling Officer's Response
The Controlling Officer explained that the failure to remit the statutory obligations was as a result of low revenue growths from commercial customers as most of them were domestic. Further, the drought situation in 2019, resulted into low water production, which affected revenue generation and the Company spent K5,737,492.89 million in borehole drilling in order to mitigate the drought situation. The drought situation was an emergency which, affected the expenditure priority areas such as statutory obligations.

Furthermore, the Company was prioritising the payment of prepaid electricity as this was key to the production of water in 2020.

The Controlling Officer further informed the Committee that the Company was implementing the Siavonga and Kazungula Water and Sanitation Projects which would increase the production and supply of water. He explained that the projects involved the construction of water supply and sanitation infrastructure and once completed, would contribute to revenue generation and so make it easier for the Company to meet its statutory obligations.

Furthermore, the Company through, the Ministry of Water Development and Sanitation had engaged the Ministry of Finance and National Planning regarding, the debt swap with

Government institutions. This had so far resulted in the debt swap of K2,896,078.73 to the Zambia Revenue Authority for PAYE.

The Committee was further informed that the Company had paid the outstanding balance of ZMW 1,161,472 as submitted in the table below.

No.	Name of Institution	Details	2020 K	PAYMENTS K	Status K
1	Zambia Revenue Authority	PAYE	9,843,198	2,896,079	6,947,119
2	National Pension Scheme Authority	Pension	1,161,472	1,161,472	0.00
3	National Pension Scheme Authority	Penalties	7,234,784	0	7,234,784
	Total		**18,239,454**	**4,057,551**	**14,181,903**

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

13.0 WESTERN WATER SUPPLY AND SANITATION COMPANY LIMITED

13.1 Audit Findings

An examination of financial and other records maintained at Western Water Supply and Sanitation Company headquarters in Mongu and four regional offices in Senanga; Kaoma; Sesheke; and Kalabo for the financial year ended 31st December, 2019 and 2020, revealed the following irregularities to which the Controlling Officer submitted as follows:

a) Budget and Income -K9,905,083

Controlling Officer's Response
The Controlling Officer explained that during the period under review, the Company recorded this revenue deficit due to the non-approval of the water tariff as the budgeted for revenue was based on the projected tariff increase which was not approved by NWASCO. Further, the non-procurement of meters was another challenge. The meters could not be procured because the supply chain was affected by the COVID-19 pandemic. Furthermore, production in 2020, also reduced due to load shedding and equipment failure that led to the reduced billing quantities to the customers.

Regarding the non-approval of the tariff, the Controlling Officer informed the Committee that the Company continued lobbying NWASCO to consider approving the tariff increase. However, the revised tariff had not yet been approved for implementation.

On the non-procurement of meters, the Committee learnt that the Ministry of Water Development and Sanitation was in the process of procuring the required meters.

With regard to the load shedding and equipment failure, the Committee was informed that electricity supply had become stable from ZESCO and the Commercial Utility Company was currently implementing the Integrated Small Towns Water Supply and Sanitation Project in four major Districts of Mongu; Kaoma; Senanga; and Sesheke, which would result in improved water supply and billing to the customers, thereby, improving revenue.

Committee's Observation and Recommendation
The Committee questions the qualifications of the accounts personnel at the Utility Company as it is unacceptable for the budgeted income to be based on an unapproved projected tariff increase, as opposed to realistic budgeting based on verifiable data. In view of the foregoing, the Committee sternly cautions Management for this failure and urges the Controlling Officer to ensure that key accounting staff, with the appropriate qualifications and competences are placed in the Accounts Department. The Committee further urges him to ensure that budget projections are realistic as opposed to overstating the Company's budget based on unapproved tariffs among other things. The matter will be kept in view in future audits.

b) Governance - Failure to Update Board of Directors at Patents and Companies Registration Agency

Controlling Officer's Response
The Controlling Officer informed the Committee that the failure to update the Board of Directors at Patents and Companies Registration Agency (PACRA) was an oversight by Management. He further explained that during the Annual General Meeting held on 15th January, 2021, a resolution was passed to update the directorship at PACRA.

