



REPUBLIC OF ZAMBIA

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON

**THE REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE
REPUBLIC FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2020**

FOR THE

FIRST SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

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REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE REPUBLIC FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2020, FOR THE FIRST SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

Membership of the Committee

1. The Committee consisted of Mr Warren C Mwambazi, MP (Chairperson); Mrs Jacqueline Sabao, MP (Vice Chairperson); Ms Melesiana Phiri, MP; Mr Victor Lumayi, MP; Eng Jonathan Daka, MP; Mr ImangaWamunyima, MP; Mr Likando M Mufalali, MP; Mr Anthony C Mumba, MP; Mr Nicholas M Mukumbi, MP; and Mr Kalalwe A Mukosa, MP.

The Honourable Madam Speaker
National Assembly
Parliament Buildings
LUSAKA

Madam

The Committee has the honour to present its Report on the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31st December, 2020, for the First Session of the Thirteenth National Assembly.

Functions of the Committee

2. The functions of the Committee are set out under Standing Order No. 192 of the National Assembly Standing Orders, 2021.

Meetings of the Committee

3 The Committee held forty-five sittings to consider the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31st December, 2020.

Procedure adopted by the Committee

4. The Committee considered both oral and written submissions from ministries and institutions that were cited in the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31st December, 2020.

This Report is structured in three parts. Part I of the Report deals with the Auditor General's comments and the responses from the Secretary to the Treasury; Part II captures the responses from Controlling Officers on the individual audit queries, while Part III deals with the Committees local and foreign tours and the conclusion.

PART I

AUDITOR GENERAL'S COMMENTS AND THE RESPONSES FROM THE SECRETARY TO THE TREASURY

A. EXECUTIVE SUMMARY

5. The Report of the Auditor General had been produced in accordance with Article 250 of the *Constitution of Zambia (Amendment) Act, No. 2 of 2016*, *Public Audit Act, No. 13 of 1994* and *Public Finance Management Act, No.1 of 2018*. During the audit process, there were various levels at which the Office interacted and communicated with Controlling Officers whose accounts were audited. The purpose of this interaction was to provide an opportunity for the Controlling Officers to clarify and take corrective action on the findings of the audits. The audit findings mentioned in the Report were those which were not resolved during the audit of accounts for the Financial Year Ended 31st December, 2020 and outstanding matters as reported in the Treasury Minute (Action Taken Report) for the period 2009 to 2017 from the Ministry of Finance. In addition, the Report contained audit recommendations which were aimed at addressing various findings observed during the audit process. Some of the findings raised in the Report were:

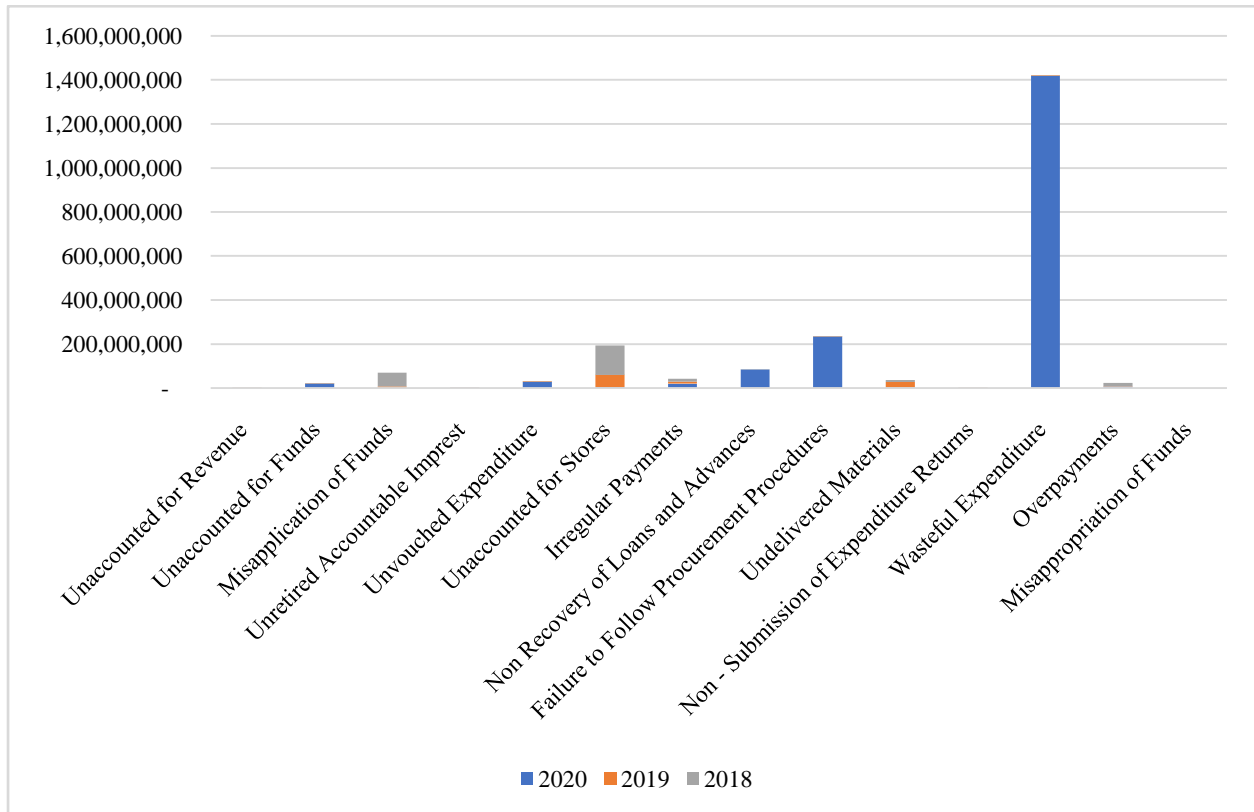
- i. weaknesses in the implementation of Information and Communications Technology (ICT) systems;
- ii. failure and delays in the collection of Government revenue;
- iii. failure to maintain books of accounts and accounting records;
- iv. weaknesses in procurement and contract management;
- v. failure to update and reconcile the Establishment Register and the Staff Assignment;
- vi. failure to deduct and remit statutory contributions;
- vii. failure to secure properties with title deeds;
- viii. weaknesses in payroll management; and
- ix. failure to insure Government assets.

Table 1 and Chart 1 below show a comparative summary of other audit findings contained in the report.

Table I: Summary of the Audit Findings

No.	Details	2020 K	2019 K	2018 K
1	Unaccounted for Revenue	971,488	528,431	143,179
2	Unaccounted for Funds	21,146,508	183,886	26,000
3	Misapplication of Funds	531,047	7,455,275	62,432,136
4	Unretired Accountable Imprest	2,031,431	480,660	667,703
5	Unvouched Expenditure	28,331,334	1,539,431	1,033,754
6	Unaccounted for Stores	4,190,203	56,220,368	133,815,072
7	Irregular Payments	19,991,742	8,952,156	12,767,837
8	Non Recovery of Loans and Advances	84,196,274	-	201,572
9	Failure to Follow Procurement Procedures	234,070,294	504,500	879,000
10	Undelivered Materials	3,553,820	23,510,118	9,195,241
11	Non - Submission of Expenditure Returns	1,149,432	502,250	301,830
12	Wasteful Expenditure	1,417,521,900	3,730,864	222,534
13	Overpayments	6,693,986	1,109,176	15,824,166
14	Misappropriation of Funds	-	-	61,354

Chart 1: Summary of the Audit Findings



Treasury Response

Table II: Table of Issues Raised in the Auditor General's Report from 2018 To 2020

		2020	2019	2018	Percent
1	Unaccounted for Revenue	971,488	528,431	143,179	0.05 percent
2	Unaccounted for Funds	21,146,508.25	183,886	26,000	1.16 percent
3	Misapplication of Funds	531,047	7,455,275	62,432,136	0.03 percent
4	Unretired Accountable Imprest	2,031,431	480,660	667,703	0.11 percent
5	Unvouched Expenditure	28,331,334	1,539,431	1,033,754	1.55 percent
6	Unaccounted for Stores	4,190,203	56,220,368	133,815,072	0.23 percent
7	Irregular Payments	19,991,742	8,952,156	12,767,837	1.10 percent
8	Non Recovery of Loans and Advances	84,196,274	-	201,572	4.62 percent
9	Failure to Follow Procurement Procedures	234,070,294	504,500	879,000	12.83 percent
10	Undelivered Materials	3,553,820	23,510,118	9,195,241	0.19 percent
11	Non - Submission of Expenditure Returns	1,149,432	502,250	301,830	0.06 percent
12	Wasteful Expenditure	1,417,521,900	3,730,864	222,534	77.70 percent
13	Over payments	6,693,986	1,109,176	15,824,166	0.37 percent
14	Misappropriation of Funds	-	-	61,354	0 percent
		1,824,379,459.25	104,717,115	237,571,378	100 percent

The 2020 Auditor General's Report saw a substantial increase in value of the issues queried from K104,717,115 in 2019 to K1,824,379,459.25 in 2020. The bulk of the queried value was attributed to three items namely, unaccounted for funds which increased from K183,886 in 2019 to K21,146,508.25 in 2020, failure to follow tender procedures increased from K504,500 in 2019 to K234,070,294 in 2020 and wasteful expenditure that increased from K3,730,864 in 2019 to K1,417,521,900 in 2020. The breakdown of the audit queries was as outlined below.

1.1 Unaccounted for Revenue

There was an increase in the queries related to unaccounted for revenue from K528,431 to K971,488 and this increase was attributed to the Department of Immigration in the Ministry of Home Affairs and Internal Security, accounting for 76.4 percent (K742,500). The officer involved had since been recommended for dismissal from the Public Service and the case referred to the investigative wings. The Committee was informed that the Treasury had been implementing new innovations in ministries, provinces and other Government agencies, with a view of enhancing revenue collections.

1.2 Unaccounted for Funds

Queries related to unaccounted for funds increased from K183,886 in 2019 to K 21,146,508.25 in 2020 and the increase was attributed to the Ministry of Defence accounting for 50.60 percent and the Ministry of Community Development and Social Services accounted for 48.92 percent. The Committee was informed that the query which related to Ministry of Defence was as a result of funds transferred to the Defence Attaché in Dar es Salaam for clearance and escort of imported Defence equipment and for the Ministry of Community Development and Social Services, it was social cash transfers remitted to various districts.

1.3 Misapplication of Funds

There was a decrease on this query with the movement from K7,455,275 in 2019 to K531,047 in 2020. The drop was attributed to implementations of the Output Based Budget by the Treasury, the enactment of the *Public Finance Management Act, No. 1 of 2018* and the subsequent sensitisation programme on the Act, which the Treasury embarked on.

1.4 Unretired Accountable Imprest

Unretired Accountable Imprest increased from K480,660 in 2019 to K2,031,431 in 2020 and was attributed to the Zambia Police, accounting for 96 percent. The Committee was informed that the Treasury enhanced the internal controls in issuance of imprest that had yielded positive results in ministries, province and spending agencies.

1.5 Unvouched expenditure

Queries relating to Unvouched Expenditure increased from K1,539,431 in 2019 to K28,331,334 in 2020. This was attributed to Ministry of Finance accounting for 88 percent. This related to funds allocated to Ministry of Defence and Disaster Management Mitigation Unit, to settle outstanding bills. The documents had since been availed to the Office of the Auditor General for audit verification.

1.6 Unaccounted for Stores

Queries relating to Unaccounted for Stores also reduced from K56,220,368 in 2019 to K4,190,203 in 2020 and this was attributed to the enactment of the *Public Finance Management Act, No. 1 of 2018* and the subsequent sensitisation programme which the Treasury embarked on during the period under review.

1.7 Irregular Payments

Queries relating to irregular payments increased from K8,952,156 in 2019 to K19,991,742 in 2020 and this was attributed to the lower structures under Ministries of Education, Community Development and Social Services and Tourism who were not conversant with the public finance management laws. The Treasury would be undertaking a sensitisation programme in all lower structures of ministries, provinces and Government agencies.

1.8 Non-Recovery of Loans and Advances

Non-Recovery of Loans and Advances had reappeared in 2020 at K84,196,274 and it was attributed to empowerment funds under the Ministry of Youth, Sport and Arts accounting for 98 percent. In order to address the query, the Treasury would review all empowerment funds guidelines that were being used to administer the funds by Ministries, Provinces and Spending Agencies (MPAs).

1.9 Failure to Follow Procurement Procedures

Failure to Follow Procurement Procedures increased from K504,500 in 2019 to K234,070,294 in 2020. This was related to procurements from Defence wings under the Ministry of Defence accounting for 99.99 percent. In order to reverse this scenario the Treasury would be undertaking intensive sensitisation programme on the contents of the *Public Finance Management Act, No.1 of 2018* and its regulations and the *Public Procurement Act, No. 8 of 2020*, for Defence and Security wings.

1.10 Undelivered Materials

Undelivered materials decreased from K23,510,118 in 2019 to K3,553,820 in 2020 and this was attributed to the enactment of the *Public Finance Management Act, No. 1 of 2018* and the subsequent sensitisation which the Treasury embarked on during the period under review.

1.11 Non- Submission of Expenditure Returns

Non-Submission of Expenditure Returns increased from K502,250 in 2019 to K1,149,432 in 2020 this related to funds disbursed for service delivery at district level and school institutions under the Ministry of General Education – Zambia Education Enhancement Project(ZEEP). In order to reverse this scenario the Treasury would be undertaking intensive sensitisation programmes on the content of the *Public Finance Management Act, No.1 of 2018* and its regulations and the *Public Procurement Act, No. 8 of 2020* in MPSAs.

1.12 Wasteful Expenditure

Wasteful Expenditure increased from K3,730,864 in 2019 to K1,417,521,900 in 2020. This related to interest and penalties charged on contracts from various ministries that failed to fulfil contractual obligations. In order to address this, the Ministry of Finance revised the process of clearance of contracts through the issuance of Treasury and Financial Management Circular No. 11 of 2018.

1.13 Overpayments

Overpayments increased from K1,109,176 in 2019 to K6,693,986 in 2020. This was related to procurements from Ministries of Agriculture accounting for 67 percent and Ministry of Health accounting for 23 percent. In order to reverse this scenario, the Treasury would be undertaking intensive sensitisation programme on the content of the *Public Finance Management Act, No.1 of 2018* and its regulations and the *Public Procurement Act, No. 8 of 2020* in MPSAs.

1.14 Misappropriation of Funds

There was no query regarding misappropriation of funds in the 2020 Audit Report. This could be attributed to the enactment of the *Public Finance management Act, No. 1 of 2018* and the subsequent sensitisation programme which the Treasury embarked on during the period under review.

Committee's Observations and Recommendations

In noting the submission by the Secretary to the Treasury on the audit revelations, the Committee expresses concern at the increase in wasteful expenditure relating to interests and penalties charged on contracts from various ministries that failed to fulfil contractual obligations. The Committee finds this unfortunate especially that some of such contracts are still running and the Government was wasting public resources for works not done in most instances. The Committee, therefore, urges the Secretary to the Treasury to seriously engage the Attorney General and find a lasting solution on how to address contract matters. The Committee will await a progress report.

1.15 Key Audit Findings

The key findings by the Auditor General were noted and the following measures tabulated below would be undertaken to improve public finance management and control environment in ministries, provinces and spending agencies:

Table III: Table of Key Findings and Treasury Responses

S/N	KEY FINDINGS	TREASURY RESPONSE
1.	Weaknesses in the implementation of Information and Communications Technology (ICT) systems	The Auditor General's observation was noted and the Government through SMART-Zambia Institute is to review the ICT systems listed in the Audit Report, used by the Government.
2.	Failure and delays in the collection of Government revenue	The Treasury shall continue to roll out the new innovations to all revenue collecting points in MPSAs.
3.	Failure to maintain books of accounts and accounting records	The Treasury would embark on sensitisation programme on the Public Finance Management (General) Regulations No. 97 of 2020.
4.	Weaknesses in procurement and contract management	The Treasury would embark on a sensitisation programme on the <i>Public Procurement Act, No. 8 of 2020</i> .
5.	Failure to update and reconcile the Establishment Register and the Staff	The Treasury would embark on sensitisation programme on payroll management.

	Assignment	
6.	Failure to deduct and remit statutory contributions	The Treasury would embark on sensitisation programme on Public Finance Management (General) Regulations No. 97 of 2020.
7.	Failure to secure properties with title deeds	The Treasury would embark on sensitisation programme on Asset Management Policy.
8.	Weaknesses in payroll management	The Treasury would embark on sensitisation programme on payroll management.
9.	Failure to insure Government assets	The Treasury would embark on sensitisation programme on Asset Management Policy.

Committee's Observations and Recommendations

The Committee will await a progress report on the realisation of measures as tabulated.

