

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE EXCESS EXPENDITURE APPROPRIATION (2006), NATIONAL ASSEMBLY BILL NO. 6 OF 2009; AND SUPPLEMENTARY APPROPRIATION (2007) NATIONAL ASSEMBLY BILL NO. 7 OF 2009 FOR THE THIRD SESSION OF THE TENTH NATIONAL ASSEMBLY APPOINTED BY THE RESOLUTION OF THE HOUSE ON 27TH JANUARY 2009.

Consisting of:

Mr C L Milupi, MP (Chairperson); Mrs E M Banda, MP; Mr R C Banda, MP; Mr E M Hachipuka, MP; Mr H H Hamududu, MP; Mr L P M'sichili, MP; Mr V Mwale, MP; Mr L M Mwenya, MP; and Mr B Y Mwila, MP.

The Honourable Mr Speaker
National Assembly
Parliament buildings
LUSAKA

Sir,

Your Committee have the honour to present their Report on the Excess Expenditure Appropriation (2006), National Assembly Bill No. 6 of 2009; and Supplementary Appropriation (2007) National Assembly Bill No. 7 of 2009 referred to them by the House on 27th February 2009.

Functions of the Committee

2. The functions of your Committee are to examine the accounts showing the appropriation of sums granted by the National Assembly to meet the public expenditure, the Report of the Auditor-General on these accounts and such other accounts, and to exercise the powers conferred on them under Article 117(5) of the Constitution of the Republic of Zambia.

Meetings of the Committee

3. Your Committee held seven meetings to consider the two Bills that were referred to them by the House.

Procedure adopted by the Committee

4. Your Committee requested Controlling Officers whose ministries, institutions and provinces had applied for supplementary provisions in 2007 to provide explanatory memoranda on what necessitated the expenditures and to confirm the figures. The full list of witnesses is given at Appendix I.

Your Committee only requested for an explanatory memorandum on the Excess Expenditure Appropriation (2006) Bill from the Secretary to the Treasury under Head 99/04 Constitutional and Statutory Expenditure - Contingency as excess expenditure for 2006 was considered during the Second Session of the Tenth National Assembly and details are contained in the Committee's Report on the Report of the Auditor-General on the Accounts for the financial year ended 31 December 2006.

This Report is divided in two parts. Part I is on the Excess Expenditure Appropriation (2006) Bill while Part II deals with the Supplementary Appropriation (2007) Bill.

PART I

EXCESS EXPENDITURE APPROPRIATION (2006) BILL, N.A.B No.6 OF 2009

5. The object of the Bill is to approve the expenditure in excess of the moneys appropriated for the services of the Republic by the Appropriation Act, 2006 and the Supplementary Appropriation (2006) Act, 2007.

The excess expenditure aggregating K9, 359,151,947 was required for the services of the Republic during the financial year ended 31 December 2006.

The Secretary to the Treasury submitted to your Committee that unconstitutional expenditure arises when Ministries, Provinces and Spending Agencies (MPSAs) incur expenditure in excess of the money appropriated for services of the Republic by the Appropriation and Supplementary Appropriation Acts. This expenditure arises mainly from:

- expenditure to deal with an emergency after the supplementary budget has been approved by Parliament; and
- donor fund projects received by MPSAs in the course of the financial year but not captured in the budget or in supplementary estimates.

Justification (Head 99/04 Contingency only)

6. The 2006 budget allocation for contingency was K6, 900,000,000, however, the savings declared amounting to K7, 617,706,743 were more by K717, 706,743. The extra savings were as a result of under spending on some expenditure lines and this was done to address an emergent security situation in 2006, which was an election year, and fund activities under Gender in Development. The Secretary to the Treasury admitted the error in declaring extra savings under Contingency as the savings were only supposed to amount to the allocation in the budget. The extra saving was supposed to be charged under the appropriate lines.