However, as the process of updating the particulars of the Board of Directors at PACRA was about to be executed, the Board was dissolved on 16th February, 2021. Nonetheless, a new Board had been constituted and the process to update the directors had commenced with the payments of PACRA fees being made as a step towards the full lodgement of the details, following the inauguration and induction of the new Board. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee is concerned with the laxity exhibited by Management at the Utility Company of not updating the Board of Directors at the PACRA since its inception in 2000. It is evident that the Utility Company does not consider the exercise important, especially that the process does not take long. The Committee, in this regard, sternly cautions Management for this serious omission and urges the Controlling Officer to ensure that the matter is resolved without further delay. A progress report will be awaited by the Committee.

c) Operational Performance in the Water and Sanitation Sector

i. Increase in Non-Revenue Water (NRW) - K45,667,374

Controlling Officer's Response
The Controlling Officer submitted that the increase in the NRW in 2019 and 2020, was due to the old and dilapidated water infrastructure due to the inadequate investment in infrastructure development; the under recording of water consumption by old water meters (87 per cent of the meters were over ten years old, while the useful lifespan of a meter was five years old); water wastage by unmetered customers; the leakages in the network; increase in the under-recording by water meters and the increase in water thefts and illegal connections.

However, the Committee was informed that in order to reduce the NRW, the Company had taken measures such as implementing the ISTWSSP Project in Mongu; Senanga; Kaoma; and Sesheke Districts, amounting to USD41.8 million, with funding from the Government and the African Development Bank. The Project would overhaul the old infrastructure and was expected to reduce the NRW. The Committee was informed that the ISTWSSP was currently in progress and was at 60 per cent completion.

Further, the Company, through the project would install new meters and replace the old under recording meters. The Committee was informed that the meters were yet to be installed under the ISTWSSP, once the project reached 85 per cent as the current 60 per cent was still civil works. However, 11,600 meters were already under procurement.

Furthermore, the Company was sensitising customers on the risk of water theft and customers that were found guilty, were surcharged and prosecuted using the *Water Supply and Sanitation Act No 28 of 1997*. The supporting documentation was availed for audit verification.

Committee's Observation and Recommendation
The Committee is concerned that the Company is losing revenue through water leakages, thereby, depriving the Company of the much-needed revenue required to help improve its operations. The Committee urges the Controlling Officer to ensure that the targeted measures identified to reduce the percentage of NRW in, accordance with NWASCOs' set standards are fully implemented, including putting in place systems that alert leakages, as well as a Maintenance Policy in order to guide on how often the old and dilapidated water infrastructure should be maintained. A progress report will be awaited by the Committee.

ii. Water Supply Service Coverage

Controlling Officer's Response
The Controlling Officer explained that the failure to increase the water supply service coverage by the Company, was due to inadequate resources for investment in the rehabilitation and expansion of water supply and sanitation infrastructure; the increase in demand for water supply arising from an increase in population; and the opening up of new settlements, as well as an outdated infrastructure design.

The Committee was informed that in an effort to improve the water supply coverage in the Province, Management was implementing interventions such as undertaking the construction of the water supply and sanitation infrastructure under the Integrated Small Towns Water Supply and Sanitation Programme, aimed at increasing the water supply coverage from 15,131 to 26,731 customers by December, 2022. It was anticipated, therefore, that once the project was fully implemented, it would contribute to the increased water supply coverage in the Province. The Committee was further informed that new customers were yet to be connected under the project and the water distribution infrastructure had already been laid in the unserviced areas under the Project, in readiness for customer connections.

Furthermore, in an effort to improve the water supply coverage in the Province, the Company had also integrated planning between the Local Authority and the Company regarding planning of newly developed areas. Therefore, the planning with the local authorities was being implemented through meetings in District Developing Coordinating Committees and the Provincial Development Coordinating Committees, where the CUs had a representation. The supporting documents were availed for audit verification.

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

iii. Failure to Meet Metering Ratio Benchmark

Controlling Officer's Response
The Controlling Officer explained that the failure to meet the metering ratio benchmark was due to the inadequate financial resources required to procure new meters in order to replace the old ones and provide for new connections. The Committee was informed that there was an increase in the failure rate of meters as 87 per cent of them had outlived their lifespan of five years.

However, the Committee was informed that in order to address the low metering ratio, the Company was in the process of procuring 11,500 new water meters in order to replace the old and new connections in the ISTWSSP. The meters were yet to be installed under the ISTWSSP, once the project reached 85 per cent as the current 60 per cent was still civil works. Nonetheless, 11,600 meters were already under procurement.

Furthermore, Management had also procured a meter test bench in order to help repair and assess the effectiveness of the meters. The Committee was also informed that a meter testing kit was also procured to help assess the faulty meters.