1.16 Conclusion

It was submitted that the Treasury took matters raised in the Auditor General's Report seriously as they provided reasonable guidance on areas that needed enhancement of Public Financial Management systems. It must be noted that the Treasury had since completed the process of revising the Public Finance Management (General) Regulations No. 97 of 2020, which were aimed at supporting the revised *Public Finance Management Act, No. 1 of 2018*, which was expected to further lower the rate of audit queries, once fully implemented. The revision of the Public Finance Stores (General) Regulations stalled following the realignment of ministries that affected the functions of Ministry of Works and Supply, which was a key stakeholder in the management of Plant, Equipment and Motor vehicles in Government.

Committee's Observations and Recommendations

The Committee notes the response on the matter and urges the Secretary to the Treasury to expedite the revision of the Public Finance Stores (General) Regulations, without delay. The Committee will await a progress report.

B. INTRODUCTION

The Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31st December, 2020, had been produced in accordance with Article 250 of the *Constitution of Zambia (Amendment) Act, No. 2 of 2016*, *Public Audit Act, No. 13 of 1994* and *Public Finance Management Act, No. 1 of 2018*. Article 212 of the Constitution requires the Auditor General to, not later than nine months after the end of a financial year, submit an audit report to the President and the National Assembly, on the accounts of the Republic audited in respect of the preceding financial year. Article 250 (1) (a) to (d) mandates the Auditor General to audit;

- i. the accounts of state organs, state institutions, provincial Administration, local authorities and institutions financed from public funds;
- ii. the accounts that related to the stocks, shares and stores of the Government;

- iii. financial and value for money audits, including forensic audits and any other type of audits, in respect of a project that involved the use of public funds; and
- iv. ascertain that money appropriated by Parliament or raised by the Government and disbursed;
 - had been applied for the purpose for which it was appropriated or raised,
 - was expended in conformity with the authority that governed it, and
 - was expended economically, efficiently and effectively.

Treasury Response

In response, the Secretary to the Treasury submitted that the facts were as stated by the Auditor General that the Report was produced in adherence to Article 250 of the *Constitution of Zambia (Amendment) Act, No. 2 of 2016*, *Public Audit Act, No. 13 of 1994* and *Public Finance Management Act, No. 1 of 2018*. The Report was presented to the President and submitted before the National Assembly within nine months after the end of the financial year, in accordance with Article 212 of the Constitution.

Committee's Observations and Recommendations

The Committee notes the response on the matter.

C. SCOPE OF AUDIT

The audit scope covered the accounts and records of Ministries, Provinces and Agencies (MPAs) and other institutions financed from public funds for the Financial Year Ended 31st December, 2020. Although the Report was for the Financial Year Ended 31st December, 2020, in some cases observations that required updating were reported as at 30th September, 2021.

Treasury Response

In response, the Secretary to the Treasury submitted that the Scope used by the Auditor General during the audit of the Government accounts for the Financial Year Ended 31st December, 2020 was appreciated and the review of accounts and records of ministries, provinces, agencies and other institutions financed from public funds, was encouraging as it provided checks and balances in the management of public resources. It was appreciated that the Report availed vital information to assist Parliament in its oversight responsibilities over the management of Public Resources by the Executive. The Report also highlighted various weaknesses in the management of public funds in the year under review, by the Controlling Officers, which required immediate remedial action by the Executive, through the Treasury.

Committee's Observations and Recommendations

The Committee notes the response and urges the Secretary to the Treasury to provide more resources to the Office of the Auditor General, in order to broaden its scope.

D. AUDIT METHODOLOGY

In the execution of the audit, programmes were designed to give reasonable assurance on the utilisation and management of public resources. The programmes included test checks, inspections and examination of accounting and other records maintained by the public officers entrusted with management of public resources. To ensure optimal utilisation of resources at the Auditor General's disposal, a risk-based audit approach was used.

Treasury Response

In response, the Secretary to the Treasury submitted that the risk-based approach used by the Auditor General was noted. The test checks, inspections and examinations of accounting and other records in the high-risk areas of the institutions were appreciated.

Committee's Observations and Recommendations

The Committee notes the response on the matter.

E. CONSTRAINTS

i. Staff Constraints

The staffing position in the Office has over the years been improving. However, staffing levels are still not commensurate with the number of Government programmes being undertaken throughout the Country. As at 31st December, 2020, the Office had an establishment of 780 positions of which 644 were available while the balance of 136 were frozen. Out of the available positions, 620 were filled while 24 were vacant.

Treasury Response

In response, the Secretary to the Treasury submitted that it was regrettable that the number of frozen positions had increased from 102, as reported in the 2019 Audit Report to 136 in the year under review. In this regard, the Treasury shall engage the Auditor General to reduce the number. Additionally, the Human Resource department at the Office of the Auditor General is urged to continuously undertake payroll reconciliations and verifications so that positions that fell vacant were filled within a financial year to avoid freezing of positions.

Committee's Observations and Recommendations

The Committee notes the response and will await a progress report on the matter.

ii. Transport Constraints

The Office has presence in all the ten provinces in the country and the nature of the operations require travelling to all districts in the country, including far flung areas with bad terrain. During the period under review, the Office faced a challenge of inadequate and aging fleet of motor vehicles required for use in executing its mandate as most of the vehicles were procured during the period from 2007 to 2015. Consequently, this has continued to negatively impact the targeted

time of completing the audit activities. Although the Office received support from the Government and cooperating partners to procure motor vehicles, the gap still existed.

Treasury Response

In response, the Secretary to the Treasury submitted that transport challenge being experienced by the Office of the Auditor General was noted and the Treasury shall continue to assist the Auditor General with funding to procure and replace the old fleet of vehicles.

Committee's Observations and Recommendations

The Committee notes the response and will await a progress report on the matter.

iii. Information and Communications Technology Equipment Constraints

During the period from 2017 to 2020, the number of staff increased from 524 to 620. This resulted in the need to provide Information and Communications Technology (ICT) equipment for the new staff. Although the Office received support from Government and cooperating partners in ICT, the gap still existed.

Treasury Response

In response, the Secretary to the Treasury submitted that the Information and Communications Technology (ICT) equipment gap was noted and the Treasury would continue to assist the Office with new ICT equipment to improve efficiency in the execution of its mandate.

Committee's Observations and Recommendations

The Committee notes the response and will await a progress report on the matter.

iv. Corona Virus Disease 2019 (COVID-19) Constraints

The audits of accounts for the Financial Year Ended 31st December, 2020, conducted in 2021 were adversely affected by the COVID-19 pandemic. This resulted in suspension or scaling down on the scope of the audits to adhere to the public health guidelines issued by the Ministry of Health. In addition, the provision of audit information was delayed because of the absence of key personnel in the client offices.

Treasury Response

In response, the Secretary to the Treasury submitted that the facts were as stated by the Auditor General in that the COVID-19 pandemic affected various Government programmes, due to the public health guidelines issued by the Ministry of Health and the restriction of activities and staffing levels by Cabinet Office.

Committee's Observations and Recommendations

The Committee notes the response on the matter.

F. AUDIT AND REPORTING PROCESS

The reporting process involves three major stages. The first stage is where a preliminary query is issued to the Controlling Officer and is required to respond within ten days. The second stage is the interim management letter where the controlling officer is given fifteen days to respond. The third stage is the final management letter (Draft Annual Report Paragraph (DARP)) where the Controlling Officer is given three days to confirm the correctness of the facts presented in the management letter. At every stage where responses received are satisfactory, amendments are made accordingly. Where the findings have not been resolved, the DARPs are consolidated in the Auditor General's Annual Report on the Accounts of the Republic for the year under review.

Treasury Response

In response, the Secretary to the Treasury submitted that the reporting processes during the audit was noted and the engagements with the auditees at various stages of the audit was key in ensuring that matters were resolved before the Draft Annual Report Paragraph (DARP) stage so that the matters were not escalated in to the Audit Report.

Committee's Observations and Recommendations

The Committee notes the response on the matter.

G. GOVERNANCE

Cabinet is the supreme policy and strategic decision-making body of Government. It comprises the Republican President, Vice President and Cabinet Ministers who are appointed by the President. The decisions of Cabinet are implemented through various portfolio ministries and provincial administrations which are headed by Ministers.

Treasury Response

In response, the Secretary to the Treasury submitted that the governance of the Republic was as stated by the Auditor General.

Committee's Observations and Recommendations

The Committee notes the response on the matter.

H. MANAGEMENT

The operations of the ministries, provinces and agencies are the responsibility of a Permanent Secretary who is appointed by the President. A Ministry also oversees the operations of various Government agencies that operate within the preserve of its mandate.

Treasury Response

In response, the Secretary to the Treasury submitted that the management of the operations of ministries, provinces and agencies were the responsibility of a Permanent Secretary who was appointed by the President; and in line with the *Public Finance Management Act, No. 1 of 2018*,

appointed and designated as Controlling Officers, to oversee the executions of the annual budget, appropriated by Parliament.

Committee's Observations and Recommendations

The Committee notes the response on the matter.

I. INFORMATION AND COMMUNICATIONS TECHNOLOGY

The Government operated various ICT systems to improve service delivery. The following were the major systems operated by MPAs:

Table IV: Table of Some of the ICT Systems in Use

No.	Institution	Name of System	Description/Purpose
1	Ministry of Finance	Integrated Financial Management Information Systems (IFMIS)	This is an Integrated Financial Management Information System which is used for administration of financial transactions in the MPAs.
		Payroll Management and Establishment Control System (PMEC)	The system is used for Payroll Management and Establishment Control.
		Debt Management and Financial Analysis System (DMFAS)	The system is used for debt management and is installed at the Central Bank and Ministry of Finance.
2	Ministry of Agriculture	Zambia Integrated Agriculture Management Information System (ZIAMIS)	The system is a web-based application used for the administration of the Farmer Input Support (FISP) activities.
3	Ministry of Lands	Zambia Integrated Land Management Information System (ZILMIS)	The system is used for administration of land, billing of properties for ground rent and receipting of revenue among others.
4	Ministry of Home Affairs-Passport Office	Personalised Passport System (PPS)	This is an application that is used in the production of ordinary and diplomatic passports. The application runs on Oracle database.
5	Ministry of Home Affairs-Department of Immigration	Zambia Immigration Management System (ZIMS)	The system is used for the management of immigration processes such as the facilitation of entry and exit and processing of visas.

No.	Institution	Name of System	Description/Purpose
6	Road Transport and Safety Agency	e-ZamTIS	The system is used to collect, receipt and record revenue.
7	Zambia Revenue Authority	Tax Online System	This system is used for administration of domestic taxes.
		ASYCUDA World	This system is used for administration of customs duties and taxes.
8	National Road Fund Agency	Yascn Toll Management System (Cash Management Systems)	This system is used for administration and collection of inland tolls.
		Necor Toll Management System (Cash Management Systems)	This system is used for administration and collection of inland tolls.
		Efkon Toll Management System (Cash Management Systems)	This system is used for administration and collection of inland tolls.
		e-Toll Management Information System	This is an electronic payment system used for collection of tolls.
		WBX and Axle Loop	These systems are used in the administration of toll and weighbridge fines.

Treasury Response

In response, the Secretary to the Treasury submitted that the facts were as stated by the Auditor General that the above mentioned ICTs systems were used by various institutions in the public finance management processes, in the executions of their respective mandates.

Committee's Observations and Recommendations

The Committee notes the response on the matter.

PART II - PARAGRAPHS

CONSIDERATION OF SUBMISSIONS ON THE AUDIT FINDINGS AND OBSERVATIONS

ZAMBIA REVENUE AUTHORITY (ZRA)

PARAGRAPH 1

Mandate

6. The Zambia Revenue Authority (ZRA) is mandated with the responsibility of enforcing tax compliance and collecting taxes, related fines and penalties on behalf of the Government, in accordance with Section 11 of the *Zambia Revenue Authority Act, Chapter 321* of the Laws of Zambia.

Audit Findings

An examination of accounting and other records maintained at the ZRA Headquarters and selected stations revealed the following to which the Secretary to the Treasury submitted as set out below.

a. Budget against Actual Collections

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a revenue provision of K59,037,518,424, was made against which amounts totalling K57,716,716,413 were collected, resulting in an under collection of K1,320,802,011. See table 1.

Table 1.0: Budget against Actual Revenue Collections

No.	Tax Description	Provision K	Collection K	Variance K
1	Company Tax	7,903,927,230	9,512,555,519	1,608,628,289
2	Individuals (Self Employed)	161,867,811	150,870,036	(10,997,775)
3	Advance Income Tax	248,382,077	17,583,314	(230,798,763)
4	Pay As You Earn	12,331,422,697	14,229,158,795	1,897,736,098
5	Withholding Tax (Rent, Interest and Royalties)	3,998,684,191	4,505,233,730	506,549,539
6	Withholding Tax (Dividends)	397,547,004	276,680,406	(120,866,598)
7	Withholding Tax (Lump Sum Payment)	11,918,995	217,201	(11,701,794)
8	Withholding Tax (Contractors)	90,698,529	206,720,236	116,021,707
9	Property Transfer Tax	468,067,104	336,968,753	(131,098,351)
10	Mineral Royalty Tax	4,819,615,666	5,348,162,031	528,546,365
11	Customs Duty	3,692,968,452	3,140,314,951	(552,653,501)
12	Excise Duty - Motor Vehicles	393,069,011	275,577,374	(117,491,637)
13	Excise Duty - Soft Drinks	5,135,420	607,207	(4,528,213)
14	Non-Alcoholic Beverages	20,122,208	14,955,639	(5,166,569)
15	Excise Duty - Cigarettes	294,423,265	113,118,784	(181,304,481)
16	Excise Duty - Carbon	67,864,577	67,577,383	(287,194)
17	Carbon Emission Surtax collected by RTSA	-	51,572,872	51,572,872
18	Excise Duty - Opaque Beer	40,598,348	20,235,570	(20,362,778)
19	Excise Duty - Clear Beer	1,153,285,525	742,158,684	(411,126,841)
20	Excise Duty - Hydro-Carbon Oils	752,814,177	521,648,174	(231,166,003)
21	Excise Duty - Spirits	341,662,245	155,221,977	(186,440,268)
22	Excise Duty - Wine	36,842,214	91,428,959	54,586,745
23	Excise Duty - Cosmetics	53,229,528	46,289,915	(6,939,613)
24	Excise Duty - Airtime	960,437,006	835,070,392	(125,366,614)
25	Export Duty - Timber	12,697,051	17,083,624	4,386,573
26	Export Duty - Scrap metal	56,007	32,198	(23,809)
27	Export Duty Maize		-	-
28	Rummage Sales	11,034,468	5,135,885	(5,898,583)
29	Export Duty on Copper Concentrate	32,701,730	38,324,826	5,623,096
30	Fines	35,098,625	42,954,479	7,855,854
31	Excise Duty-Plastics	20,995,651	17,159,325	(3,836,326)
32	Excise Duty-Gases	128	2,047,056	2,046,928
33	Excise Duty - Juices	-	1,690,252	1,690,252
34	Warehouse Rent	657,003	994,065	337,062
35	Surtax on Selected Goods	404,513,270	265,552,909	(138,960,361)
36	Accounting Fees	1,261,294	3,117,163	1,855,869
37	Excise Duty - Cement	146,988,868	78,059,934	(68,928,934)
38	Licence Fees	7,425,828	6,939,117	(486,711)
39	Excise Duty - Electricity	166,339,781	458,706,099	292,366,318
40	Fuel Levy	367,589,700	1,158,761,108	791,171,408
41	Export Duty- Precious minerals & Anodic Slimes	129,841,277	74,106,748	(55,734,529)
42	Licence - Motor Vehicles	146,818,021	21,710,893	(125,107,128)
43	Motor Vehicle Surtax	56,713,077	41,581,305	(15,131,772)
44	Excise Duty - Water	416,278	517,895	101,617
45	Export Duty- Hides	5,701,372	3,016,014	(2,685,358)
46	Tourism Levy	17,021,011	10,484,031	(6,536,980)
47	Insurance Premium Levy	106,205,950	107,356,132	1,150,182
48	Skills Development Levy	179,181,956	168,778,608	(10,403,348)
49	Other Revenue	865,644	1,082,995	217,351
50	Domestic VAT	6,773,438,166	3,422,771,111	(3,350,667,055)
51	Import VAT	12,169,372,988	11,108,824,739	(1,060,548,249)
	Total	59,037,518,424	57,716,716,413	(1,320,802,011)

In response to the under collection noted above, Management stated that on 14th July, 2020, Government, through a Ministerial Statement to Parliament reduced the revenue target for the year under review, from K59,000,000,000 to K53,900,000,000 due to scaling down of economic activities as a result of COVID-19 pandemic.