Observations and Recommendations

Your Committee note that the presentation of the Excess Expenditure Appropriation (2006) Bill has been made as required by the Republican Constitution under Article 117(5), which states that:

“where, in any financial year, expenditure has been incurred without the authorisation of Parliament, the Minister responsible for finance shall, on the approval of such expenditure by the appropriate committee of the National Assembly, introduce in the National Assembly, not later than thirty months after the end of that financial year or, if the National Assembly is not sitting at the expiration of that period, within one month of the first sitting of the National Assembly thereafter, a Bill to be known as the Excess Expenditure Appropriation Bill, for the approval by Parliament of such expenditure”

The Public Accounts Committee during the Second Session of the Tenth National Assembly in their Report on the Auditor-General’s Report on the Accounts for the financial year ended 31 December 2006 had approved the expenditure and recommended that the Minister of Finance and National Planning should regularise the expenditure by introducing in the National Assembly the Excess Expenditure Appropriation Bill. Your Committee, therefore, wishes to urge the House to pass the Bill and allow the excess expenditure aggregating K9, 359,151,947 to stand as a charge against public funds.

PART II

SUPPLEMENTARY APPROPRIATION (2007) BILL, N.A.B 7 OF 2009

7. The object of the Bill is to confirm the supplementary expenditure from the general revenues of the Republic of moneys spent for the services of the Republic during the financial year ended on 31 December 2007 in excess of the money appropriated for the services of the Republic by the Appropriation Act, 2007.

The supplementary expenditure amounted to K548, 215,621,701.

Justification

8. The Secretary to the Treasury submitted to your Committee that the National Assembly approved Supplementary Estimates No. 1 of 2007 during the Second Session of the Tenth National Assembly to provide additional funds to programmes and activities where:

- i. the approved budget proved to be inadequate;
- ii. donor funds were received after the 2007 Budget was prepared, presented and approved by the House;
- iii. funds were being varied between Heads of Expenditure; and
- iv. carry-over funds from the previous financial year were being spent in 2007.

As per requirement of Article 117 (4) (b) of the Constitution of Zambia, the Supplementary Appropriation Bill has been prepared and presented before the House so as to account for the supplementary expenditure of moneys appropriated for the services of the Republic.

The Secretary to the Treasury further described to your Committee how the figures in the schedule of the Bill were derived using a three point criterion as detailed below.

- i. Where the actual expenditure is less than the approved estimate, it is excluded from the Supplementary Appropriation Bill, even where supplementary estimate was approved;
- ii. Where the actual expenditure is equal to the whole supplementary estimate, the figure is included in the Schedule to the Bill; and
- iii. Where the actual expenditure is more than the approved estimate, but less than the total authorised provision, the difference between the actual expenditure and the approved estimate figure is included in the Schedule to the Bill.

Detailed workings are as shown at Appendix II.

Confirmation

9. All the controlling officers confirmed having applied for the supplementary provisions and justified their applications as summarised below.

Office of the Vice President

1. To fund the Vice President's trips to monitor flood situation
2. To meet cost of flood interventions such as repair of damaged roads and bridges

National Assembly

1. To meet costs for increased oversight and legislative activities such as consideration of Bills by committees

Cabinet Office

1. To fund the President's local and foreign tours particularly after being elected SADC Chair

Electoral Commission

1. To pay suppliers of the voters registration system
2. To fund by-elections

Ministry of Home Affairs

Zambia Police

1. SARPCCO meetings
2. Computerising the Criminal Investigation Department
3. Meet fuel expenses
4. Procurement of armoury consumables
5. Settlement of outstanding bills
6. Procurement of drugs

National Archives

1. Completion of Archives Building extension

Drug Enforcement Commission

1. Meet costs of curbing money-laundering activities

Ministry of Foreign Affairs

Headquarters

1. To meet costs of transporting posted and recalled diplomats. Twenty-four were recalled and thirty posted.

Missions Abroad – Washington

1. To meet rehabilitation costs of a mission house.

Political Affairs Department

1. To meet costs of lobbying for the position of Chairperson of the African Union.

Judiciary

1. Payment of salaries to officers not on payroll

Ministry of Local Government and Housing

1. Meet chiefs expenses:
 - Subsidies and retainers wages
 - Meetings to resolve wrangles
 - House of chiefs sessions
 - Provincial councils of chiefs meetings
 - *Kapasus* uniforms
 - Medical and welfare of chiefs