Committee's Observation and Recommendation
The Committee notes the response and resolves to await an update on the improvement of the meeting ration benchmark.

d) Accounting Irregularities

i. Lack of Audited Financial Statements

Controlling Officer's Response
The Controlling Officer explained that the failure to prepare the audited financial statements was due to the inadequate capacity amongst accounting staff, as well as negligence by the Finance Manager. However, the recruitment of key accounting staff with the appropriate qualifications and competences was being done and the Finance Manager was charged. The Committee was also informed that the Company had since prepared the draft financial statements for 2019 and 2020, awaiting the appointment of the external auditors at the next Annual General Meeting.

Committee's Observation and Recommendation
The Committee is concerned with the pace at which the audited financial statements at the Utility Company are being prepared and, therefore, insists that credible audit firms should be engaged without further delay in order for the statements in question to be expeditiously completed and availed to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

ii. Unaccounted for Revenue -K3,526,455

Controlling Officer's Response
The Controlling Officer explained that the unaccounted-for revenue, was as a result of poor filing by the cashiers; thefts of funds by the cashiers; and the use of revenue at source. However, Management had introduced a filing system of depositing slips against the ledgers, as well as daily deposits. Further, in order to ensure compliance to the financial regulations, Management had also put in place measures to ensure that revenue was not used at source. The Cashiers had been charged and deductions were underway. The Controlling Officer further informed the

Committee that Management had also initiated the process of ensuring that all the cashiers were well trained and only competent cashiers with minimum qualifications were considered. Furthermore, quarterly reconciliations and audits had also been effected.

In view of the foregoing, out of the K 3,526,455 unaccounted for revenue, K3, 488,839 had been accounted for. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee observes that this indiscretion is as a result of Management's failure to ensure that the accounting staff are properly oriented on the provision of the financial regulations. In this regard, Management is urged to desist from embracing such irregular practices that can result in the loss of public funds through embezzlements and ensure that practical steps are taken for the accounting cadre at the Utility Company to become conversant with Government Financial Regulations. The Committee will await a progress report on the outstanding unaccounted-for revenue failure to which the matter should be reported to the law enforcement agencies for further probing.

iii. Irregular Use of Revenue at Source - K106,996

Controlling Officer's Response
The Controlling Officer explained that the irregular use of revenue at source was as a result of the failure by Management to ensure compliance to existing financial regulations and procedures. However, in order to ensure compliance to the financial regulations, Management had issued a memo against the use of revenue at source. Further, Management had since disciplined the erring officers and the missing funds were re-deposited. The Controlling Officer further informed the Committee that Management also ensured that operational fund support was given to districts to ensure that they don't use the revenue at source.

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

iv. Delayed Banking - K1,326,573

Controlling Officer's Response
The Controlling Officer explained that the delayed banking was due to negligence by the district managers, as well as the non availability of banking platforms in some remote areas of the Province. However, the Committee was informed that in order to address the issue of delayed banking, the Company had introduced measures such as the use of mobile banking platforms where customers could directly pay for the services online and sensitise customers on the use of mobile payment solutions through SMS and radio Programmes.

The Company was also undertaking spot-checks and mentorship by the Finance Department and Internal Audit Unit at revenue centres, in order to ensure compliance to the *Public Finance Management Act No.1 of 2018,* and the Financial Regulation No. 8 of 2020, as well as ensuring the compilation and submission of daily banking reports in order to monitor timely banking.

The Committee further learnt that disciplinary action was also taken against the erring officers and the supporting documents were availed for audit verification.

Committee's Observation and Recommendation

The Committee finds the delayed banking a clear indication of weak internal controls on revenue collection at the Utility Company. The Committee emphasises that such omissions can result in cases of teaming and lading by the officers, arising from poor supervision and, therefore, should not be tolerated. The Committee in this regard, urges the Controlling Officer to ensure that internal revenue management controls are tightened in order to avoid the recurrence of this serious irregularity. The matter is, however, recommended for closure, subject to audit verification.

v. Irregular Management of Kiosks Water Sales

Failure to Collect Revenue from Billed KiosksK93,788

Controlling Officer's Response

The Controlling Officer informed the Committee that the failure to collect revenue from the kiosks, was due to the non-revenue water resulting from late reporting of leakages at the kiosks, which led to disputed account balances, as well as the inaccurate dispersion of water into the customers' containers that come in different shapes and sizes.

However, the Committee was informed that in order to address the failure to collect revenue from the kiosks, Management had put in place measures such as the signing of contracts with kiosk vendors; developing a mechanism to ensure leakage detection and repair at the kiosk; sensitising the community and the vendors to be reporting leakages promptly; and requesting the Board to approve the write-off of the uncollected revenue due to Non-Revenue Water.