Treasury Response

In his response, the Secretary to the Treasury submitted that the ZRA revenue target, as approved by Parliament for the fiscal year from 1st January to 31st December, 2020, was K59,037,000,000. However, in view of the COVID-19 pandemic and its impact on revenue collection, the Government, through the Ministerial Statement issued to Parliament on, 14th July, 2020, revised the revenue target downwards by K6,900,000,000, which effectively reduced the target to K52,100,000,000. As a result, the Authority exceeded this target by K5,565,000,000.

The Secretary to the Treasury also submitted that a total of eighteen out of the fifty tax codes collected by the Authority, were above their respective targets in 2020. Cumulatively, these tax types were above target by K4,874,700,000. With respect to underperforming taxes, thirty-one tax codes were below their respective targets with a total sum of K6,247,100,000. There were no collections under export duty on maize, while carbon emission surtax was collected by the Road Transport and Safety Agency (RTSA).

The Secretary to the Treasury also submitted that the underperformance in revenue collection for the thirty-one tax codes, was due to a number of factors, in addition to the aforementioned COVID-19 relief measures. In particular, Domestic VAT and Import VAT underperformances were mainly due to reduced consumption of goods and services, resulting from the adverse effects of the COVID-19 pandemic. The performance of Import VAT was further worsened by the depreciation of the Kwacha against the major convertible currencies, including the US Dollar, against which the Kwacha depreciated by 46.5 percent. This resulted in a reduction in import volumes while the decline in Domestic VAT collections also coincided with the record-high VAT refund payments in 2020.

The Secretary to the Treasury also submitted that the underperformance in Excise Duty was mainly due to reduced consumption of excisable products, such as clear and opaque beer, as a result of the COVID-19 regulations which curtailed non-essential social gatherings.

The negative outturn in Customs Duty was mainly due to reduced import volumes and was further exacerbated by the concessions granted to mitigate the impact of the COVID-19 pandemic on the economy and the waiver of customs duty on importation of fuel.

The Secretary to the Treasury further submitted that despite the COVID-19 induced global and domestic economic slowdown, the Authority recorded an 8.4 percent increase in nominal revenue collections between 2020 and 2019. The Authority had continued to put in place compliance and enforcement strategies aimed at ensuring that revenue collection targets were met.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to ensure that supporting documents are availed to the Office of the Auditor General, for audit verification. The Committee will await a progress report on the matter.

b. Escalation of Tax Arrears

In his response, the Secretary to the Treasury submitted that the closing debt stock in 2020, of K59,000,000,000, represented a 24.8 percent increase above the 2019 levels. In 2020, the ZRA implemented a new system for the management of domestic taxes called Tax Online II, which led to automatic charging of interests and penalties. The increase in debt was largely driven by an increase in system generated interest and penalty charges which by their nature, grew exponentially. However, there was a 19.2 percent increase in the principal liabilities mainly due to finalisations of account reconciliations, debt resulting from delays by Government in paying its suppliers, particularly in the construction sector, as well as the general slowdown in economic activity resulting from the COVID-19 pandemic as tabulated below.

Table 1.1: 2020 vs 2019 Domestic Tax Arrears by Principal, Interest and Penalties in K 'Million

	Principal	Interest	Penalty	Total
2020	32,248.3	3,453.8	23,957.3	59,659.4
2019	27,044.8	1,549.8	19,209.7	47,804.3
Percentage Change	19.2 percent	122.9 percent	24.7 percent	24.8 percent

The Secretary to the Treasury also submitted that 55 percent of the debt stock related to principal obligations, while 45 percent related to penalties and interests. Furthermore, the Government and its related institutions accounted for about 36 percent of the total principal liabilities as tabulated in table 1.2.

Table 1.2: 2020 Domestic Tax Arrears by Sector, Amounts in K 'Million

Tax Type	Principal	Interest	Penalty	Total
Private	20,806.9	2,314.6	16,099.7	39,221.3
Government	11,441.4	1,139.2	7,857.6	20,438.1
Grand Total	32,248.3	3,453.8	23,957.3	59,659.4
Percentage of total domestic debt	54.1 percent	5.8 percent	40.2 percent	100 percent

The Secretary to the Treasury also submitted that most of the debt owed by the private sector related to firms that were owed by the Government, either in VAT refunds or for the provision of various goods and services. Out of the K20,800,000,000 principal domestic debt owed by private companies, K11,100,000,000 or 50.1 percent belonged to fifteen companies. Out of the fifteen companies, eight were mining companies that accounted for close to K9,200,000,000 of the K11,100,000,000. The K9,200,000,000 constituted 40.3 percent of the total private debt. Among the eight mining companies, three, namely; Konkola Copper Mines (K3,970,000,000); Kansanshi Mining Plc (K2,500,000,000); and Mopani Copper Mines (K470,000,000), individually accounted for 17.5 percent, 9.1 percent and 5.1 percent of the principal domestic liabilities of the private sector debt in 2020, respectively.

In response to the escalating debt, the Authority implemented various initiatives to curb the escalating debt stock. By employing the tools at its disposal, the Authority, through its Debt Enforcement Unit, collected K8,300,000,000 of tax arrears. Furthermore, the Authority, through the Integrated Data Cleaning (IDC) project, reconciled 5,769 cases valued at K15,100,000,000. This ensured that only collectable and agreed debt was enforced. An additional K1,300,000,000 in refunds was saved through reconciliation of cases submitted by the Ministry of Finance.

The Secretary to the Treasury also submitted that enforcement activities involving demand notices, garnishee orders, debt swaps and time to pay agreements had, in 2021, yielded debt collection of K5,520,000,000, for the period from January to August, 2021, as tabulated below.

Table 1.3: Debt Collection by Sector, 2019 to 2021, Amounts in K 'Million

Collections	2019	2020	2021	Total
Government	540	1,608	655	2,803
Parastatal Bodies	1,396	972	1,094	3,462
Private	4,784	6,179	3,776	14,739
Total	6,720	8,759	5,525	21,004

The Secretary to the Treasury also submitted that in addition to the collections, through enforcement of K5,500,000,000, excluding debt remissions, the reconciliation team had processed penalty and interest waivers amounting to K5,900,000,000 for the Government and Parastatal bodies and K700,000,000 relating to private sector players. The Authority had further managed to reverse VAT liabilities amounting to K9,300,000,000, relating to Tanzania-Zambia Mafuta (TAZAMA) pipelines Limited. A further K45,800,000, in objections and appeals had been processed in the period under review. Thus, the collective action had resulted in a reduction in debt liability stock by K21,400,000,000, for the period from January to August, 2021.

The Secretary to the Treasury further submitted that as part of the long-term debt management strategies, the Authority was considering implementing the following:

- i. work with the Ministry of Finance on mechanisms to speed up implementation of debt swaps and write-offs which were recommended by the ZRA;
- ii. consider enacting a law to provide for capping of interests and penalties on debt that was older than a determined period of at least six years; and
- iii. interface the systems of ZRA with the Government and Parastatal bodies so that debt owed to the ZRA was automatically withheld before paying suppliers of goods and services to the Government and Parastatal bodies.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to ensure that all supporting documents on this matter are submitted to the Office of the Auditor General for audit verification. The Committee also urges the Secretary to the Treasury to ensure finalisation of debt management strategies as stipulated. The Committee will await a progress report on the matter.

c. Failure to Collect withheld Value Added Tax (VAT)

In his response, the Secretary to the Treasury submitted that, as at 16th September, 2021, an amount of K169,000,000 had been offset on three of the six liable companies, reducing the outstanding balance to K1,770,000,000. The companies were Lumwana Copper Mines (K57,000,000), Kansanshi Mining Plc (K60,000,000) and Lubambe Mining Plc (K52,000,000). The Authority would continue to pursue the outstanding balances through offsets and debt enforcement tools.

Committee's Observations and Recommendations

The Committee finds it unacceptable that mining companies were not remitting funds withheld on behalf of the ZRA, in gross violation of the provisions of the *Value Added Tax Act, Chapter 331* of the laws of Zambia. In view of this, the Committee urges the Secretary to the Treasury to ensure that the outstanding balance is expeditiously cleared through the said offsets and available debt enforcement tools. The Committee will await a progress report on the matter.

d. Unaccounted for Removals in Transit

In his response, the Secretary to the Treasury submitted that demand letters had been written to clearing agents for outstanding RITs on their respective declarant accounts and letters issued to guarantors for redemption of the transit bonds for the transits that were not accounted for by the clearing agents.

The Secretary to the Treasury also submitted that the Authority was engaging the guarantors and had since received payments from Professional Insurance for the previous demand letters issued in 2020. A letter from Professional Insurance and payment transmittal documents were available for audit verification. A schedule had been compiled and escalated to the Enforcement Unit for further action against the guarantors and declarants.

The Secretary to the Treasury further submitted that, due to functional inadequacies in the customs system ASYCUDA World (AW), the ZRA had developed and started implementation of the Customs Validation System (CVS), which would facilitate a real time discharge of transits at the exit border. In addition, the Authority had planned for implementation of an Electronic Cargo Tracking System (ECTS), as one of the measures in the Corporate Strategic Plan for 2022 to 2024.

Committee's Observations and Recommendations

The Committee expresses displeasure that the Authority is still grappling with effects of poor internal controls such that to date, it is unable to account for Removals in Transit. In view of this, the Committee urges the Secretary to the Treasury to ensure that measures, such as Customs Validation System and Electronic Cargo Tracking System, are fully implemented and operationalised without delay. The Committee will await a progress report on the matter.

e. Expired Customs Importation Permits

In his response, the Secretary to the Treasury submitted that the COVID-19 pandemic resulted in travel restrictions and a lot of international visitors being unable to exit with their vehicles at the stipulated time. This disruption to international travel had contributed to a huge number of outstanding acquitted CIPs for the period 2020 to 2021.

It was also worth noting that most of the outstanding CIPs were a carryover from the manual system before the implementation of the electronic Integrated Border Declaration Form (IBDF) system.

In the Authority's continued effort to account for all the outstanding CIPs, the Customs Services Division had taken the following actions:

- a) the ZRA had shared the list of outstanding CIPs with adjoining states such as Zimbabwe to verify the status of the identified vehicles. The verification process was still underway;
- b) the ZRA was working with Road Transport and Safety Agency (RTSA) to check whether or not any of the vehicles on the list of outstanding CIPs had been fraudulently registered for use in Zambia without payment of duties and taxes;
- c) in early 2021, the ZRA offered an amnesty to owners of fraudulently imported motor vehicles. During this amnesty, the ZRA waived penalties and interest on all vehicles whose owners voluntarily presented such vehicles to Customs for clearance; and
- d) working in conjunction with adjoining states, the ZRA had installed a data exchange system with other revenue authorities at major border posts to help mitigate cross border fraud.

Committee's Observations and Recommendations

The Committee observes with concern that the ZRA is reacting to the audit query, when the Authority had an opportunity of putting measures in place before the audit. In this regard, the Committee urges the Secretary to the Treasury to be proactive and ensure that internal control measures at the Authority are enhanced. The Committee will also await the outcome actions taken by the Customs Services Division of the Authority on the outstanding CIPs.

f. Failure to Collect Tax on Assessed Imports

In his response, the Secretary to the Treasury submitted that the Enforcement Unit was following up on outstanding debt and due to the interventions, the total debt had since reduced to K12,732,003, as at 30th August, 2021. In order to address the challenges, the Authority had introduced the following additional measures to reduce the amount of debt in the Customs Services Division:

- a) sending weekly pre-alert schedules of outstanding transactions to consignees and declarants by the Transaction Monitoring Unit (TMU);
- b) the Customs Services Division had automated the suspension of accounts of declarants and consignees with outstanding transactions; and
- c) customs management had included reduction of Customs debt as a performance imperative in the Performance Management and Development Contracts (PMDCs) of all Station Managers. The PMDCs were reviewed periodically to monitor the performance of managers.

Committee's Observations and Recommendations

The Committee will await a progress report on the debt reduction measures as stipulated.

MINISTRY OF HOME AFFAIRS

PARAGRAPH 2

Head 15 : Ministry of Home Affairs
Department : Immigration
Programme : Non-tax Revenue
Activity : Visa Charges and Permit Fees

Mandate

7. The Zambia Department of Immigration is mandated to effectively and efficiently facilitate and regulate the entry and exit of persons and control the stay of immigrants and visitors in the country in order to contribute to internal security and sustainable socio-economic development.

1. Audit Findings

An examination of financial records maintained at Headquarters and visits to selected stations revealed the following to which the Controlling Officer submitted as set out below:

a) Revenue Budget against Actual Collections

In the Estimates of Revenue and Expenditure for the financial year ended 31st December, 2020, a revenue provision of K394,414,467 was made against which amounts totalling K351,380,843 were collected resulting in an under collection of K43,033,624.

Management Response

In his response, the Controlling Officer submitted that, due to the COVID-19 pandemic which broke out during the year under review, there was a global travel ban which adversely affected Immigration services.

The Controlling Officer also submitted that, employees of the Department of Immigration who were mandated to provide immigration services were equally not spared by the pandemic and as such, the Department was not operating at full capacity. This impacted negatively on collection of revenue which resulted in a failure to meet the revenue target for the Financial Year ended 31st December 2020, hence an under collection of K43,033,624.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to enhance revenue collection measures in the face of COVID-19 pandemic. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification.

b. Unaccounted for Revenue- K742,500

In his response, the Controlling Officer submitted as set out below.

i) Unaccounted for Revenue –K742,500

The Committee was informed that, the matter had been handled in a two phased approach:

- 1) administratively the erring officer was charged and the matter was brought before the Ministerial Disciplinary Committee whose recommendation to the Public Service Management Division was to dismiss the officer.
- 2) In accordance with the Criminal Procedure Code, the matter was reported to the Drug Enforcement Commission (DEC), and the Commission acknowledged receipt and had since commenced investigations.

ii) Cheque Deposits Not traced to the Bank Statement in amounts totalling K36,500

The Committee was informed that the Ministry engaged the Treasury to follow up the matter with the bank as Revenue Transit accounts were managed by the Treasury. A copy of the letter to the Treasury and copies of deposit slips for the amounts that could not be traced to the statement were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents on the cheque deposits to the Office of the Auditor General for audit verification. The Committee will await a progress report on the outcome of DEC investigations.

c) Unclaimed Interest on Delayed transfer of Revenue to Control 99- K639,427

In his response, the Controlling Officer submitted that the Service Level Agreements for all revenue transit accounts were made between the Treasury and the Commercial Banks. The Treasury was responsible to execute terms and conditions in the Service Level Agreements of which interest on delayed remittance of revenue to control 99 was part of it.

The Committee was informed that the Ministry did bring the matter to the attention of the Treasury for their action.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to provide a policy direction on the administration of service level agreements by ministries, provinces and other spending agencies. The Committee also urges that the Treasury claims the interests from commercial banks on the delayed transfer of funds. The Committee will await a progress report on the matter.

d) Information and Communication Technology System

i. Shared Permit Case Numbers

In his response, the Controlling Officer submitted that, the Zambia Immigration Management System (ZIMS) was an online system that depended on internet network systems provided by Internet Service Providers which, due to their malfunction, resulted in duplicate case number

generation because of network latency. Multiple enquiries to the system at the time the network was facing intermittent challenges resulted in duplication of case numbers.

The Committee was informed that the Department had implemented a mechanism of reconciliation which provided assurance that such cases if they occurred were resolved timely.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Awarding of Employment Permits to Foreigners for Skill sets Locally Available

In his response, the Controlling Officer submitted that, the Department of Immigration through the Immigration Permits Committee composed of various Government Institutions that included the Ministry of Labour and Social Security, processed Employment Permits in light of the consideration of foreigners with rare skills, capital and investment in the country while ensuring that they were legally in the country as per mandate of the institution.

However, the figure of 17004 Employment Permits said to have been issued comprised all Employment Permit applications received by the Department in the year 2020. This therefore, implied that they constituted first issuances, extensions, duplicates/replacements and other variations. These 17,004 Employment permit cases were before the point of decision as they were merely applications and the figures comprised approvals, rejections, revocations and deferred cases among others. The approval and rejections also included those handled by the Minister in the Appeals Committee as per law.

The Controlling Officer further submitted that the granting of Employment Permits to some private companies was made in relation to the capital investment and the Investment Promotion and Protection Agreement under the *Zambia Development Agency Act, No. 11 of 2006*, which bound the Department to issue Employment Permits. Furthermore, Employment Permits were issued for huge Government and private projects that required those rare skills in energy, communication, construction, tourism, mining and agriculture as priority economic sectors. Further, Employment Permits were issued to international organisations, non-Governmental Organisations and religious bodies supplementing Government efforts in the health, education and social sectors.