Ministry of Commerce, Trade and Industry

1. To meet expenses related to the Lusaka Multi-Facility Economic Zone(MFEZ)
 - Payment of consultancy fees to Kulim Technology Park Corporation of Malaysia
 - Purchase of motor vehicles (2)
 - Study tours
 - Topographic and geotechnical surveys

Ministry of Finance and National Planning

Planning and Economic Management Department

1. To fund general administration expenses
 - Transport
 - International meetings, workshops and conferences
2. to fund social and population activity expenses
3. to fund sovereignty and administration sector activity expenses
4. to meet expenses relating to the National Development Plan
5. to meet expenses relating to development of the macro economic indicators database
6. to meet Monitoring and evaluation expenses

Financial Management and Accounting Department

1. To meet administration expenses
 - Salaries and other emoluments
 - Global Fund GRZ component
 - Dismantling arrears

Central Statistical Office

1. To take care of HIV/AIDS activities expenses
2. To meet economic census expenses

Ministry of Health

1. To account for late funding of salaries for December 2006
2. To account for 2006 donor funds that were released late

Ministry of Sport, Youth and Child Development

1. To support sporting teams:
 - Contingent to the all Africa games
 - Senior national soccer team for qualifier matches in Malawi and Mozambique

Ministry of Defence

Headquarters

1. To meet general administration expenses in particular:
 - Outstanding utility bills
 - Security operations
2. To meet peace keeping training expenses
3. To procure supplies for the defence forces
4. To meet the cost of acquiring a building for the Northern Command Hospital

Zambia Army

1. To meet general administration expenses:
 - Outstanding utility bills
 - Military supplies

Zambia Air Force

1. To clear outstanding utility bills
2. To meet water reticulation expenses
3. Purchase fire equipment

Zambia National Service

1. To clear outstanding bills

Zambia Security Intelligence Service

1. To cater for HIV/AIDS activities

Ministry of Education

1. To meet costs of recruiting new teachers

Ministry of Agriculture and Lands

1. To purchase strategic food reserves
2. To clear outstanding bills with Nitrogen Chemicals under the Fertiliser Support Programme

Office of the President – Lusaka Province

1. To account for funds carried forward from 2006

Office of the President – Central Province

Forestry Department

1. Refund from RDCs for Poverty Reduction Programme

Cultural Service

1. Refund from RDCs for Poverty Reduction Programme

Office of the President – Northern Province

Roads Department

1. To account for funds carried forward from 2006

Water Affairs Department

1. To account for funds carried forward from 2006

Community Development

1. To account for funds carried forward from 2006

Resettlement Department

1. To account for funds carried forward from 2006

District Administration

1. To account for funds carried forward from 2006

**Office of the President – Western Province
*Headquarters***

1. To account for funds carried forward from 2006

Roads Department

1. To account for funds carried forward from 2006

Buildings Department

1. To account for funds carried forward from 2006

Forestry Department

1. To account for funds carried forward from 2006

Water Affairs Department

1. To account for funds carried forward from 2006

Social Welfare Department

1. To account for funds carried forward from 2006

Maritime Department

1. To account for funds carried forward from 2006

Office of the President – Eastern Province

1. To account for funds carried forward from 2006

Office of the President – Luapula Province

1. To fund various activities under forestry management:
 - patrols and road blocks;
 - training in honey harvesting and processing;
 - participatory forestry and bio diversity inventories; and
 - tree planting.

Office of the President – North Western Province

1. To account for funds carried forward from 2006

Constitutional and Statutory Expenditure

Debt Service-External

1. To meet the shortfall on external debt service as a result of some maturities with the European Investment Bank that were not captured when making the debt service projections due to malfunctioning of the computer system.
2. To meet the costs relating to an international court judgement against the Government on the Donegal case which was not originally budgeted for.

Constitutional Posts

1. To fund the thirteen percent increment on salaries and allowances for constitutional post holders.

Your Committee, thereafter, raised the following concerns, which were brought to the attention of the Secretary to the Treasury:

- i. Controlling officers and accounting officers in a number of instances were not sure how the figures in the Bill had been derived.

The Secretary to the Treasury in response informed your Committee that controlling officers had been consulted during the preparation of the Bill. All controlling officers that had applied for supplementary provisions were requested to confirm the figures before the Bill was finalised.