In view of the foregoing, the contracts with the vendors had been signed and the debt write-off proposal had been put on the Board agenda for the September, 2022 Board session.

Committee's Observation and Recommendation

The Committee finds it unfortunate that whereas the Utility Company is grappling with problems of liquidity, for their operations, revenue remains uncollected. The Committee urges the Controlling Officer to ensure that the identified measures are fully implemented in order to avoid further under-collection of revenue. The Committee will await a progress report on the matter.

d) Management of Staff and Other Related Matters

i. Failure to Fill Vacant Positions

Controlling Officer's Response

The Controlling Officer explained that there was no approval from the Board to fill in the key vacant positions, except for the Water Quality Assurance Officer. The remaining nineteen positions were not filled due to financial constraints.

However, after the dissolution of the Board, the Managing Director wrote to the Ministry of Water Development and Sanitation seeking approval to fill in the vacant positions. Authority was granted and the positions would be undertaken as and when the financial position of the Company improved. Nonetheless, the positions of Financial Accountant; Management Accountant; and Quality Assurance Officers, had been filled.

Committee's Observation and Recommendation
The Committee finds it unacceptable that some of the key positions are still vacant when authority to fill them was obtained from the Ministry. The Committee contends that the remaining unfilled positions are the reasons why the operations of the Company adversely affected. The Committee, therefore, urges the Controlling Officer to ensure that the Company's staff establishment fulfilled. A progress report will be awaited by the Committee.

ii. Irregular Employment of Casual Workers - K122,533

Controlling Officer's Response
The Controlling Officer explained that the irregular employment of casuals was due to Management's oversight. However, Management had ensured that casualisation was stopped and no one was retained on casual terms for over six months, as provided for in the *Employment Code Act, No. 3 of 2019.*

The Controlling Officer further informed the Committee that the erring officer was charged with failure to exercise due care with regard to advising Management on the provisions of the *Employment Act.*

Committee's Observation and Recommendation
The Committee sternly cautions Management for willfully violating the provisions of the *Employment Act No. 3 of 2019* and urges the Controlling Officer to ensure that this anomaly does not recur. The Committee will keep the matter in view in future audits.

iii. Delayed Removal of Separated Officers from Payroll - K66,305

Controlling Officer's Response
The Controlling Officer submitted that the delay in removing the separated employees from the payroll, was as result of oversight by the Human Resource and Finance Manager at the time. However, the Company had written to the officers in question, in an effort to recover the overpaid amounts and the Managing Director had issued a circular to the Departments of Human Resources and Finance on the need to adhere to the Company's Financial and Administrative Policy on the removal of separated employees from the payroll.

Committee's Observation and Recommendation
The Committee finds it unfortunate that the Utility Company paid allowances to people not rendering a service to the Government. The Committee urges the Controlling Officer to institute disciplinary action against the officers who failed in their duties. The Committee further urges him to ensure that Management at the Utility Company at all times, follows the Company's Financial and Administrative Policies when handling separation matters in order to avoid the risk of losing public funds. The Committee will await a progress report on the recoveries made.

e) Procurement of Goods and Services

i. Excess Budget Expenditure on Board Expenses -K407,377

Controlling Officer's Response
The Controlling Officer explained that the budget overrun was as a result of undertaking unplanned for activities by the Board; the failure by Management to monitor and control expenditure and not applying for a supplementary budget; and the failure to avail minutes to the

auditor at the time of the audit, due to misplaced copies during the shifting, as a result of the offices being broken in.

Regarding the budget overrun, the Committee was informed that Management would ensure the adherence to the calendar of board meetings and activities in order to ensure that the budget was not overrun. The Ministry of Water Development and Sanitation had also given the Board performance contracts that included corporate governance adherence, which would include the adherence to the Board calendar to avoid a budget overrun. Further, Management had enhanced the monitoring of expenditure and budget control and would ensure adherence to the calendar of board meetings and activities.

The Committee further learnt that the Board was dissolved in February, 2021. However, as of the second quarter of 2022, the new Board had adhered to the calendar of meetings for the year 2022, having only held one quarterly meeting since being inaugurated in the second quarter of 2022.