The Committee was informed that the Department had in place an accountable and transparent process in the issuance of permits by liaising with professional bodies to guide on the need of the skills being applied for to avoid issuance of Employment Permits to skills locally available in Zambia. Some Employment Permits were issued with conditions to enable Zambian understudies to take over the positions after skills transfer from the expatriates. The Department also received presentation from those companies that had huge projects and justifying their need for expatriate skills. The Department, with other Government wings undertook business inspections of the premises to confirm the justifications of the Employers for expatriate staff.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iii. Duplicated Receipt Numbers

In his response, the Controlling Officer submitted that, Zambia Immigration Management System (ZIMS) was an online system that depended on internet network systems provided by Internet Service Providers which, due to their malfunction, resulted in duplicate receipt number generation because of network latency. Multiple enquiries to the system at the time the network was facing intermittent challenges resulted in duplication of receipt numbers.

The Committee was informed that the Department had implemented a mechanism of reconciliation which provided assurance that such cases if they occurred were resolved timely.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iv. Lack of interface between Point of Sale Machine and ZIMS

The Committee was informed that the recommendation to have the ZIMS interfaced with the Electronic Point of Sale machines from the bank had been submitted to the Treasury for consideration and further guidance.

Letter bringing the matter to the attention of the Treasury was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to expedite the interfacing of ZIMS with the Point of Sale and e-Payment, without fail. The Committee will await a progress report on the matter.

MINISTRY OF HOME AFFAIRS

PARAGRAPH 3

Head 15	:	Ministry of Home Affairs
Department	:	National Registration, Passport and Citizenship
Unit	:	Passport Office
Programme	:	Non-tax Revenue
Activity	:	Passport and Citizenship Fees

Mandate

8. The Department of National Registration, Passport and Citizenship falls under the Ministry of Home Affairs and is mandated to conduct national and civil registration, issue travel documents and facilitate acquisition of citizenship.

3.2 Audit Findings

An examination of accounting and other records maintained at the Passport and Citizenship Office headquarters and selected stations for the period under review revealed the following to which the Controlling Officer submitted as set out below.

a. Budget against Actual Revenue Collections

In the Estimates of Revenue and Expenditure for the Financial Year ended 31st December 2020, a revenue provision of K35,446,701 was made against which amounts totalling K25,174,110 were collected resulting in an under collection of K10,272,591.

Management Response

The Committee was informed that, due to the COVID-19 pandemic which broke out during the year under review, there were global travel restrictions which adversely affected Passport issuance in that fewer people than projected had applied for passports or for renewal of passports. Consequently, the revenue collection in the period under review was less than the set target by K10,272,591.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification.

b. Deposits not reflected on the Bank Statements – Solwezi- K313,570

In his response, the Controlling Officer submitted that revenue transit accounts operated as consolidated accounts such that all revenue collecting ministries and institutions deposited into these same revenue transit accounts controlled by the Treasury and access was restricted to the Treasury. This made timely reconciliations difficult.

The Committee was informed that the Ministry engaged the Treasury to confirm whether the revenue collected and deposited did reflect in the Revenue Transit Account. The Treasury had since confirmed that the deposits in amounts totalling K313,570 actually settled on the Revenue Transit Account.

Committee's Observations and Recommendations

The Committee observes with concern that the ministry was taking action after the audit process. In this regard, the Committee urges the Controlling Officer to be proactive and ensure that all supporting documents are submitted to the Office of the Auditor General for audit verification subject to which the matter must close.

c. Delayed Banking – Solwezi and Mansa Passport Offices- K125,960

In his response, the Controlling Officer submitted that the delays in banking revenue was caused by office holders' inability to comply with the provisions of the *Public Finance Management Act, No. 1 of 2018* and Public Finance (General) Regulations of 2020.

The Controlling Officer also submitted that the officers that caused the delayed banking had since been charged for failing to comply with the provisions of the *Public Finance Management Act, No. 1 of 2018* and Public Finance (General) Regulations of 2020.

Additionally, revenue collection at the Solwezi Passport Office had been assigned to another officer.

Charge letters and notice of change of officer collecting revenue were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place which will encourage the non handling of cash at the Ministry. The Committee also urges the Controlling Officer to ensure that supporting documents are availed to the Office of the Auditor General for audit verification subject to which the matter must close.

MINISTRY OF TRANSPORT AND COMMUNICATION

PARAGRAPH 4

Mandate

9. The Zambia Information and Communications Technology Authority (ZICTA), is mandated to supervise and promote the provision of telecommunication services throughout Zambia.

4.2 Audit Findings

An examination of financial and other records maintained at Headquarters revealed the following to which the Controlling Officer submitted as set out below.

a. Budget against Actual Collections

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a revenue provision of K339,471,695, was made against which amounts totalling K431,547,434 were collected, resulting in an over collection of K92,075,739.

Management Response

In his response, the Controlling Officer submitted that the over collection of K92,075,739 was as a result of a payment for 800Megahertz Spectrum License granted to Airtel, which was not projected, as this was only awarded through a restricted granting procedure and on application by an operator.

The Controlling Officer also submitted that the Ministry conducted quarterly reconciliation of revenue collections, to inform Management of the validity of assumptions made at the time of estimating revenue targets so as to mitigate recurrence of over or under collections.

Committee's Observations and Recommendations

The Committee notes the response on the matter and consequently resolves to close it.

b. Outstanding License Fees

In his response, the Controlling Officer submitted that the cited outstanding license fees, amounting to K102,998,644 were mostly owed by state-owned entities which accounted for 99 percent of the amount. These entities included, Zambia Telecommunications Limited (ZAMTEL); Zamnet; Zambia National Broadcasting Corporation; Zambia Postal Services Corporation; Zambia Railways; and Tanzania Zambia Railway Authority.

The Controlling Officer also submitted that the Authority had engaged the Treasury for a debt swap with ZAMTEL, which measure had achieved considerable results in the previous financial years.

The Controlling Officer also submitted that through continued efforts to collect outstanding license fees, the Authority had collected K138,165, out of the outstanding operating fees and penalties. Further, the Authority had continued to explore ways to have Government related institutions pay the outstanding amounts.

The Controlling Officer further submitted that the Ministry and ZICTA would continue to pursue the matter until all the entities had settled obligations.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to engage the Industrial Development Corporation Limited, in consultation with the Secretary to the Treasury, so that the affected State-Owned Enterprises can be compelled to prioritise the offsetting of outstanding license fees. The Committee will await a progress report on the matter.

a. Administration and Management of Universal Access Service Fund (UASF)

i. Failure to Reimburse Funds Borrowed from Universal Access Service Fund (UASF) – Telecommunication Traffic Monitoring System (TTMS) Project

In his response, the Controlling Officer submitted that the Government embarked on the supply, delivery, installation and commissioning of a Telecommunications Traffic Monitoring System (TTMS) Project to enhance revenue collection in the telecommunications sub sector. Through this project, the Universal Access Service Fund, would equally benefit through contributions to the telecommunication sub sector. In a bid to have the contractor complete the project on time, thereby enhancing revenue, Government borrowed from the Fund to facilitate payment of a contractor and remained committed to paying back the amount in full.

The Controlling Officer also submitted that the Government had since paid back K30,000,000, out of the outstanding amount of K61,540,018.32, cited by the Auditor General, leaving a balance K31,540,018. The Ministry had continued to pursue the reimbursement with the Treasury.

Committee’s Observations and Recommendations

The Committee expresses displeasure at the delay by the Ministry to reimburse borrowed funds meant for the promotion of widespread availability and usage of electronic communications networks and services. The Committee is particularly concerned that the delay has a bearing on the installation of electronic communications networks and the provision of electronic communications services in un-served and under-served areas and communities of the Country. The Committee, therefore, urges the Controlling Officer to ensure that funds are reimbursed and urgently utilised for the intended purpose, without any further delay. The Committee will await a progress report on the matter.

i. Failure to Reimburse Funds Borrowed from Universal Access Service Funds – Purchase of Former Canadian Embassy Building

In his response, the Controlling Officer submitted that before the purchase of the former Canadian Embassy building, the Ministry of Transport and Logistics was utilising buildings that were allocated to other ministries such that each department was sitting with a different ministry in eight different buildings. This proved difficult in achieving efficiency and to avert this situation, the Government sought to purchase the cited building. To secure the building, the Ministry borrowed the funds to make an initial contract payment of USD700,000, from the Universal Access Service Fund, with authority from the Secretary to the Treasury. While the Government remained committed to refunding the amount in full, priority was placed on paying the amount, which was due to the Canadian Government, which amount had been paid in full. The Controlling Officer also submitted that the Ministry has since been operating from the former Canadian Embassy building.

The Controlling Officer further submitted that the Ministry had continued to engage the Treasury to have the amount refunded in full.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the Ministry prioritised the procurement of the former Canadian Embassy building, at the expense of installation of electronic communications networks and the provision of electronic communications services in un-served and under-served areas and communities of the Country. In view of this, the Committee urges the Controlling Officer to ensure that funds are reimbursed and utilised for the intended purpose without fail. The Committee will await a progress report on the matter.

MINISTRY OF TOURISM AND ARTS

PARAGRAPH 5

Mandate

10. The Ministry of Tourism and Arts is mandated to provide sustainable development of the Tourism industry in the country. In respect of the revenue collections, the Ministry draws its mandate from the *Arts Council of Zambia, Act, No. 31, of 1994*, *Zambia Wildlife Act, No. 14 of 2015* and the *Tourism and Hospitality Act, No. 13 of 2015*

Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and other selected stations for the period under review revealed the following to which the Controlling Officer submitted as set out below.

a. Budget against Collections

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2020, a revenue provision of K163,477,318 was made against which amounts totalling K97,543,058 were collected resulting in an under collection of K65,934,260. See table 5.1.

Table 5.1: Budget against Actual Collections

S/N	Description	Estimates K	Actual Collections K	Variance K
1	Casino fees	1,000,000	909,576	- 90,424
2	Tourism enterprise fees	5,301,500	1,563,075	- 3,738,425
3	Hunting and parking fees	155,263,033	94,118,723	- 61,144,310
4	Hotel Manger registration fees	1,835,617	616,750	- 1,218,867
5	Miscellaneous	77,168	334,934	257,766
	Total	163,477,318	97,543,058	- 65,934,260

Management Response

In his response, the Controlling Officer submitted that revenue collection projections were not met generally due to the COVID-19 pandemic outbreak, in addition to other contributing factors. The impact of COVID-19 was seen in the available statistics, which showed that in the year 2019, total international visitors, were 1,266,000 against 501,606 in 2020. All revenue streams highlighted below were negatively affected by this huge reduction.

Casino fees-K90,424

The Committee was informed that casino fees were in two parts, namely Casino License and Retention fees. The Committee was also informed that the year 2020 was a difficult year for the Tourism industry as COVID-19 pandemic negatively affected it. Further, it should be noted that during the year 2020, the Government of the Republic Zambia issued working and travel restrictions that further affected the operations of the tourism enterprises to generate revenue. This was exacerbated by the complete closure of all casino operations in Zambia, due to COVID-19 pandemic and as such, revenue projections were not achieved. The restrictions were only lifted in the third quarter of 2020.

The Committee was further informed that management had been sending reminder letters to all casino owners requesting them to settle the bills. In addition, planned inspections and monitoring were to be conducted in the year 2021.

Tourism Enterprise fees K3,738,425

The Committee was informed that Tourism Enterprise Fees comprised two components namely; Tourism Licensing and Retention Fees. The following affected the collection of the fees:

- i. the COVID-19 pandemic negatively affected the Tourism Enterprises;
- ii. travel restrictions instituted by countries affected by the COVID-19 pandemic; and
- iii. closure of Tourism Enterprises.

The Committee was informed that the Ministry was updating the database and migrating to digital payment platform using Government Service Bus, through SMART Zambia Institute. The training of trainers was conducted in October 2021, which commenced with the Department of National Parks and Wildlife and concluded with the Department of Tourism. Thereafter the platforms would be rolled out countrywide.

Hunting and Park Fees K61,144,310

The Committee was informed that Hunting and Park fees were categorised in various ways namely: park fees, hunting concessions, tourism concessions agreements and other fees.

The Committee was also informed that the under collection of K61,144,310 was a direct result of the worldwide travel restrictions, closure of international airports and introduction of economic recovery measures, in the sector, by the Zambian Government.

The measures included the following:

- i. granted relief on concession fees by 50 percent, for the financial year 2020; and
- ii. granted relief on the 60 percent payment of annual quotas to allow safari operators pay for quotas (animal fees) as and when they had tourists and not pay based on contract targets, up to the end of 2021.

The measures adversely affected revenue generation, which contributed to failure to reach targeted and projected revenues.

The Committee was also informed that the Ministry of Tourism was promoting domestic tourism and pushing for COVID-19 vaccination of 70 percent from the current 4 percent of eligible population, to send a message that Zambia was a safe destination. In addition, the Ministry was encouraging local participation in game ranching, improving accessibility to tourism sites, building roads and airstrips and rebranding destination Zambia through Zambia Tourism Agency by targeting new tourism source markets in the Middle East, China, Russia, and Indonesia.

Hotel Managers Registration fees K1,218,867

The Committee was informed that the Hotel Managers Registration Fees consisted of Registration, Practicing and Exemption fees. The prevailing status indicated that the uncollected revenue was K952,100.

The cause of under collection was due to the COVID-19 pandemic, which affected revenue generation in the hospitality industry because they were closed during the year under review. As stated earlier, travel restrictions were only lifted in the third quarter of 2020.

The Ministry took action by submitting demand notices and establishments that did not respond to the demand notices were submitted to Ministry of Justice for prosecution in line with the *Tourism and Hospitality Act, No. 13 of 2015*. In addition, the Ministry was updating the database and migrating to digital payment platform through Government Service Bus, using SMART Zambia Institute.

Committee's Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

b. Unaccounted for Revenue

In response, the Controlling Officer submitted as set out below.

1. Casino Retention and Renewal Fees

The Committee was informed that the status was that receipts and deposit slips for K44,700 was available and verified.

Committees Observations and Recommendations

The Committee resolves to close the matter.

2. Kafue AMU

It was submitted that the general receipts and copies of bank statements were made available for verification. The status was that out of a total of K135,888 unaccounted for revenue, deposit slips and bank transfers in amounts totalling K134,241.2 were availed and verified leaving a balance of K1,646.80 outstanding.

The Committee was informed that deposit slips, at the time of the audit, were not availed because some transactions were made through bank transfers. However, bank statements and general deposits slips were available for verification.

It was submitted that revenue digital platforms would prevent such audit queries because funds would be directly deposited into control 99, without passing through third party bank accounts.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that the balance of K1,646.80 is accounted for without fail. The Committee will await a progress report on the matter.

c. Unpresented General Receipt Book

The Committee was informed that the status was that the General Receipt Books with serial numbers ranging from 6876351-6876400 were availed for verification. It was discovered that the receipt books were for receipting Tourism Development Credit Facility (TDCF).

With regard to Mundawanga Botanical Gardens, despite receipting rentals in the amounts of K17,545, management at the Department of National Parks and Wildlife did not enter into any formal tenancy agreements.

The Committee was informed that following the transformation from the Zambia Wildlife Authority, management at the Department of National Parks and Wildlife advertised the shops in the public media in order to attract potential tenants. However, the response did not yield any positive outcome, hence continued with old tenants but omitted to renew their tenancy agreements despite being up to date with rentals. Management at the Department of National Parks and Wildlife was in the process of evicting the tenants so that properties could be evaluated to determine the market value of the shops and be re advertised.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to enhance the revenue accountability measures in place by ensuring that all rentals collected are receipted without fail. The Committee also urges the Controlling Officer to sensitise the relevant officers on the basic financial skills to prevent the recurrence of the matter. The Committee will await a progress report on the market valuation and subsequent occupation of the shops.

d. Delayed Banking of revenue

In his response, the Controlling Officer submitted as set out below.

Lower Zambezi Area Management Unit

It was regrettable that there was delay in depositing revenue collected under the Luangwa Area Management Unit in Lower Zambezi. The reason was that the collection point, Kavulamanga had no banking facility and it was 25km away when travelling by water transport to Luangwa District. As a result revenue deposits always depended on wild police officers patrol teams to take money to the bank as a result banking took long.

To mitigate the recurrence of the matter, the patrol days by the wild police patrol officers were reduced to twelve days in order for the deposits to be within the fourteen days stipulated time by the financial regulations.

The on-going process to migrate to the digital payment platform through the Government Service Bus would also assist to avoid such queries going forward.

Committees Observations and Recommendations

The Committee expresses concern at the delay in banking of revenue and urges the Controlling Officer to put measures in place to avoid the handling of cash by the officers. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

South Luangwa Area Management Unit

It was submitted that the cause of delayed banking was inadequate transport faced by South Luangwa Area Management Unit. The area had many revenue collection points located inside the park where no banking facilities existed. Revenue from these wide spread stations was periodically collected and aggregated in order to reduce the cost of banking because in some instances the revenues collected were too little compared to the cost of depositing.