- ii. Most activities on which the supplementary expenditure was applied were mundane and fairly predictable. They, therefore, could have been budgeted for in the normal way.

In addition, this brought in the question of fiscal discipline as actual supplementary expenditure in some cases was 31,000 percent more than the originally approved estimate.

The Secretary to the Treasury submitted that there were two issues to the matter.

- a. The national resource envelope was small and not all important activities can be adequately funded. Therefore, to attend to priorities, controlling officers either have to make variations or apply for supplementary provisions.
 - b. Controlling officers were capitalising on certain weaknesses in the system. For example, they could deliberately under cast the provisions on core functions of their institutions in the belief that the Treasury would have very little option but grant supplementary funding to the institution.
- iii. On whether the Supplementary Appropriation Bill should not reflect the total approved supplementary provision as opposed to actual expenditure, considering that the Financial Statement has a column specifically for total approved estimates which figures were different from those in the Bill

The Secretary to the Treasury in response agreed with the sentiments and admitted that there were two main schools of thought on this matter. One school of thought was for the idea that the Supplementary Appropriation Bill should show the full amount that was applied for. This would in essence require that the Supplementary Appropriation Bill should be passed by Parliament immediately the House approved Supplementary Estimates No. 1. Later transactions on extra funding would be dealt with when considering the Outturn and Appropriation Accounts.

The other school of thought contended that the Supplementary Appropriation Bill should reflect the actual supplementary expenditure. This was the current practice in Zambia. The presentation of the Financial Statement may, however, require modifying to clearly show, separately, actual expenditure from the originally approved estimates, and actual expenditure

from the approved supplementary estimates. This way, the figures in the financial statement would match those in the Supplementary Appropriation Bill without the hustle of computations.

Observations and Recommendations

- i. Your Committee note that the presentation of the Supplementary Appropriation (2007) Bill is in accordance with Article 117 (4) (b) of the Republican Constitution, which requires the Minister of Finance and National Planning to introduce in the National Assembly, not later than fifteen months after the end of a financial year, a Bill, to be known as a Supplementary Appropriation Bill, to confirm the approval of Parliament of such expenditure.

With the above in mind and also taking into account the Constitutional provision that the Financial Statement should be tabled in the House within nine months after the close of the financial year to which it relates, your Committee are of the opinion that the fifteen months time frame provided for in the Constitution is more than generous. Therefore, every effort should be made to ensure that the Supplementary Appropriation Bill is introduced in the National Assembly much earlier.

- ii. Your Committee note with satisfaction that a number of controlling officers have applied themselves to the right procedure of regularising carry over funds from one financial year to another. Your Committee urge the Minister of Finance and National Planning to ensure that all controlling officers should be operating in the same manner and reduce on incidences of incurring excess expenditure.
- iii. While appreciating the view points of the various schools of thought on the supplementary appropriation, your Committee urge the Minister of Finance and National Planning to ensure that the Budget Office and controlling officers of all ministries, provinces and spending agencies speak the same language when it comes to budget issues. It shows lack of coordination in the system when controlling officers, including the accounting officers, express ignorance on how Budget Office comes about with the figures in the Bill.

In the same vein, the Minister of Finance and National Planning should consider reviewing the presentation format of the Financial Statement so that users can easily identify figures that will be in the Supplementary Appropriation Bill.

- iv. Your Committee find it ironic that there are ceilings that are placed on the initial estimates, but none on supplementary estimates. The percentage of actual supplementary figures to the original estimates under the current Bill range from 0 to 31,000%.

For purposes of enhancing fiscal discipline, the Minister of Finance and National Planning should consider introducing ceilings on supplementary provisions.

- v. Your Committee wish to strongly recommend that great care must be observed when determining the estimates. At the same time, there should be strict adherence to the approved estimates so that any revenue above target can be reserved for the following year and not directed at supplementary requests except for real emergencies.

Amendments to the Bill

- i) The numbering on two heads was wrong:
 - a) Disaster Management and Mitigation Department under Office of the Vice President was captured as Head 2/04 instead of Head 2/05.
 - b) District Administration under Office of the President – Northern Province was captured as Head 93/54 instead of Head 93/52.
- ii) The Controlling Officer of the National Assembly confirmed that the supplementary figure for the institution was K4, 623,903,006 and not K4, 623,909,006 as reflected in the Bill and overstated by K6, 000.