Committee's Observation and Recommendation
The Committee not only finds this conduct unacceptable but also disappointing in that other budget lines may have suffered as a result of the excess budget expenditure. The Committee is, however, pleased to note that the Board was dissolved in February, 2021 as it is obvious that it was spearheading financial mismanagement at the Utility Company. The Committee urges the Controlling Officer to ensure that the new board is closely supervised in order to turn the financial misfortunes of the Utility Company around. The matter is however, recommended for closure subject, to audit verification.

ii. Unapproved Payments - K1,062,142i

Controlling Officer's Response
The Controlling Officer explained that the unapproved payments were due to failure by the Controlling Officer to delegate when he was out of office, as well as the negligence by the Finance Department to ensure that the payment vouchers were approved before a payment was processed.

The Committee was informed that the Controlling Officer was now ensuring that he delegated to a sitting-in officer to approve vouchers and the vouchers were currently being approved by the Office of the Managing Director before being processed.

Committee's Observation and Recommendation
The Committee expresses concern at the manner in which the Utility Company is handling financial matters. It is clear from the anomalies that the accounting staff and Management at the Utility Company are underperforming and have little knowledge of the Financial Regulations and the Company's Financial manual for this anomaly to occur. Therefore, the Committee strongly urges the Controlling Officer to enhance internal control measures to curb irregularities such as these. The Controlling Officer is further urged to institute disciplinary action on the erring officers and effect recoveries on all the offers that were involved in the 131 unapproved payments. The Committee will await a progress report on the matter.

iii. Missing Payment Vouchers - K1,285,919

Controlling Officer's Response
The Controlling Officer informed the Committee that the missing payment vouchers were as a result of negligence. However, Management had charged the erring officer and had assigned another officer the role of filing payment vouchers. Nonetheless, out of the amount of K1,285,919 missing payment vouchers, K353,912.23, had been located.

Committee's Observation and Recommendation
The Committee expresses concern at the manner in which the Utility Company is handling financial matters. It is clear from the anomalies that the accounting staff and Management at the Utility Company are underperforming and have little knowledge of the Financial Regulations for this anomaly to occur. Therefore, the Committee strongly urges the Controlling Officer to enhance internal control measures to curb irregularities such as these. The Controlling Officer is further urged to ensure that the outstanding payment vouchers are accounted for and availed for audit verification .A progress report will be awaited by the Committee.

iv. Inadequately Supported Payments - K8,669,060

Controlling Officer's Response
The Controlling Officer informed the Committee that the inadequately supported payments were as a result of negligence. However, all the payments had been supported and going forward, Management would not process a payment that was not adequately supported. Management was further ensuring that as a payment was made to a supplier, a receipt was collected and attached to the payment voucher, and that reports were received within seven days of an officer returning from an assignment.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that capacity is enhanced in the Finance Department by employing qualified staff who are able to manage the provisions of the Financial Regulations. The Committee urges the Controlling Officer to ensure that punitive action is taken against the erring officers who did not adequately support the payments in question in order to serve as a deterrent to others as well as curb the recurrence of this irregular practice. The matter is, however, recommended for closure, subject to audit verification.

v. Unretired Accountable Imprest - K583,336

Controlling Officer's Response
The Controlling Officer explained that the unretired imprest was due to negligence on the part of Management. However, the Committee was informed that in order to avert the irregularity, travel imprest was only given upon retiring the previous travel imprest. Further, travel imprest and petty cash, was only being paid after retiring the previous imprest. A circular had also been issued by the Managing Director to the effect that Management would effect payroll deductions for unretired imprest within seven days upon return. The supporting documents were availed for audit verification.

Committee's Observation and Recommendation
The Committee expresses regret that there is also a bad practice of not retiring imprest at the Utility Company and urges the Controlling Officer to put in place internal controls to stem the practice. In addition, the erring officers must be disciplined for not adhering to the Financial

Regulations of retiring imprest immediately the purpose for which it was issued had been fulfilled. The Committee resolves to keep the matter open until the imprest in question is retired.

vi. Unauthorised Travel Abroad - K24,991

Controlling Officer's Response
The Controlling Officer informed the Committee that the reason for travelling abroad without authority, was as a result of oversight on the part of Management. However, the Company had commenced the process of deducting funds from the former Board Members returner fees and from the leave days of the former acting Managing Director. No travels abroad had since been taken by the Board.