The Ministry was updating the database and migrating to digital payment platform through the Government Service Bus using SMART Zambia Institute. This would allow all places with internet connectivity to access the digital platform services. Additionally, transport had been budgeted for in the financial year 2022.

Committees Observations and Recommendations

The Committee expresses concern at the delay in banking of revenue due to lack of transport and vastness of the area. The Committee, therefore, urges the Controlling Officer to expeditiously engage the Secretary to the Treasury on the requisite funding to procure vehicles for transportation. The Committee also urges the Controlling Officer to put measures in place to avoid the handling of cash by the officers. The Committee further urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Kafue National Park

It was submitted that in addition to the transport challenges as highlighted above, the delays to deposit the funds were made worse by the closure of the ABSA Mumbwa Branch where funds

were being deposited. Before a new holding bank was opened at ABSA Bank, Business Centre Branch in Mumbwa, revenue was being deposited in Lusaka along Cairo road, which was very costly during the year under review.

The Ministry was updating the database and migrating to digital payment platform, through Government Service Bus using SMART Zambia Institute. This would allow all places with internet connectivity to access the digital platform services and avoid such audit queries.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

e. Failure to Collect Revenue

i) Tourism Development Credit Facility (TDCF) Loans

In his response, the Controlling Officer submitted that the total loans issued were K13,823,365.74, meaning that an amount of K10,343,792 was balance brought forward after recovering an amount of K3,479,573.74. The status from the balance of K10,343,792 indicated that only K146,247.35 was collected, leaving a balance of K10,197,544.65.

However, at the time of status report, an amount of K620,039.24 was additionally collected, giving the latest balance of K9,577,505. The Committee was informed that the K620,039.24 had been added just to indicate the continuous effort the Ministry was putting towards recovery of these funds.

The Committee was informed that the Ministry had taken the following steps:

- i. the Ministry had continued engaging the defaulters and had agreed on the payment plans;
- ii. the ministry was holding on to title deeds;
- iii. a letter was written to Attorney General at Ministry of Justice for possible prosecution of defaulters and cash in on title deeds; and
- iv. a clear strategy had been put in place to ensure all loans were recovered.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii) Hotel Manager Registration fees

Hotel Manager Registration fees

In his response, the Controlling Officer submitted that the auditors status that K952,100 was not collected at the time of the audit was true but reported that an amount of K121,100 had since

being collected. The reported collected revenue was to show the effort the Ministry was making to ensure that all revenues were accounted for.

It was submitted that a list of names of defaulters was submitted to DPP for possible prosecution and follow ups on defaulters were ongoing.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Tourism and Hunting Concession fees

The Committee was informed that the Ministry had been making efforts to ensure that uncollected revenues were brought to the Treasury. It was submitted that a huge amount had since been collected from operators.

Mosi-O-Tunya AMU K36,450 and US\$516,520

The Committee was informed that Mosi-O-Tunya's location being in Livingstone and the biggest host to the international tourists; it was directly impacted negatively by the outbreak of COVID 19 pandemic, global travel restriction and closure of tourism enterprises. This resulted into operators encountering liquidity challenges as a result of failure to meet their financial obligation to settle fees.

It was submitted that out of the sums owed of \$516,520, an amount of \$214,669 was collected, leaving a balance of \$301,850.32. Secondly, an amount owed of K36,450 was collected leaving a nil balance.

However, it was also submitted that out of \$301,850.32 balance, an amount of \$131,000 was for NAPSA and the Ministry was engaging NAPSA to settle the unremitted NAPSA statutory subscriptions by the then ZAWA, through debt swap.

The remaining balance of \$170,850.32 was for, among others, Chisongo Travel and Tours who had a balance of \$101,258 and was still unsettled.

The Ministry has continued proactively to engage operators but many operators had attributed the lack of liquidity to economic challenges brought by the COVID-19 pandemic.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Lower Zambezi Area Management K214,053.24 and USD152,662.60

The Committee was informed that management had issued demand notices but the operators based in the Game Management Area disputed the land user fees citing lack of a statutory Instrument to support collection of such fees. The operators had since commenced legal

proceedings against DNPW and the matter was still in court. The outcome had not yet being settled.

The Ministry submitted a request to the Ministry of Justice to request for the correct interpretation and application of the law with regard to land user fees.

Committee's Observations and Recommendations

The Committee will await a progress report on the outcome of a court matter

South Luangwa Area Management Unit

The COVID-19 pandemic was a major cause of the decline in revenue collections. Additionally COVID-19 pandemic made follow ups on defaulters difficult because of movement restrictions. Furthermore, the ban on international travel severely affected cash flows of various operators who in turn could not meet their obligations.

According to the current status, out of the outstanding K67,360, an amount of K62,299.65 was collected leaving a balance of K5,065.38; and from an outstanding amount of \$150,847, an amount of \$138,549.59 was collected and verified.

The Ministry going forward, on all concessions, security bonds would be provided so that recovery would be easier from defaulters.

The balances of K5,065.38 and \$12,297.41 would be followed through until all funds were accounted for.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that the remaining balances are collected without any further delay. The Committee will await a progress report on the matter.

Kafue National Park

The Committee was informed that COVID-19 pandemic was a major cause of the decline in revenue collections, as a result of restrictions in movements for both public officers and tourists. Additionally, the ban on international travel severely affected cash flows of various operators who in turn could not meet their obligations towards the department.

The Committee was also informed that the status indicated that the amount outstanding stood at \$18,770.018, after having recovered \$17,156, out the total owed of \$35,926 sums of USD24,032.51, out of the cited amount of USD35,925 had been collected, while the balance of USD11,893.91 was proactively being followed up.

Further, a clause requiring the operators to provide Performance Security Bonds had since been included in all new concession agreements to curb the accumulation of debt by outfitters.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to ensure that the remaining balances are collected without any further delay. The Committee will await a progress report on the matter.

MINISTRY OF LANDS AND NATURAL RESOURCES

PARAGRAPH 6

6.0 Mandate

11. The Ministry is mandated to administer land and manage resources by promoting sustainable land use and climate resilient low emission systems.

6.1 Audit Findings

An examination of accounting and other records maintained at the Ministry headquarters and selected district offices for the Financial Year Ended 31st December, 2020, revealed the following to which the Controlling Officer submitted as set out below.

a. Budget against Collections

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a revenue provision of K506,018,261, was made against which amounts totalling K269,492,893 were collected resulting in an under collection of K236,525,368. See table 6.1 below.

Table 6.1: Budget against Collections

No.	Types of Revenue	Estimates K	Actual K	Variance K
1	Preparation fees	1,566,199	1,747,984	181,785
2	Consideration fees	290,535,968	62,896,710	(227,639,258)
3	Consent fees	3,297,330	2,825,769	(471,561)
4	Survey fees	10,871,682	9,468,644	(1,403,038)
5	Forestry Revenue	58,607,401	72,107,685	13,500,284
6	Registration and Document fees	38,428,102	40,922,014	2,493,912
7	Interest on Late Payments	2,882,650	8,994,182	6,111,532
8	Ground Rent	99,828,929	70,529,905	(29,299,025)
	Total	506,018,261	269,492,893	(236,525,368)

Management Response

In his response, the Controlling Officer submitted that the major variances were on Consideration Fees and Ground Rent, in respect of the national land titling programme. Under the systematic land titling programme, Medici Land Governance Limited, had projected to produce 350,000 title deeds, which should have yielded K223,300,000, under the systematic titling programme, but only 1,647 clients paid, thereby yielding only a sum of K1,050,786.

Similarly, Ground Rent was projected at 56,000 enumerated properties, which could have yielded K2,788,800 and because only 1,647 clients paid, this resulted in the yielding of only K82,020.60.

The Committee was informed that outreach programmes were being undertaken to sensitise residents on the advantages of possessing title deeds.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put other measures in place, such as payment in instalments and invocation of relevant legal provisions, which will compel the clients to pay as required. The Committee will await a progress report on the matter.

b. Lack of Safes

In his response, the Controlling Officer submitted that the procurement of safes was the responsibility of the Ministry of Finance and National Planning.

Due to the numerous collection points, the Ministry of Finance and National Planning had not been able to satisfy demand, especially for newly created districts such as Mushindamo and Kalumbila.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to expeditiously engage the Accountant General and ensure that all the districts are provided with safes, to secure revenues and accountable documents. The Committee will await a progress report on the matter.

c. Outstanding Ground Rent from Councils

In his response, the Controlling Officer submitted that the Councils collected Ground Rent on behalf of the Ministry of Lands and Natural Resources and were supposed to remit but had not been doing so.

The Controlling Officer also submitted that the Ministry had written to the Councils to pay the outstanding ground rent arrears and had further written to Cabinet Office requesting for guidance on how the debt could be discharged.

The Controlling Officer further submitted that the land information system that the Ministry, with assistance from SMART Zambia Institute, had been developing, would allow for online payments. This would remove the Councils from the process of collecting Ground Rent.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to expedite the development of the said Land Information System without delay. The Committee will await a progress report on the guidance from Cabinet Office regarding the debt.

d. Weaknesses in the Management of Information Systems (MIS)

In his response, the Controlling Officer submitted that the Land Area Field was not mandatory on ZILMIS; hence it was not captured during creation of properties.

The Controlling Officer also submitted that the identified 2,769 properties, with missing information had been cleaned up and the parameters were amended accordingly.

The Controlling Officer further submitted that with the call for Government services to be automated, the Ministry, with assistance of SMART Zambia Institute, had developed a land administration system which was completely automated and allowed for all processes to be conducted online. In the newly developed system, all fields which required to be mandatory had been put in place.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and ensure that all supporting documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

i. Missing Land Owners' Identification Numbers

In his response, the Controlling Officer submitted that the problem was caused by gaps in Owner Identification's (ID's) and duplication during creation of land owner records.

In view of this, the Controlling Officer also submitted as set out below.

- a) The 288,439 owner identification numbers were not missing. However, during the creation of land owner records, there were gaps in Owner ID's field that arose. These gaps in Owner ID's were as a result of a database software technical issue and were proprietary to Oracle software. In order to present evidence, a test was done on the ZILMIS test database. Ten records were inserted and the results showed that gaps in Owner ID's were system based and not user issues. Excel document and the screen shot of the ten inserted records showing the gaps in the Owner ID's field were available for verification.
- b) Further, with regard to the 578 records in the log, it was submitted that this was mainly caused by duplicate records of property owners. The ZILMIS did not use the National Registration Card number or Company Registration as a means of record identification on the system, instead the system used uniquely system generated Owner ID's to identify a record. The consequence of this was that a property owner could have a record created about his/her bio data multiple times, as the system used different unique Owner identification for each record created. Only one Owner ID would be attached to the property at any particular time, hence some Owner ID's appeared in the log, while others did not appear.

The Controlling Officer also submitted that with the call for Government services to be automated, the Ministry, with assistance from SMART Zambia Institute, had developed a land administration system which was completely automated and allowed for all processes to be

conducted online. In the newly developed system, records would not be duplicated and only one land Owner ID would be issued by the system to a property owner which would be linked to one's bio data.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and ensure that all supporting documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Missing Land ID/Certificate of Title Deeds issued on Uncreated Properties

In his response, the Controlling Officer submitted that the system design and the Oracle data base did not generate the numbering sequentially, hence the gap in the numbering.

Regarding the three properties, the land identification numbers were available, and it was impossible to issue certificates of title deeds on land that was not created.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and ensure that all supporting documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iii. Deletions of Object IDs without Supporting Documentation

In his response, the Controlling Officer submitted that certain processes required deletion of some object IDs, which included the following:

- i. bill corrections such as over and under billings;
- ii. cancellation of auto receipts;
- iii. transactions such as movement of funds from one property to another or where funds had been erroneously credited to a wrong revenue stream;
- iv. record amendment, such as adjustment of land size, where there was a sub-division;
- v. when registering different transactions in ZILMIS, there was need to delete names of a title holder that automatically appeared in the system during the creation of an application for registration of a transaction. The name of a title holder was not always required to appear during the registration process and therefore it must be deleted in order to reflect the correct details to correspond with the documents to be registered. However, the deletion did not affect the name of a title holder on the lands Register. The deletions may also occur during the registration of third-party mortgages; discharge of mortgages; court orders; Caveats/withdraw of caveats; assignment of subdivisions and substitution of diagrams. The name of a title holder that automatically appeared in the system during the registration process was deleted and replaced with the names corresponding with the documents that were to be registered.

- vi. Further, deletions also occurred where there was an error on the Lands Register as the rectification of an error required deleting of an entry and replacing it with the correct details. Furthermore, deletions occurred where the owner details of a property reflecting on the statements and ground rent bills were incorrect.
- vii. correction of details in cases where names were wrongly entered when creating records, corrections were done;
- viii. Zoning; in an event that it was wrongly done and the Invitation To Treat (ITT) was printed. When the zoning was corrected, the ITT was changed as well;
- ix. swapping of details in cases where names or details were wrongly entered in the system on a wrong property number and a swap to the right properties was needed; and
- x. when updating information such as phone numbers, postal addresses.

The Committee was informed that the Ministry recognised the technical aspects of what may be construed as deletions.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place which will ensure that approval is granted and relevant supporting documentation availed before any deletion of Object IDs in the ZILMIS database. The Committee also urges the Controlling Officer to be proactive and ensure that all supporting documents on this matter are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

MINISTRY OF FISHERIES AND LIVESTOCK

PARAGRAPH 7

7.1 Mandate

12. The Ministry of Fisheries and Livestock (MFL) is mandated to formulate policies and oversee the development of fisheries and livestock sectors in the country.

7.2 Management

The day to day operations of the Ministry are a responsibility of the Permanent Secretary as an administrative head of the Ministry and Controlling Officer. The Permanent Secretary is assisted by seven directors in charge of fisheries and livestock marketing, human resources and administration, finance, livestock development, policy, planning and information; and veterinary services, respectively.

7.3 Audit Findings

An examination of accounting and other records maintained at the Ministry of Fisheries and Livestock Headquarters and selected stations for the period under review revealed the following to which the Controlling Officer submitted as set out below.

a. Budget against Actual Collections

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a revenue provision of K21,927,632 was made, against which amounts totaling K15,742,936 were collected resulting in an under collection of K6,184,696. See table 7.1 below.

Table 7.1: Budget against Actual Collections

No.	Description	Approved imates K	Actual Collections K	Variance K
1	Fish Licenses	7,234,696	6,625,981	(608,715)
2	Import and Export Permits	3,500,000	1,971,062	(1,528,938)
3	Registration Fees	460,800	388,650	(72,150)
4	Veterinary Fees	6,896,177	4,481,271	(2,414,906)
5	Inspection Fees	3,376,772	2,085,884	(1,290,888)
6	Proceeds from Sale of Fish	407,583	50	(407,533)
7	Proceeds from Sale of Produce and Livestock	1,604	-	(1,604)
8	Miscellaneous	50,000	190,038	140,038
	Total	21,927,632	15,742,936	(6,184,696)

Management Response

In response, the Controlling Officer submitted that the Ministry under collected revenues by K6,184,696. The COVID-19 disease pandemic in 2020 had a negative impact on the revenue collections by the Ministry. This was so because movement of farmers and businessmen selling and buying fish and other livestock were restricted. In addition, movement of officers from the Ministry of Fisheries and Livestock who would have undertaken revenue collection activities such as animal inspections, patrols and registration of animals were also restricted.

Committee's Observations and Recommendations

The Committee expresses concern at the failure by the Ministry to collect revenue as projected. The Committee also observes, with concern, that the failure was attributed to COVID-19 pandemic. However, the Committee contends that COVID-19 may subsist for a long time. In this regard, the Committee urges the Controlling Officer to develop robust revenue collection mechanisms, in the face of COVID-19, so that the effects are mitigated and the collections enhanced. The Committee will await a progress report on the matter.

b. Accounting Irregularities

i. Failure to Collect Revenue-K409,137

In response, the Controlling Officer submitted that the Ministry actually collected revenue in the two revenue streams although it was not reported in the table given considering that the Ministry was authorised to retain 100 percent of the revenue collected from the sale of Livestock and Livestock products.

The Controlling Officer also submitted that the revenue collected from sale of fish, amounting to K57,490 was erroneously recorded under category - Fish Licenses revenue streams. The Ministry also collected a total amount of K1,798,901.78 from the sale of produce and Livestock.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress Report on the matter.

c. Failure to avail Records – Luangwa District Office

In response, the Controlling Officer submitted that the officer who was responsible for providing the records to the auditors at the time of the audit failed to do so because the officer had not handed over the office and documents to the new officer when he was transferred to Chirundu from Luangwa. However, even when the officer was called upon to provide the source documents, the officer failed to do so.