These corrections have to be made in the Bill.

Notwithstanding the above, your Committee urges this House to confirm the supplementary expenditure of moneys aggregating K548, 215,621,701 that were required for the services of the Republic during the financial year ended 31st December 2007.

Conclusion

10. Your Committee wish to express their gratitude to you Mr Speaker and the Office of the Clerk for the support rendered to them throughout their deliberations. They further wish to thank the Secretary to the Treasury and all controlling officers who appeared before them for their co-operation by explaining what necessitated them to apply for supplementary funds.

We have the honour to be, Sir, your Committee on Public Accounts mandated to scrutinise the Excess Expenditure Appropriation (2006) Bill, N.A.B. 6 of 2009, and Supplementary Appropriation (2007) Bill, N.A.B. 7 of 2009.

Mr C L Milupi, MP
(Chairperson)

Mrs E M Banda, MP
(Member)

Mr R C Banda, MP
(Member)

Mr E M Hachipuka, MP
(Member)

Mr H H Hamududu, MP
(Member)

Mr L P M' sichili, MP
(Member)

Mr V Mwale, MP
(Member)

Mr L M Mwenya, MP
(Member)

Mr B Y Mwila, MP
(Member)

March 2009
LUSAKA

APPENDIX I

WITNESSES

1. **Office of the Vice President**
Mr D Sampa, Controlling Officer
Mr L E Kawila, Director – HRA
Mr G M Katowa, Chief Accountant
Mr M Nyambe, Accountant
Mr D Mulenga, Coordinator
2. **Cabinet Office – Headquarters**
Mr O M Kalabo, Controlling Officer
Ms Nancy Mwamba, Principal Accountant
Ms A Mpamba, Senior Accountant
3. **National Assembly of Zambia**
Mrs D K K Mwinga, Controlling Officer
Mr F F C Chibomba, Deputy Clerk
Mr D Mainga, Acting Chief Accountant
4. **Electoral Commission of Zambia**
Mr D Kalale, Controlling Officer
Mr D M Chibichabo, Director – Finance
Mr E C Fulo, Management Accountant
5. **Ministry of Home Affairs**
Mrs N M Mutiti P Mumba, Controlling Officer
Mr J M Mfula, Deputy Permanent Secretary
Mrs J B Nkhoma (Mrs), Chief Accountant
Mr E Katuta, Principal Accountant
Mr S Lungu, Deputy Commissioner of Police
Mr B Kanungo, Senior Accountant – Zambia Police
Mr L Kajoba, Accountant – Zambia Police
Mrs C L Musukuma, Acting Director – National Archives
Mr E M Sianjani, Senior Librarian – National Archives
Mr C Njovu, Records Clerk - National Archives
Mr J Kaluzi, Senior Assistant Commissioner – Drug Enforcement Commission
Mr E S Kashweka, Acting Senior Accountant - Drug Enforcement Commission
6. **Ministry of Foreign Affairs**
Amb T C Kapoma, Controlling Officer
Mr M Wakumelo, Acting Director – HRA
Mr M Sinkala, Chief Accountant
Mr C Mtonga, Senior Accountant
7. **Judiciary**
Mr P L Mwamfuli, Controlling Officer
Ms C Mwamba, Registrar of the High Court
Mr C Phiri, Chief Accountant
Mr E Mwango, Accountant
8. **Ministry of Local Government and Housing**
Mr C Chibbonta, Controlling Officer
Mr C Mwale, Senior Accountant

9. **Ministry of Commerce, Trade and Industry**
Dr J Mulungushi, Controlling Officer
Mr G Lintini, Director – Planning and Information
Mr A Ngosa, Principal Accountant
Mrs E C M Soko, Data Manager
Mr B Ng'andu, Economist

10. **Ministry of Finance and National Planning**
Dr. M W Lewanika, Controlling Officer
Mrs E Chulu, Director – Central Statistical Office
Mr M Mwiko, Chief Accountant
Mrs T Ngoma, Acting Chief Accountant
Mr N Sikopo, Accountant
Mr s Nkhata, Accountant
Mr F Chinsinga, Administrative Officer
Mr K Chansa, Accounts Assistant