Committee's Observation and Recommendation
The Committee is disappointed with the response that disregard of the circular from the Office of the Secretary to the Cabinet for all Public Service officers travelling on duty outside Zambia was an oversight. The Committee finds it unacceptable that the Managing Director and the Board Members also decided to disregard the guidance from the Permanent Secretary in the Ministry of Water Development, Sanitation and Environmental Protection in his minute No. MWDSEP dated 15th December, 2017, directing that authority be sought from his Office when travelling abroad. The Committee urges the Controlling Officer to ensure that this irregularity does not recur. The Committee will await a progress report on the recovery of the funds in question.

vii. Irregular Issuance of Imprest

- **Allowances and Personal Related Payments -K180,633**

Controlling Officer's Response
The Controlling Officer explained that the irregular issuance of accountable imprest for allowances and personal related payments, was an oversight by Management. However, Management had issued a Memo to the Finance Department on the non issuance of accountable imprest to the employees in cash form. In view of the foregoing, the payments for allowances and other personal related allowances, were currently being paid directly into the beneficiary's account.

Committee's Observation and Recommendation
The Committee cautions Management against the recurrence of this query and resolves to keep the matter in view in future audits.

- **Procurement of Goods and Services - K303,035**

Controlling Officer's Response
The Controlling Officer informed the Committee that the regular issuance of accountable imprest to procure goods and services whose values were readily obtainable and available on the markets, was an oversight by Management. However, Management had issued a memo to halt the issuing accountable imprest. Further, the payments for the purchase of goods and services, whose value could be ascertained and was available on the market were being paid directly to the beneficiary's account, following the procurement procedure and voucher for the payment.

Committee's Observation and Recommendation

The Committee is disappointed to note that officers at the Utility Company continue to conduct business in total disregard to laid down financial regulations and with impunity. This is so because Management has been lax in its supervision of the officers. It is worth noting that whereas measures have been put in place to correct the recurrence of this irregularity, no disciplinary action has been taken against the erring officers. The Committee, therefore, urges the Controlling Officer to ensure that disciplinary action is taken against the erring officers forthwith. In addition, internal control systems and supervision must be enhanced on accounting staff in order to avoid the recurrence of the query. The Committee will keep the matter in view in future audits.

viii. Misapplication of Funds-Mouyo Project - K579,949

Controlling Officer's Response

The Controlling Officer informed the Committee that this irregularity was as a result of oversight by Management. However, Management had been asked to pay back the funds that were misapplied. In view of the foregoing, the funds for the project had been paid back and the contract had since been paid in full. The supporting documentation was availed for audit verification.

Committee's Observation and Recommendation

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

g) Management of Stores

i. Unaccounted for Assorted Stores - K2, 565,168

Controlling Officer's Response

The Controlling Officer explained that the lack of receipt and disposal details was as a result of negligence by Management. However, the Committee was informed that in order to ensure that there were no unaccounted-for stores, Management would ensure compliance to the *Public Finance Management Act, No. 1 of 2018*. Further, in order to address the lack of receipt and disposal details, Management had procured the required documentation such as the stores issues note. Management was also ensuring that the procurement of goods passed through stores.

Committee's Observation and Recommendation

The Committee directs that disciplinary action should be meted out on the erring officers and that the stores records in question should be availed to the Office of the Auditor General for audit verification without further delay. A progress report will be awaited by the Committee.

ii. Drawing of Fuel by Private Vehicles - K170,617

Controlling Officer's Response

The Controlling Officer informed the Committee that the vehicles in question belonged to the Water Utility Company. The supporting documentation was availed for audit verification.

Committee's Observation and Recommendation

The Committee observes, with concern, that the copies of the white books verifying that the vehicles in question belonged to the Utility Company were not availed to the auditors at the time of audit. The Committee is dismayed that the Company waited until the sitting of the Parastatal

Bodies Committee to reveal this information. In this regard, the Committee urges the Controlling Officer to ensure that Management is cautioned for this failure and disciplinary action meted against the erring officer(s). The Controlling Officer is further urged to ensure that copies of the white books are availed for audit verification, subject to which, the matter should close.

h) Management of Assets

i. Undelivered Engine - K35,000

Controlling Officer's Response
The Controlling Officer explained that the undelivered engine was as a result of the improper keeping and maintenance of records for receipts, as well as the non issuance of public procurement and other stores disposal documents. However, payments were currently being made before goods received were fully documented and Management would ensure adequate, complete, and sufficient record keeping of all the accountable documents, such as goods received vouchers, and stores issues vouchers, is enhanced. Further, goods and services would only be paid for after the generation of Goods Received Notes.

Nonetheless, the Committee was informed that the engine (number 4M40 -BD-0795), in question was delivered and fitted in the vehicle, number ABR634. The vehicle was now a runner and could be verified.