The Committee was informed that the disciplinary committee sat and the erring officer had since been charged and reprimanded for failing to provide the source documents to the auditors.

Committee's Observations and Recommendations

The Committee expresses concern at the failure by the Ministry to avail accountable documents to the auditors at the time of the audit. The Committee observes that this could be attributed to poor record keeping and lack of seriousness by the concerned officers. While the Committee has noted that disciplinary action was meted out against the erring officer, the Committee urges the Controlling Officer to put measures in place which will enhance record management at the Ministry in order to avert the recurrence of the query. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

c. Missing Stock Movement Permits – Luangwa and Sesheke Districts Offices

In response, the Controlling Officer submitted that two stock movement books were not availed to the auditors. The officer responsible at the time of the audit failed to avail the books to the auditors because he was transferred from Luangwa to Chirundu and he had not handed over the office to the new officer. However, even when the officer was called upon to provide the books, the officer failed to do so. Eventually, one book was found.

The Committee was informed that disciplinary action against the officer had been taken, and the officer had been surcharged with the full value of K5,000 for the two stock movement books and the deductions would be effected in December, 2021.

Committee's Observations and Recommendations

The Committee expresses concern at the failure by the Ministry to avail accountable documents to the auditors at the time of the audit. The Committee observes that this could be attributed to poor record keeping and lack of seriousness by the concerned officers. While the Committee has noted that disciplinary action was meted out against the erring officer, the Committee urges the Controlling Officer to put measures in place which will enhance record management at the Ministry in order to avert the recurrence of the query. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Delayed Banking of Revenue - Sesheke and Mongu District Offices

In response, the Controlling Officer submitted that the delayed banking of revenue was caused by the non-accounting officers who were collecting the revenue instead of clients depositing the revenue in the bank account before the services were provided. The Ministry had since acted by re-assigning the duty of collecting revenue to the accounting officers who ensured that clients deposited the fees directly into the bank account. In addition, the accounting officers had been cautioned for this omission.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and ensure that robust sensitisation measures are put in place to enhance the awareness of the clients on the matter. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

f. Lack of Safe Facilities – Sesheke and Luangwa District Offices

In response, the Controlling Officer submitted that Ministry of Finance was the only institution mandated to issue safes to other Ministries, Provinces and Spending Agencies. The Ministry had on several instances requested for safes considering that the latter was the only Ministry authorised to acquire or purchase safes for other institutions.

The Controlling Officer also submitted that the Ministry of Finance had since responded, stating that the safes would be provided to the Ministry as soon as the procurement process was done. However, as the safes were being awaited from Ministry of Finance, provisional arrangements had been made by way of improvising lockable filling cabinets for safes at the two mentioned stations.

Committee's Observations and Recommendations

The Committee bemoans the lack of safes at Sesheke and Luangwa District Fisheries and Livestock Offices and, therefore, urges the Accountant General to address the matter without any further delay. The Committee will await a progress report on the matter.

g. Breeding Centres

i. Failure to Prepare and Submit Revenue Returns

In acknowledging that revenue returns from the breeding centres were not availed to the auditors at the time of audit, the Controlling Officer submitted that this was so because the centres had no accounting officers to prepare the returns while some breeding centres were at the development stage and had no activities to report on in the period under review. Efforts were made to orient the other non-accounting officers at the breeding centres on how to prepare the revenue returns. The Controlling Officer also submitted that with regard to the returns for breeding centres that were active, revenue returns for 2020 had been prepared. Further, breeding centre managers had been advised to ensure that revenue returns were prepared and submitted on time.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to institute disciplinary action against officers who failed to avail documents to the auditors at the time of the audit. The Committee also urges the Controlling Officer to ensure that supporting documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Failure to avail Minutes of the Livestock Sales Committees

In response, the Controlling Officer submitted that some breeding centres did not avail the minutes to the auditors because the centres were not yet operationalised while others did not do so on an assumption that they were not supposed to sit because there were no activities taking place at the centres. The Controlling Officer further submitted that breeding centres that had activities, although had not availed sales committee reports at the time of the audit, had actually prepared the Minutes for the period under review and had since been submitted to the Ministry Headquarters.

The Committee was informed that the breeding centre managers had been advised to ensure that the sales committee should in fact sit on monthly basis.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to institute disciplinary action against officers who failed to avail documents to the auditors at the time of the audit. The Committee also urges the Controlling Officer to ensure that supporting documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

h. Lack of a Formal Agreement with Zambeef Limited - Mongu Provincial Veterinary Office

In response, the Controlling Officer submitted that the Ministry was in the processes of formalising the agreement with Zambeef and as at the time of the audit, the Ministry had submitted a Draft Memorandum to the Ministry of Finance for scrutiny and advice on the same. This matter had been pursued and Ministry of Finance had granted a go ahead for the Ministry of Fisheries and Livestock to enter into a formal agreement with Zambeef.

Committee's Observations and Recommendations

The Committee bemoans the *laissez faire* attitude exhibited by the Ministry in the collection of meat inspection revenue fees and the irregular engagement of Zambeef. The Committee expresses concern that the authenticity of the collections by Zambeef was questionable in that there were no guiding compelling rules to monitor the collections. In this regard, the Committee strongly cautions the Controlling Officer to take revenue collection seriously and ensure that the business relationship between the Ministry and Zambeef is formalised without delay. The Committee will await a progress report on the matter.

MINISTRY OF GENDER

PARAGRAPH 8

a. Budget Provision, Funding and Expenditure

13. In the Estimates of Revenue and Expenditure for the Financial Year ended 31st December 2020, a total budget provision of K27,528,105.72 against which amounts totalling K25,101,298 were released resulting in underfunding K2,426,807.91.

See table 8.1 below.

Table 8.1 — Budget Provision, Funding and Expenditure

NO	DETAILS	Total Authorised Budget	Funding	Expenditure
GRZ	GRZ	20,998,593	18,571,785.09	18,553,355.42
	Cooperating Partners	6,529,513	6,529,513	6,285,102
TOTAL		27,528,105.72	25,101,297.81	24,838,457.72

Although the Ministry was under funded, amounts totalling K24,838,458 were spent leaving a balance of K262,840 as at 31st December 2020.

Management Response

In acknowledging the Auditor General's observation, the Controlling Officer submitted that funds under GRZ allocation were spent, leaving an amount of K18,430 unspent, while the allocation from Cooperating partners had an unspent amount of K244,411.

The Committee was informed that this amount was funded on 30th December, 2020 and therefore could not be spent in the financial year under review. Funds from cooperating partners had their own terms and conditionalities under which they could be disbursed, which may lead to delays in expenditure.

Total funding	GRZ	Cooperating Partners
25,101,297.81	18,571,785	6,529,513
24,838,457.72	18,553,355	6,285,102
262,840.09	18,430	244,411

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for Audit Verification.

b. Failure to utilise Procured and Distributed Farming Equipment

In response, the Controlling Officer submitted that the Ministry undertook a verification and assessment of the twenty-eight tillers to determine their condition. In this regard, the Gender Division was engaging the royal highnesses in the twenty-eight Chiefdoms and cooperatives to see the possibility of reallocating the equipment to cooperatives that were ready to use them. A letter had been written to the district administrations to assist with further technical assessment of the equipment and consultations with the royal highnesses and the cooperatives on the retrieving and possible reallocation of the tillers in question.

The Committee was informed that two tillers parked at the Ministry were retrieved during the assessment because they were not being utilised. They had been taken for assessment and possible servicing. Once they were serviced, they would be reallocated.

Committee's Observations and Recommendations

The Committee expresses dismay that tillers procured at great cost remained unutilised and wonders what motivated the procurement in the first place. It contends that if needs assessment was undertaken and beneficiaries identified following the due process, the tillers would not be abandoned and wasted. In this regard, the Committee urges the Controlling Officer to put measures in place which will ensure that due diligence is undertaken before the tillers are distributed to other beneficiaries. And the Committee urges that this must be done without any further delay. The Committee will await a progress report on the matter.

c. Agricultural Development and Value Chain Enhancement (ADVANCE) Project Delivered but uninsured Equipment K3,136,632.51

i. Physical inspection of selected cooperatives and farmer Groups

- Nchembwe Women Cooperative – Kapiri-Mposhi District
- Hammer Mill-Unbanked Revenue

In response, the Controlling Officer submitted that officers from the Ministry were tasked to sensitise the beneficiaries on the importance of banking all their revenues.

The Committee was informed that the revenue in question had since been banked and the deposit slip was available for verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

- **Maize Dehuller- Failure to avail funds Raised**

In response, the Controlling Officer submitted that the Dehuller worked hand-in-hand with the hammer mill, therefore, the users kept the revenues raised through this set of equipment in the same record book. To them, all the money was coming from the hammer mill.

The details of the said revenues were available for verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

Kalulushi District

- **Kalulushi Youth Club and Ifweme Multi-Purpose Co-operative**

In response, the Controlling Officer submitted that the delay in having the equipment installed was not deliberate but due to COVID-19 restrictions which made it difficult for officers to undertake field visits. The Committee was informed that with the lifting of restrictions on movements, management had facilitated the installation of the hammer mill. All the components that were kept in members residences for safe custody had been retrieved and the hammer mill in question was operational at a common user premises.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Kameme Women Farmers**

In response, the Controlling Officer submitted with regret that it took long to install the Solar incubator, but like earlier stated in the case of other equipment that there was a delay to install, the reason was the same; COVID-19 restrictions. The Solar incubator had since been installed and was operational. In addition, the beneficiary club had also been oriented on how to operate the equipment.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Lukoshi Choobe, Hamambo and Lesa Afwaa aba Yafwa Women's Club**

In response, the Controlling Officer submitted that the said equipment was retrieved from the member's residence and installation of the equipment was underway.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to ensure that the irrigation system is installed and supporting documents availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Nsabo Women's Club- Kasempa District**

In response, the Controlling Officer submitted that the structure for housing the solar egg incubator had been constructed and the incubator had since been installed and was operational.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Women in Development Club- Kabompo District**

In response, the Controlling Officer submitted that, the equipment could not be handed over to the intended beneficiaries, because the construction of the shelter had not yet been completed. All the panels had since been accounted for and the equipment had been installed and was operational.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Nyimba District

- **Pashane and Nyanje Women's Clubs**

In response, the Controlling Officer submitted that the two treadle pumps had since been installed and were in use. The beneficiaries had also been trained on how to use the pumps.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Chanda, Tilimbike and Mapalo Women's Club**

In response, the Controlling Officer submitted that the solar incubator had been installed and was operational.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Petauke District- Delivery of 1000 Day Old Chicks.**

In response, the Controlling Officer submitted that the Ministry had provided the basic requirements for rearing the chickens. The Ministry delivered live chicks, provided the necessary medications and vaccines together with feeding and drinking utensils in the right proportions. The ten clubs that received the items were still available in Petauke and the entire list was as follows: Wazingwa, Kamkuyu, Kwaza, Chiwamila, Kabwilili, Mululuzhye, Sonjo, SV- women's club, Moringa and Mushambo women's club. Each of these received 100 chicks.

The Controlling Officer further submitted that the Ministry of Gender did not have physical presence at provincial and district levels. As a result, the Ministry depended on other line ministries that had other core mandates which they prioritised. This posed a great challenge for the Ministry to effectively monitor all its programmes regularly.

The Committee was informed that the Ministry did not conduct a post-mortem on the chickens to determine the cause of death. Some beneficiaries talked to, attributed the fatalities to a strange disease that affected the area at the time. The disease was said to have caused swelling of birds' eyes and many farmers in the area were also affected.

Committee's Observations and Recommendations

The Committee finds it unfortunate that the chicken layering business was hampered by death of the distributed chicks. The Committee also expresses concern that the clubs were not trained before the distribution of chicks. In this regard, the Committee urges the Controlling to develop capacity enhancement programmes for the beneficiary clubs so that they are better able to manage projects. The Committee also urges the Controlling Officer to engage Public Service Management Division to address the establishment challenge so that positions for Gender Division at province and district levels. The Committee will await a progress report on the matter.

8.2 Ministry of Community Development and Social Services- GEWEL

a. Budget, Funding and Expenditure

During the period under review, the Ministry had an annual budget for the GEWEL of K191,123,322 out of which amounts totalling K163,400,000 were funded.

In addition, there was a balance of K44,629,042 brought forward from 2019, bringing the total funds available to K208,029,042.

As at 31st December 2020, amounts totalling K190,196,592 had been spent leaving a balance of K17,832,449.

Management Response

In response, the Controlling Officer submitted that the under spending was caused mainly by the significant depreciation of the local currency against the United States Dollar, which was the funding currency by the World Bank for activities of the GEWEL Project. The funds were then translated into the local currency (Kwacha) in order to finance project activities.

- **Depreciation of the Kwacha**

The foreign exchange rate at the commencement of the year was K13.24 against the US Dollar. The Kwacha depreciated by 52 percent such that by the close of the third quarter, the exchange rate had reached K18.98 and by close of the year it had risen to K20.09.

- **Under spending**

There was a significant under spending on Grievance Redress Mechanism (GRM) activities of 67 percent due to the suspension of physical community gatherings because of the COVID-19 pandemic. This also affected the savings group activities which included training and mentorship of beneficiaries, leading to under spending.

Committee's Observations and Recommendations

The Committee expresses concern at the delay in the implementation of activities funded under the GEWEL project and finds it unacceptable that donor funds were converted in local currency when the Ministry was not prepared to spend. The Committee, therefore, urges the Controlling Officer to be proactive and ensure that donor funds are timely utilised and for the intended purpose. The Committee also urges the Controlling Officer to ensure that officers managing the GEWEL project attach importance to it, and ensure that the ultimate purpose, for which funds have been appropriated, is achieved without any further delay. The Committee further urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

b. Management of Service Providers

1. Failure to Avail Memorandum of Understanding

The Controlling Officer submitted that the Memoranda of Understanding signed with Zoon and MTN were available for verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

i. Unclaimed Beneficiary Funds- K38,344,619

In response, the Controlling Officer submitted that the funds could not be recalled because payment of the grants was still ongoing.

The Committee was informed that the Supporting Women's Livelihoods (SWL) component of the GEWEL Project used an electronic payment system to pay the beneficiaries so that for every payment to be successful, the beneficiary should have a valid account and phone number held at the respective Payment Service Provider (PSP) of choice. Before payments were made, the Project moved funds to the respective PSP according to the number of beneficiaries that had chosen to be paid through that particular PSP.

The Committee was also informed that the actual payment to accounts of the beneficiaries was initiated by the GEWEL Project through the payment system by issuing an instruction electronically to move funds from the Ministry account to the beneficiary's account. If the beneficiary's account was not valid, the payment would not be successful. As a result, a number of beneficiaries could not be paid due to varying reasons including blocked Subscriber Identity Module (SIM) cards, lost Personal Identity Numbers (PIN), duplicate National Registration Cards, poor and lack of network. Therefore, with these problems cited, the affected beneficiaries could not be paid, given that the payments were made electronically and were being rejected by the payment system.

Therefore, the funds could not be recalled because the funds needed to be readily available with the PSPs in order to pay the affected beneficiaries as and when the problems were resolved. Further, an exercise had since been instituted to resolve the technical challenges so as to pay all outstanding beneficiaries, after which any residue funds would be recalled from the respective service providers. To date, 70,361 beneficiaries had been paid, representing 96 percent achievement.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that an instruction is issued to the affected payment service providers, to return the funds without any further delay. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

2. Disbursements of Grants to Non-Vulnerable Women

In response, the Controlling Officer submitted that the GEWEL Project endeavoured to enroll the most vulnerable women in rural communities throughout the fifty-one districts from 2017 to date. In the years 2017 to 2018, the project used the proxy-means-test to select beneficiaries. However, due to cost implications, for the years 2018 to 2019 the project used the Participatory Wealth Ranking (PWR), which involved the communities themselves having to choose and validate the most vulnerable members of their communities. The final selection of the beneficiaries involved a public lottery right in the community in the presence of the community members.

The Controlling officer also submitted that in 2019 to 2020, the project adopted the Cash Plus targeting mechanism which entailed that beneficiaries could only be obtained from the Social Cash Transfer households. The three targeting protocols that had been used to select the beneficiaries were available for verification and all of them involved community members to select the final beneficiaries through community validation meetings, whereby the community chose the final beneficiaries to be put on the programme.

Every beneficiary that had been queried went through the approved targeting protocols before payment was made. Further, the stated beneficiaries underwent payment enrollment, which was an exercise of enlisting beneficiaries into the payment system. A beneficiary could not be enrolled if she had no physical National Registration Card. The District officers ensured that they checked for physical NRCs and phone numbers that were registered in the beneficiary's names.