11. **Ministry of Health**
Dr V Mtonga, Controlling Officer
Mr D M Chimfwembe, Director-Policy and Planning
Mr P Mumba, Deputy Director
Mr E Musaba, Chief Accountant
Mr R Maswenyeho, Principal Accountant

12. **Ministry of Sports, Youth and Child Development**
Amb S Sikaneta, Controlling Officer
Mr B Nakachinda, Director Sport
Mr H Kapacha, Chief Planner
Mr A Moola, Principal Accountant
Mr P Mukimba, Senior Accountant

13. **Ministry of Defence**
Dr N Kwendakwema, Controlling Officer
Mr L Boma, Principal Accountant
Col J Lungu, Director of Finance – Zambia Army
Lt Col M M Chibesa, Director of Finance – Zambia Air Force

14. **Office of the President – Special Division**
Mr R Phiri, Controlling Officer
Mr E M Katongo, Executive Director
Mr A M Lungu, Director Finance
Mr V E Ngoma, Deputy Director Finance
Mr D Lifuna, Chief Accountant

15. **Ministry of Education**
Mrs L E L Kapulu, Controlling Officer
Mr A Phiri, Director HRA
Mr P Lesa, Chief Accountant
Mr P Banda, Accountant
Mr K Mulubwa, Accountant
Mr G Kanungo, Assistant Accountant

16. **Ministry of Agriculture and Co-operatives**
Prof I K Phiri, Controlling Officer
Mr G Mbozi, Director-Agriculture
Mr J C Simwawa, Chief Accountant

- Mr O Mugara, Accountant
17. **Office of the President – Lusaka Province**
Mr S Bwalya, Controlling Officer
Mr C Tembo, Deputy Permanent Secretary
Mr L Kaemba, Chief Planner
Mr M Zulu, Principal Clerk
Mr J Zulu, Accountant
 18. **Office of the President – Central Province**
Mr D Lumbama, Controlling Officer
Mr P Hangoma, Principal Accountant
 19. **Office of the President – Northern Province**
Mr M Simfukwe, Controlling Officer
Mr J Munkanta, Principal Accountant
 20. **Office of the President – Western Province**
Mr I Noyoo, Controlling Officer
Mr R Haabulungu, Principal Accountant
Ms D Wakumelo, Assistant Accountant
 21. **Office of the President – Eastern Province**
Mrs E Z Syamujaye, Controlling Officer
Mr L Mwanza, Acting Principal Accountant
Mr C Thole, Senior Inspector
Mr G Zulu, Accountant
 22. **Office of the President – Luapula Province**
Mr J Chikwakwa, Controlling Officer
Mr C Phiri, Acting Principal Accountant
 23. **Office of the President – North-Western Province**
Dr E Mambwe (written submission only)
 24. **Ministry of Finance and National Planning**
Dr L Ndalamei, Secretary to the Treasury
Mr E Ngulube, Permanent Secretary (BEA)
Mr D Chisenda, Director Budget
Mr M Mwaanga, Acting Director (IDM)
Mr M Mwiko, Chief Accountant
Mr C Musonda, Budget Analyst
Mr F Chinsinga, Administrative Officer

Appendix II

APPENDIX III

LIST OF OFFICIALS

Audit Office

Mrs A O Chifungula, Auditor-General
Mrs R M Chilupula, Deputy Auditor-General - Audit and Consultancy
Mr S Malamba, Acting Director of Audits
Mr D Tembo, Acting Deputy Director of Audits
Mr M Mafwila, Principal Auditor
Mr G Phiri, Senior Auditor
Ms E Chikale Public Relations Officer

Ministry of Finance and National Planning

Mr M B Goma, Accountant General
Mr E K Manunga, Senior Accountant
Mr T Zimba, Accountant

National Assembly

Mr S M Kateule, Principal Clerk of committee
Mr G Lungu, Deputy Principal Clerk of Committees
Ms M K Sampa, Committee Clerk (FC)
Mr M F Kateshi, Assistant Committee Clerk
Mr M K Phiri, Assistant Committee Clerk
Ms S Mwale, Stenographer
Mr R Mumba, Committee Assistant
Mr M Likunyendo, Committee Messenger