Committee's Observation and Recommendation
The Committee urges the Controlling Officer to ensure that disciplinary action is taken against the erring officers for failure to avail the relevant documentation required to support the irregularity to auditors, at the time of the audit. However, the matter is recommended for closure, subject to audit verification.

ii. Failure to Secure Title Deed - K38,987,055

Controlling Officer's Response
The Controlling Officer submitted that the failure to secure title deeds for the parcels of land was due to oversight by Management to prioritise the acquisition of title deeds; financial constraints; and the delay in the issuance of the Statutory Instrument regarding the transfer of assets from the Council to the Water Utility Company.

However, Management would acquire the title deeds alongside the new title deeds under the ITSTWSSP titles. In view of the foregoing, letters had been written to all the councils to assist in getting site plans for the existing infrastructure.

The Committee was informed that Management had started the process of securing the parcels of land and so far, infrastructure in five districts had been surveyed and documentation had been submitted to the Ministry of Lands and Natural Resources.

Committee's Observation and Recommendation
The Committee directs the Controlling Officer to ensure that he liaises with his counterpart in the Ministry of Lands and Natural Resources on the matter in order for the process of acquiring the title deeds for the parcels of land to be expedited. A progress report will be awaited by the Committee.

i) Failure to Withhold Tax on Rentals - K60,510

Controlling Officer's Response
The Controlling Officer explained that failure to deduct withholding tax was as a result of an oversight on the part of Management. However, Management had engaged the landlords over the matter, with a view to effect recoveries of the unremitted withholding tax. Further, Management would ensure that withholding tax was deducted and remitted to the Zambia Revenue Authority, going forward.

Committee's Observation and Recommendation
The Committee expresses displeasure that the officers charged with the responsibility of withholding the tax on rentals are not discharging their duties as expected. The Controlling Officer is urged to take disciplinary action against the officers for this negligence and to ensure that all the taxes due to ZRA are deducted and remitted in full, at all times. The Committee resolves to await a progress report on the full recoveries of the unremitted withholding tax.

j) Failure to Remit Statutory Obligations - K21,973,876

Controlling Officer's Response
The Controlling Officer explained that failure to remit the statutory obligations, was as a result of financial constraints. He informed the Committee that the Company had been struggling to pay salaries on a monthly basis. The Controlling Officer informed the Committee that, in an effort to ensure that statutory obligations were remitted, the Company had signed payment plans with the institutions in question.

Committee's Observation and Recommendation
The Committee notes, with concern, the failure by the Utility Company to settle statutory obligations and strongly urges the Controlling Officer to ensure that the outstanding balances are cleared without any further delay in order to avoid accruing penalties and possible litigation. The Committee resolves to await an update on the matter.

PART III

14.0 GENERAL RECOMMENDATIONS

Following the Committee's interaction with the Controlling Officer from the Ministry of Water Development and Sanitation and the Chief Executive Officers for the commercial water utilities companies cited in the Report of the Auditor General on the Accounts of Water Supply and Sanitation Companies for the Financial Year Ended 31st December, 2020, the Committee makes general observations and recommendations as set out here under.

i. The Committee observes with concern that most of the commercial water utility companies achieved less than the 95 per cent water quality confidence level. Further, non-revenue water was 52.8 per cent against the minimum acceptable benchmark of 25per cent. Furthermore, the sanitation coverage was at 68.9 per cent against the minimum acceptable benchmark of 80per cent.

   In view of the foregoing, the Committee urges the Controlling officer to ensure that, NWASCO management and the board closely supervise the CUs in order to improve the efficiency in the provision of their services and meet the targets set by NWASCO in order to ensure that all citizens have access to safe and quality water and sanitation services.

ii. The Committee observes that water tariffs have stagnated over the years and the current water tariff is not sufficient to generate enough revenue to cover the operational and administrative costs of water utility companies. The Committee further observes, with concern, that the delay in approving the adjustment in the tariff, is as a result of the *Water Supply and Sanitation Act, No. 28* of *1997*, being silent on who is responsible for approval. The Act merely prescribes the role of NWASCO as the regulator to set guidelines for tariff settings.

In view of the foregoing, the Committee, strongly recommends that the Government, should, as a matter of urgency commit resources to reviewing and strengthening the *Water Supply and Sanitation Act, No. 28* of *1997*, in order to mandate NWASCO to approve the water tariffs for commercial water utility companies.

iii. The Committee observes that the upward adjustment of the electricity tariffs has resulted in the high cost of sales among other things. A case in point is the Lusaka Water Supply and Sanitation Company, where the upward adjustment of the electricity tariff resulted in a 150 per cent increase in electricity costs from K47, 116,431 in 2019, to K117, 763,952 in 2020.