The Committee was informed that 124 names that had been queried had NRCs that matched with their beneficiaries; all the queried 124 names were SWL beneficiaries, and had received their grants.

Additionally, each beneficiary signed a payment verification form to acknowledge receipt of the grant.

Despite having same NRC numbers as their beneficiaries, the purported 124 civil servants had different names. A schedule of names was available for audit verification.

Committee's Observations and Recommendations

The Committee finds it unacceptable that civil servants were given grants, contrary to the GEWEL Project Appraisal Document, on beneficiary selection. In this regard, the Committee urges the Controlling Officer to put measures in place to seal such leakages where ineligible persons are left to benefit from the project. The Committee also urges the Controlling Officer to review the subsisting guidelines on the matter, so that if there are any violations by the implementing officers, appropriate disciplinary action is instituted against them. The Committee will await a progress report on the matter.

C. Overpayment of Productivity Grant- K268,350

In response, the Controlling Officer submitted that it was true that there was an overpayment of productivity grants experienced in the period under review. In particular, Sinazongwe District had beneficiaries that had been defrauded by the PSP agent. The affected beneficiaries had

handed over their mobile phones and secret PINs to the agent. The project, with World Bank approval, resolved to pay more funds to the defrauded beneficiaries as compensation.

Therefore, these additional funds had been captured as overpayments.

The Controlling Officer further submitted that the cited agent had since been arrested and was being prosecuted. The project always endeavoured to pay correct amounts of grants to beneficiaries and where the overpayment was noticed the respective beneficiaries and PSPs were notified and the reversal of the transactions was effected accordingly.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

3. Failure to Pay Productivity Grant to Eligible Beneficiaries - K936,400

In response, the Controlling Officer submitted that an exercise was undertaken to pay all outstanding beneficiaries and to date 70,361 eligible beneficiaries had been paid their productivity grants, representing 96 percent achievement. The following table provided the statistics per province:

Table 8.2: Status of Grants not paid to Beneficiaries

The table showed the number of beneficiaries that could not be paid their grants. The reasons for failure to pay the eligible beneficiaries included the following:

PREVIOUS				CURRENT STATUS		
No.	Province	No. of Beneficiaries	Amount K	Province	No. of Beneficiaries	Amount K
1	Lusaka	15	36,450	Lusaka	3	8,100
2	Eastern	194	460,450	Eastern	8	20,100
3	North Western	13	35,100	North Western	1	2,200
4	Southern	194	295,950	Southern	10	27,000
5	Luapula	24	64,800	Luapula	24	64,800
6	Western	16	43,650	Western	13	34,600
	Total	456	936,400	Total	59	156,800

- i. some beneficiaries refusing to be paid after opting out of the Initiative on account of religious beliefs;
- ii. the beneficiary had NRC discrepancies;
- iii. the beneficiary’s phone SIM card was blocked or unregistered, hence inactive or not activated; and

- iv. the beneficiary's phone either got lost or damaged.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

4. Questionable Procurements– Grievances Redress Manuals

In response, the Controlling Officer submitted that the Ministry signed a contract with Chisa Enterprises Limited for the supply and delivery of 670 GRM manuals, 5,000 complaint forms, books and 10,000 posters at total cost of K1,921,360 through Direct Bidding.

The Controlling Officer also submitted that the basis for direct bidding was that Chisa Enterprises Limited was initially contracted on 14th October, 2019 to supply and deliver 200 GRM complaint forms books, 200 GRM manuals and 1600 posters materials at a cost of K212,200. The direct bidding was in line with Section 32, subsection (2) I of the *Public Procurement Act, No.12 of 2008* which stated that “*direct bidding may be used where additional goods, works or services must be procured from the same source because of the need for compatibility, standardisation or continuity*”.

The Controlling Officer further submitted that, the procurement was also in line with the World Bank procurement regulations as contained in paragraph 6.9 (a) which stated that “*direct selection may be appropriate when an existing contract, including a contract not originally financed by the bank, for goods, works or non-consulting services, awarded in accordance with the procedures acceptable to the bank, may be extended for additional goods, works or non-consulting services of a similar nature*”.

The Committee was informed that on, 19th June, 2019, the Supporting Women's Livelihoods (SWL) made a request to the Controlling Officer to procure 200 manuals, 200 complaint form books and 1,600 posters for the Grievance Redress Mechanism (GRM). The Controlling Officer approved the request on 20th June, 2019. After undertaking the procurement process, a decision was made to award the tender for the supply and delivery of 200 manuals, 200 complaint form books and 1,600 posters to Chisa Enterprises Limited at the total cost of K212,200 was presented to the Ministerial Procurement Committee (MPC) for approval. The MPC approved the request on 14th October, 2019. The approved ministerial procurement committee paper was available for audit verification. The tender underwent a competitive bidding process.

On 4th November, 2019, the project made a request to the Controlling Officer to procure additional GRM materials (670 manuals, 5,000 complaint form books and 10,000 posters). The Controlling Officer approved the request on 10th November, 2019. The approved request was attached for audit verification.

On 11th November, 2019, the project submitted a request to the World Bank seeking a NO Objection to procure additional GRM Materials (670 GRM manuals, 5,000 complaint form books and 10,000 posters) based on paragraph 6.9 (a) of the World Bank regulations. The World Bank granted a “No Objection” to procure through direct selection on 12th November, 2019.

On 13th November, 2019, a request for a waiver from Open bidding to direct bid Chisa Enterprises Limited for the supply and delivery of 670 GRM manuals, 5,000 complaint form books and 10,000 posters was presented to the Ministerial Procurement Committee (MPC) on justification that the materials were the same and the bidder was earlier awarded a tender for the supply of the same materials in line with Section 32 subsection (2) I of the *Public Procurement Act, No.12 of 2008* and paragraph 6.9 (a) of the World Bank procurement regulations. The MPC approved the request on 13th November, 2019. Approved MPC paper for waiver was available for audit verification.

After undertaking the procurement process, a request to award the tender was presented to the Ministerial Procurement Committee. The MPC approved the request on 2nd December, 2019. Approved MPC paper – Award was available for audit verification.

The Attorney General cleared the contract for execution on 12th December, 2019. A letter from Attorney General and Accountant General were available for audit verification. The contract was signed on 30th December, 2019.

It was also submitted that the above information clearly demonstrated that the procurement process and award for the initial tender was concluded on 14th October 2019, before the request for the additional requirements was made on 4th November 2019. Hence it was on this basis that direct bidding was used.

Further, the initial order to Chisa Enterprises Limited had to be reissued because the design process for the complaint forms books underwent a lot of verification by the SWL Project such that by the time the process was complete, the year had come to an end. As a result, a new purchase order had to be issued to the supplier as payment could not be made on the old purchase order, in view of the fact that the financial year had come to an end before payment was effected. Therefore, the LPO had to be reissued in 2020. Supporting documents were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and take the audit process seriously, especially that the submission indicates that supporting documents are available. The Committee contends that the purported available documents may have just been manufactured for presentation to the Committee. The Committee finds this unacceptable and strongly cautions the Controlling Officer to desist from the practice. The Committee further urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

8.3. Ministry of General Education – GEWEL

a. Budget, Funding and Expenditure

During the period under review, the Ministry had a provision of US\$8,573,611 (K164,062,937) for GEWEL activities against which amounts totalling US\$7,069,345 (K142,983,344) were funded.

In addition, the Ministry had an opening bank balance of US\$807,375 (K11,130,388) bringing the total funds available to US\$8,573,611(K164,012,937). As at 31st December, 2020, a total of US\$3,865,992 (K65,533,906) had been spent leaving a balance of US\$4,707,619 (K98,479,031).

Management Response

In response, the Controlling Officer acknowledged the observation by the Auditor General regarding budget, funding and expenditure.

Committee's Observations and Recommendations

The Committee notes the response on the matter.

b. Low Absorption of Committed Funds

In response, the Controlling Officer submitted that some planned activities could not be undertaken during the period under review due to the restrictions in movements imposed by the Government to safe guard lives as a result of the advent of COVID -19 pandemic.

Additionally, the decision to reduce school fees meant that the project had to spend less than the budgeted amount on school fees; which constituted one third of the project budget. Further, the depreciation of the Kwacha resulted in exchange gains for the Project.

The Committee was informed that in order to increase the number of beneficiaries, the Ministry scaled up to ten new districts namely, Kawambwa, Luwingu, Isoka, Katete, Mpongwe, Zambezi, Shang'ombo, Pemba, Serenje and Rufunsa. Arising from this scale up, a total of 21,000 were expected to be brought on board. Further, to the above, the Ministry had just concluded a mop-up verification exercise in thirty-nine Districts and more than 20,000 girls were expected from this effort.

The increased number of beneficiary girls would inevitably lead to increased absorption rate of the funds.

Committee's Observations and Recommendations

The Committee bemoans the delay by the Ministry to keep girls in school, as planned. The Committee observes with concern that even after the struggle to put all girls in school, the Ministry was still making assurances instead of actualising the plan. In this regard, the Committee urges the Controlling Officer to be proactive and ensure that the programme is actualised without any further delay. The Committee will await a progress report on the matter.

c. Late Disbursement of School Fees- K10,090,983

In response, the Controlling Officer submitted that the delays in making payments of school fees was caused by the disrupted process of distributing, signing and collection of payment checklists from the schools hosting the KGS beneficiaries. It was a requirement that before payment was made, each beneficiary signed a payment checklist in person as proof that she was attending school. However, the process of distribution, signing and collection of checklists was disrupted due to closures of schools and movement restrictions caused by the advent of the COVID 19.

The Committee was informed that the Ministry had developed an electronic transmission system of payment checklists instead of the physical delivery to districts by officers from Headquarters. This approach had so far enabled the Ministry to make at least one payment every two months.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

d. Procurement Matters

i. Development of Monitoring and Evaluation Framework and Design of Data Collection Tools

In response, the Controlling Officer submitted that payment was only made after the consultant had submitted the final deliverable which both the Ministry and the Bank had validated and was satisfied with.

The Committee was informed that the aspects of analysing Key Performance Indicators (KPIs) and uploading of the Framework in the Management Information System (MIS) were not part of the deliverables in the contract. Contract was available for audit verification.

Committee's Observations and Recommendations

The Committee observes that due diligence was not undertaken when developing a contract, especially that it did not take into account the uploading of KPIs into MIS. Realising that this is a critical component, the Committee urges the Controlling Officer to have it actualised without fail. The Committee will await a progress report on the matter.

ii. Contract with Soft Clan Technologies.

In response, the Controlling Officer submitted that the Ministry made a full payment to the consultant by 31st August, 2021, because the stipulated deliverables were fully met to the satisfaction of both the Ministry and the World Bank. The deliverables included training of staff after automating the developed Monitoring and Evaluation Framework.

However, at the time of the audit, the Controlling Officer acknowledged that the system had not been loaded with data to enable tracking of project Key Performance Indicators (KPIs) as the collection of data could not be done due to movement restrictions imposed as a result of the advent of the COVID -19 pandemic. It was submitted that the aspect of data collection and entry as well as subsequent tracking of KPIs were not part of the deliverables for the Consultant.

The Committee was further informed that, the Monitoring and Evaluation Framework System was fully operational following the first data collection. In addition, data entry and analysis was on-going.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

e. Unaccounted for Stores – Ministry Headquarters.- K242,615

In response, the Controlling Officer submitted that thieves broke into the store room and stole the cartridges in question. The matter was reported to police and the suspects were apprehended. The Ministry was still waiting for the police to take the matter to court. The police report was available for audit verification.

Committee's Observations and Recommendations

The Committee will await a progress report on the matter.

f. Wasteful Expenditure – Delayed Remittance of Pension Contributions- K196,815

In response, the Controlling Officer submitted that the Project incurred penalties on late submission of returns to NAPSA due to delayed renewal of employment contracts for project staff. The penalties had not been paid for as they were considered to be ineligible expenditure in line with World Bank financial regulations.

The Committee was informed that an application for a waiver of the penalties had been made to NAPSA and the Ministry was awaiting a response.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

g. Low Enrolment Rate

In response, the Controlling Officer submitted that measures had been put in place to address the issue of low enrolment by intensifying sensitisation, scaling up to additional districts and mopping up within the existing districts.

The Committee was also informed that in order to increase the number of beneficiaries, the Ministry scaled up to ten new districts namely, Kawambwa, Luwingu, Isoka, Katete, Mpongwe, Zambezi, Shang'ombo, Pemba, Serenje and Rufunsa. Arising from this scale up, a total of 21,000 were expected to be brought on board. Further to the above, the Ministry had just concluded a mop-up verification exercise in thirty-nine districts and more than 20,000 girls were expected from this effort.

In addition, the Ministry had produced radio jingles which were being played on community radio stations and through the use of ZANIS equipment where radio facilities were inaccessible. This was being done during verification exercises for enrolment.

Committee's Observations and Recommendations

The Committee bemoans the delay by the Ministry to keep girls in school, as planned. The Committee observes with concern that even after the struggle to put all girls in school, the Ministry was still making assurances instead of actualising the plan. In this regard, the Committee urges the Controlling Officer to be proactive and ensure that the programme is actualised without any further delay. The Committee will await a progress report on the matter.

i. Non School Going Girls Paid for and Maintained on KGS Database

In response, the Controlling officer submitted that school fees were paid for annually. During the three terms of the year, some girls opted out of school which could only come to light when the verification of the checklist was conducted for the following year's payment.

The Committee was informed that the schools in question had refunded the fees into the project account and bank deposit slips were available for verification.

The Committee was also informed that the Ministry had developed and was piloting a Case Management System (CMS), which was both a preventive and responsive system which sought to detect, prevent and deter risks that KGS beneficiary girls may potentially face and that were likely to hinder their access and progression in secondary education.

The CMS interventions targeted three categories of girls, namely:

- i) girls at-risk of missing school days or dropping out;
- ii) girls who had dropped out of school already; and
- iii) the eligible but out of school girls who may have required extra support to enroll.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Unknown KGS Beneficiaries- K69,247

In response, the Controlling Officer submitted that the schools in question had refunded the fees into the project account and bank deposit slips were available for verification.

The Committee was informed that the Ministry was discussing with the World Bank to consider paying school fees termly, instead of annually. In addition, district accounting officers would be required to verify the signed checklists at school level before data entry was conducted at district level. Further, the Ministry had improved the Management Information System to enhance the processing of checklists, receipting and in-built validation functionalities.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

5. Un-receipted School Fees- K20,357

In response, the Controlling Officer submitted that the concerned districts had received the funds received and receipts were available for verification.

The Committee was informed that the Ministry had developed an enhanced Management System that had incorporated receipting functionalities.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Underpayment of School Fees – Samfya Secondary School – Samfya District- K50,122

In response, the Controlling Officer submitted that the payment was not made because the checklist for the affected girls was not submitted at the time of payment. The school had been prompted to submit both the list of names of girls not paid for and the official payment checklists, where the girls signed as confirmation of being enrolled in school. The processing of payment was based on the girl appending a signature on the payment checklist.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iv. Poor Weekly Boarding Facilities

In response, the Controlling Officer submitted with regret that at the time of the audit, some rehabilitated weekly boarding houses had occupants even before completion certificates were issued. The Committee was informed that the Ministry had since received completion certificates for the weekly boarding facilities.

The Committee was informed that rehabilitation of weekly boarding facilities was on-going and was being executed in a phased manner. In this regard, the boarding houses were only allocated funds for identified minor rehabilitation works in 2020. The funds that were made available were not for comprehensive rehabilitations.

The guidelines under financing option, section 3.4, identified works, that needed rehabilitation for weekly boarding facilities, should be understood in the context of key mandate of the project. According to the financing agreement for GEWEL, the project could cover goods, non-

consulting services, consultant's services, training and operating costs. For example, KGS funds could be used to purchase locks, doors, windows, window panes or portable toilets that needed installing or putting in place. Therefore, any construction or renovation constituting civil works was ineligible expenditure under KGS. The project only covered rehabilitation expenses that would require purchase of goods that would be used to improve the safety of the weekly boarding facilities.

The Committee was further informed that the Ministry had allocated a total K1,122,030 in the 2021 AWPB to support continuation of the renovation in line with the guidelines as stated above and schools had been invited to submit weekly boarding facilities that required minor rehabilitation. The submissions should be based on the following list of eligible expenses:

- Fix broken doors;
- Fix broken windows;
- Replace missing glass panes;
- Purchase locks;
- Fix broken or leaking roofs;
- Fix washing facility or bath shelter;
- Fix latrine;
- Fix cooking shelter.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Gender Division – GEWEL

6. Project Budget, Funding and Expenditure

During the period under review, the Project had an annual budget of US\$260,059.94 (K5,000,000) out of which amounts totalling US\$260,059.94 (K5,000,000) were funded.