In this regard, that the Committee urges the Secretary to the Treasury to facilitate an engagement involving the Ministry of Finance and National Planning; the Ministry of Energy; and the Ministry of Water Development and Sanitation, regarding the creation of a special tariff for water utility companies considering that they offer a social services.

iv. The Committee observes, with concern, the weaknesses in infrastructure management, particularly, the delayed completion of water supply system projects, such as the construction of the water supply system in Kafulafuta at a contract sum of US$449,090,628 delayed for a period of twenty seven months; the construction of a water supply system in Mpulungu at a contract sum of K167,252,052 delayed for a period of thirty three months; and the construction and rehabilitation of the water supply systems in Nakonde, at a contract sum of K33,900,343, delayed for a period of twenty two months.

The Committee notes that one of the major reasons for these delays was the poor remittance of counterpart funding by the Government. As a result, the target beneficiaries continue to receive poor or no services due to the delayed completion. In some cases, components of the project start deteriorating before the infrastructure is in use. The Committee, therefore, urges the Secretary to the Treasury to ensure that the water supply system projects, are completed without further delay in order for the beneficiaries of the projects to access the services. The Committee further urges the Secretary to the Treasury to only engage in projects when the requisite resources have been secured.

v. The Committee observes, with concern, weaknesses in the implementation of Information and Communication Technology Systems, which resulted in weaknesses in the billing systems and consequently, revenue losses for the companies considering that billing is the primary source of income for the commercial water utility companies. In the light of this, the Committee recommends that commercial water utility companies should embrace and invest in the use of ICTs, as well as the training and upgrading of a human resource skill set in ICTs.

vi. The Committee is concerned with the various litigation cases under the utility companies that have resulted in the loss of colossal sums of public funds. In this regard that the Committee strongly urges the Controlling Office to put in place a deliberate policy to compel water utility companies facing litigation of any kind to involve the Office of the Attorney General.

vii. The Committee observes that a number of water utility companies have continued to blame their audit queries on what they term as "oversight on the part of Management". This is highly unacceptable and a reflection of the laissez-faire attitude towards serious matters.

The Committee, therefore, reiterates its previous recommendation that the Controlling Officer should ensure that not only are there functioning Boards in all the water utility companies, but the Boards have stringent but enforceable performance assessment systems for Management and that disciplinary action is taken when unnecessary lapses occur.

viii. The Committee observes, with concern, that the water utility companies are owed huge sums especially by Government institutions, which has a negative impact on the liquidity position of these water utility companies.

The Committee, therefore, recommends that water utility companies should develop more effective debt management systems and enhance their debt collection strategies and that the Secretary to Treasury should prevail on Government institutions to honour their utility bills.

15.0 CONCLUSION

Water utility companies play an essential role in economic and social development. However, the eleven commercial water utility companies in the country, are marred with various weaknesses in corporate governance; the billing systems; infrastructure management; and weaknesses in the implementation of ICT systems among others.

It is, therefore, important that these weaknesses are addressed to enable the companies meet their mandates of providing water and sanitation services to the populace and attain the Sustainable Development Goal (SDG) No. 6 on Clean Water and Sanitation. In this regard, the Committee recommends that the entire water sector structure be revisited and reviewed and funding improved, in order to fully correct the reoccurring challenges.

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 Water and Sanitation Companies for the Financial Year Ended 31st December, 2020.

Mr Brian Kambita, MP
CHAIRPERSON

March, 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 (FC)
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. Chambeshi Water Supply and Sanitation Company Limited
2. Copperbelt University
3. Eastern Water Supply and Sanitation Company Limited
4. Kafubu Water Supply and Sanitation Company Limited
5. Luapula Water Supply and Sanitation Company Limited
6. Lukanga Water Supply and Sanitation Company Limited
7. Lusaka Water Supply and Sanitation Company Limited
8. Ministry Of Finance and National Planning
9. Mulonga Water Supply and Sanitation Company Limited
10. National Water Supply And Supply Council
11. Nkana Water Supply And Sanitation Company Limited
12. North Western Water Supply and Sanitation Company Limited
13. Southern Water Supply and Sanitation Company Limited
14. Water Aid And Wash Forum
15. Western Water Supply and Sanitation Company Limited
16. Zambia Institute For Policy Analysis And Research