In addition, the Project had an opening bank balance of US\$3,503.11 (K42,010) bringing the total funds available to US\$263,563.05 (K5,042,010), out of which a total of US\$265,621.75 (K4,755,590) was spent leaving a balance of US\$12,035.69 (K286,420) unspent.

Management Response

In response, the Controlling Officer submitted that the amount was funded on 30th December, 2020 and therefore could not be spent in the financial year under review. The bank statement was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

7. Delay in the Recruitment of a Project Coordinator

In response, the Controlling Officer submitted that the recruitment process took place and the best candidate was selected, but the World Bank had not yet granted a No Objection to issue the contract.

Committee's Observations and Recommendations

The Committee will await a progress report on the matter.

8. Failure to Avail Activity Reports

In response, the Controlling Officer submitted that the activity reports were initially submitted to the auditors in a consolidated form. However, the auditors requested that they be submitted as individual activity reports which were now available for verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

d. Mapping of Gender Based Violence Referral Pathways in Keeping Girls in School and Supporting Women's Livelihoods

In response, the Controlling Officer submitted that the orientation of district staff was finalised in December, 2020 and data collection commenced thereafter. The Gender Division finalised the development of the GBV service directories in April, 2021 and the validation was done in June, 2021. The directories had since been distributed.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee, however, urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ZAMBIA POLICE SERVICE

PARAGRAPH 9

HEAD 11	:	Zambia Police Service
PROGRAMME	:	Various
ACTIVITY	:	Various
SUBJECT	:	Expenditure Accounting and Other Irregularities

a. Budget, Funding and Expenditure

14. In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2020, a total provision of K1,955,783,214 was made to cater for various activities against which amounts totalling K1,387,595,521 were released resulting in an under funding of K568,187,963. Although, the Service was underfunded as at 31st December, 2020, amounts totalling K1,385,946,677 had been spent leaving a balance of K1,648,844.

Management Response

In his response, the Controlling Officer submitted that the unspent funds amounting to K1,648,844 related to the Water and Sanitation State Lodge Capital Project whose Interim Payment Certificate (IPC) was not ready by the end of the financial year.

The Committee was informed that Treasury was engaged on several occasions to provide funds for the planned activities, while for the unspent funds, a request was made to the Treasury to retain the total amount of K1,178,048.89 in the financial year ending 31st December, 2021, in anticipation for a claim of an IPC.

Request to return funds, was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification.

b. Accounting Irregularities

i. Unretired Accountable Imprest - 957,263

In acknowledging the imprest amount which was issued to officers during the period under review totalling K5,488,461, the Controlling Officer submitted that, during the first verification exercise, retirement details totalling K3,531,198 were provided to the auditors and the unverified amount remained at K1,957, 263.

The Controlling Officer also submitted that, as for the unrecorded imprest in amounts totalling to K124,152, there was a lapse on the officer entrusted with the responsibility of recording imprest in the register.

The Committee was informed that all retirement details for the outstanding imprest in question were available for verification. It was regrettable that the matter was not resolved with the auditors during the audit process.

The Committee was further informed that the imprest register had since been updated and the officer had been verbally warned in line with the disciplinary code and procedures for handling offences in the public service Section (a) (ii) and (b).

Committee's Observations and Recommendations

The Committee expresses concern at the failure by the Ministry to address this matter at the time of the audit. The Committee, therefore, urges the Controlling Officer to take the audit process seriously and to ensure that supporting documents are availed to the Office of the Auditor General for audit verification subject to which the matter must close.

ii. Irregular Cash Withdrawals- K35,464,789

In his response, the Controlling Officer submitted that because of the nature of the entity, Zambia Police Service had been granted authority by the Secretary to the Treasury to allow the cashiers to draw imprest and to also pay group imprest to cashiers and individual officers.

The Committee was informed that a copy of the authorisation from the Secretary to the Treasury, and retirement details and supporting documents for the accountable imprest paid as well as group imprest for the period under review were availed to the auditors for verification, after which the matter was resolved by the auditors as per the Status Report to the Management Letter dated 27th September 2021.

Extract of the Auditor General's Status Report was available for audit verification.

Committee's Observations and Recommendations

The Committee resolves to close the matter.

iii. Unsupported Payments for Tuition- K116,500

In his response, the Controlling Officer submitted that of the twenty-two officers queried, nineteen were fully sponsored by Zambia Police for long term training and had Department of Human Resource Development (DHRD) approval.

Further, their tuition refunds were backed by individual receipts from the respective training Institutions. The training plan, approval for sponsorship and receipts used to claim refunds were available for verification.

The Committee was informed that three of the payments cited in the audit related to non-long-term training activities.

Committee's Observations and Recommendations

The Committee expresses concern at the failure by the Ministry to address this matter at the time of the audit. The Committee, therefore, urges the Controlling Officer to take the audit process seriously and to ensure that supporting documents are available to the Office of the Auditor General for audit verification subject to which the matter must close.

c. Procurement Matters

i. Failure to Complete Projects within Contract Periods

In his response, the Controlling Officer submitted that the projects had not been completed due to inadequate funding.

The Controlling Officer also submitted that in their efforts to resolve the matter, management had continued requesting for funds from the Ministry of Finance to help in offsetting pending Interim Payment Certificates.

Letters of extension and requests for funds were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern and urges the Secretary to the Treasury to mobilise requisite funding and have the projects completed without any further delay. The Committee will await a progress report on the matter.

ii. Construction of Palisade Fence - Failure to Claim Refund of Advance Payment- K2,825,295

In his response, the Controlling Officer submitted that the delay in offsetting Interim Payment Certificates was the major reason for the termination of the contract. The final reconciliation was done by the Consultant (Ministry of Infrastructure, Housing and Urban Development). It was after the final reconciliation that the Consultant discovered the Contractor owed the client the sum of K138,351.

The Controlling Officer also submitted that management had since obtained the repayment plan through the consultant (Ministry of Infrastructure, Housing and Urban Development) and the contractor had since deposited a commitment fee of K6,000.

Notice of preparation of draft final account and letter of commitment from contractor were available for audit verification.

Committee's Observations and Recommendations

The Committee finds it unfortunate that construction works of a palisade fence and two guard houses remains uncompleted due to non release of funds. In this regard, the Committee urges the Secretary to the Treasury to ensure that funding is mobilised for completion works. The Committee also urges the Controlling Officer to K138,351 owed by the Contractor is paid back without fail. The Committee will await a progress report on the matter.

iii. Construction of Police Academy

In his response, the Controlling Officer submitted that the final account had not been submitted to Zambia Police by the Consultant (Ministry of Infrastructure, Housing and Urban Development).

The Controlling Officer also submitted that management had actively been engaging the Consultant on this matter and the Consultant (Ministry of Infrastructure, Housing and Urban Development) was working on the final account of the project to determine the financial status. Communication from Consultant on Preparation of final account was available for audit verification

Committee's Observations and Recommendations

The Committee expresses concern that final account to determine the financial status of the project was not prepared way after the expiry of the contract. The Committee, therefore, urges the controlling Officer take the matter seriously and re-engages the consultant so that the final account is prepared and availed without delay. The Committee will await a progress report on the matter.

iv. Failure to Provide Information for Audit

In his response, the Controlling Officer submitted that all Zambia Police infrastructure projects were managed by the Consultant (Ministry of Infrastructure, Housing and Urban Development) and the failure to provide information was due to delay by the Consultant in providing the requested information.

The Committee was informed that Interim Payment Certificates and letters of extension were now available except for progress reports and variation-addenda on which management had actively continued to engage the Consultant.

Letters of extension and IPCs were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to impress upon the consultant to periodically submit contract documents and activity reports to the Ministry for record keeping and for easy retrieval of documents when requested to do so. However, the Committee urges the Controlling Officer to ensure that supporting documents reported to be available, are submitted to the Office of the Auditor General for audit verification subject to which the matter must close.

v. Failure to Pay Contractors- K9,161,988

In his response, the Controlling Officer submitted that failure to pay contractors was due to lack of funding.

The Committee was informed that Management continued engaging the Ministry of Finance to secure funding for payment of outstanding amounts to Contractors.

Requests for funding were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to mobilise requisite funding to offset the outstanding bills and ensure that the pending projects are concluded without any further delay. The Committee will await a progress report on the matter.

MINISTRY OF CHIEFS AND TRADITIONAL AFFAIRS

PARAGRAPH 10

1. Mandate

15. The Ministry Chiefs and Traditional Affairs is mandated to formulate and implement programmes on administration of Chiefs affairs, folklore and preservation of oral traditions, indigenous knowledge, promotion of traditional crafts, registration of villages, research in culture and tradition in the country.

2. Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and selected district offices for the Financial Year Ended 31st December, 2020 revealed the following:

a. Budget and Income

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a total provision of K127,770,185 was made to cater for various activities against which amounts totalling K123,058,320 were released, resulting in an underfunding of K4,711,855.

In addition, the Ministry had balance brought forward of K774,110, bringing the total available fund to K123,058,320 during the period under review.

Although the Ministry was underfunded, as at 31st December, 2020, amounts totalling K112,558,320 had been spent leaving a balance of K11,274,110.

Management Response

In his response, the Controlling Officer submitted that the approved budget was K127,770,185 for the implementation of two programmes, namely: Customary Governance accounting, for K87,874,731 (68.78 percent) and Management and Support Services at K39,895,454 (31.22 percent). The bulk of the management and support services was personal emoluments (PEs), accounting for K38,707,291 (96.97 percent) and the balance of K1,188,163 (3.07 percent) was for operational activities.

The initial budget was K107,770,185, which was supplemented by K20,000,000, bringing the total to K127,770,185. The K774,110 balances were the balance in the Grant Account which acted as a third-party account.

The Controlling Officer further submitted that it was also correct that the Treasury released K123,058,320, out of the approved amount, representing a 96.35 per cent budget performance. The K4,711,855 (3.65 percent) that was not released was specifically for personnel emoluments under Management and Support Services Programme. The non-release of the K4,711,855 had no impact on the Ministry's performance as the budget and activities were administered by the Ministry of Finance.

The Committee was informed that the unspent balance of K11,274,110, comprised K10,500,000, which was a balance from the K20,000,000 supplementary budget meant for payment of chiefs' subsidies and retainers wages arrears funded on the 14th December, 2020, while K774,110 was the balance in the Grant Account. The Treasury granted the Ministry authority to retain the K10,500,000 in the Year 2021, which was subsequently paid to the beneficiaries.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to take keen interest and ensure that planned activities are funded in line with the appropriation act. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

b. Undelivered Topographic Maps

In his response, the Controlling Officer submitted that the Supplier (Ministry of Lands and Natural Resources) had not fully delivered the 1958 Chiefdom Boundary Maps, as at close of the audit. All the 1,504 maps had been delivered as shown in table 10.1 below:

Table 10.1: Table of Maps

S/N	Category of Maps	Quantity Procured	Quantity Delivered	Balance
1	1958 Chiefdom Boundary Maps with Topographic features	752	752	0
2	1958 Chiefdom Boundary Maps without Topographic features	752	752	0
	Total	1,504	1,504	0

Goods Received Notes and letter from the Ministry of Lands and Natural Resources, dated 1st November, 2021 were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for Audit verification. The Committee will await a progress report on the matter.

c. Construction of Chiefs' Palaces

i. Delayed Completion of Palaces

In his response, the Controlling Officer submitted that in 2014, the Government embarked on a programme to construct palaces for all chiefs in order to provide decent accommodation to alleviate the challenges of accommodation they encountered in rural areas as well as to enhance their welfare and status. The programme was to be implemented in a phased approach, starting with three palaces in each province, bringing the total number to thirty in phase 1. Three palaces were added for rehabilitation in phase 1.

The Controlling Officer also submitted that the Ministry had encountered a number of challenges in the implementation of the programme. Initially the programme used the labour based approach and had a component of community contribution and participation. However, communities failed to meet their part hence the programme was changed to full contracts, thus all cost of the contracts were to be borne by the Government.

The Committee was informed that due to budgetary constraints at national level, the Ministry's Infrastructure Development component for 2020, was not included, hence the Ministry's failure to meet its contractual obligations. The Treasury was engaged to reinstate the budget line; however, this did not happen.

The status on the construction of Chiefs' palaces was as shown in the tables 10.2 to 10.4 below:

Table 10.2: Fourteen Palaces Completed and Handed Over

S/N	Name of Palace	District	Year of hand over
1	Chieftainess Choongo	Monze	2016
2	Paramount Chief Mpezeni	Chipata	2017
3	Chieftainess Shikabeta	Rufunsa	2018
4	Senior Chief Kalilele	Mushindamo	2018
5	Chief Mpindi	Zambezi	2018
6	Chieftainess Mpanshya	Rufunsa	2018
7	Chieftainess Chungu	Luwingu	2019
8	Senior Chief Shimumbi	Luwingu	2019
9	Chieftainess Nyanje	Sinda	2019
10	Senior Chief Kambombo	Chama	2019
11	Chief Shibwalya Kapila	Lunte	2017
12	Chieftainess Serenje	Serenje	2021
13	Chief Katyetye	Isoka	2021
14	Chieftainess Nkomeshya	Chongwe	Yet to be handed over

Table 10.3: Fourteen Palaces at 80 Percent and above

S/N	Name of Palace	District	Status
1	Chief Mununga	Nchelenge	82 percent works done
2	Chief Kahare	Nkeyema	90 percent works done
3	Chief Kopa	Mpika	80 percent works done
4	Chieftainess Kanyembo	Nchelenge	80 percent works done
5	Chief Munkanta	Kawambwa	80 percent works done
6	Chief Chipepo	Kapiri-Mposhi	80 percent works done
7	Chief Moono	Mumbwa	80 percent works done
8	Chieftainess Shimukunami	Lufwanyama	80 percent works done
9	Chief Nkambo	Masaiti	80 percent works done
10	Chief Mwinuna	Mpongwe	80 percent works done
11	Chief Imwiko	Lukulu	80 percent works done
12	Chief Kandala	Limulunga	80 percent works done
13	Chief Chona	Monze	98 percent works done
14	Chief Lukama	Sioma	80 percent works done

Table 10.4: Five Palaces below 80 Percent

S/N	Name of Palace	District	Status
1	Chief Kucheka	Zambezi	20 percent works done
2	Chieftainess Ikelenge	Ikelengi	30 percent works done
3	Chief Ishindi (Rehabilitation)	Zambezi	45 percent works done
4	Chief Mukupa Kaoma	Mporokoso	35 percent works done
5	Chieftainess Mwenda	Chikankata	50 percent works done

Committee's Observations and Recommendations

The Committee expresses dismay that the Ministry did not include the infrastructure development component in its 2020 estimates of revenue and expenditure. The Committee finds this unacceptable and cautions the Controlling Officer to take the construction of chiefs' palaces seriously and to engage the Secretary to the Treasury on the requisite funding to complete the construction works. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Construction of Chief Moono's Palace – Mumbwa District

• Failure to Provide Performance Security

In response, the Controlling Officer submitted that the requirement for contractors to provide Performance Security for the project was as per contractual obligations. The Contractor had fulfilled this requirement when the contract was signed. The project period was within twelve months.

The Controlling Officer also submitted that the Ministry had however, not lived to terms of the contract by paying the IPCs when due, making it difficult to call for performance security under the circumstances. The Ministry would however hold on to the penultimate.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

i. Interest on Delayed Payment of IPC

In his response, the Controlling Officer submitted that the Ministry could not make payments to the contractor as there had been no adequate budget provision for the infrastructure Development for the previous two years. The Ministry had an approved budget of K2,664,251 for Infrastructure Development in 2019, but only K650,000 (24.40 percent) was released.

The inadequate funding of the budgetary provision in 2019 and non-provision of budget in 2020 compounded the situation. The Ministry though had continued engaging the Treasury on the issue as could be evidenced by the release of the K5,345,421.16 in July, 2020. It was the Ministry's desire to pay all outstanding IPCs to avoid wasteful expenditure on interest accumulation.

Committee's Observations and Recommendations

The Committee bemoans the non-release of funds by the Treasury to clear the IPCs. The Committee also bemoans the exploitative contract entered into by the Ministry, leading to loss of public funds. In view of this, the Committee urges the Controlling Officer to re-engage the Secretary to the Treasury for requisite funding. The Committee also urges the Controlling Officer to engage the Office of the Attorney General for guidance and ensure that the contract is revised to make it beneficial to both parties. The Committee will await a progress report on the matter.

ii. Delayed Completion

In his response, the Controlling Officer submitted that the delayed completion of projects was due to non-availability of resources to pay contractors to carry out these assignments within the project time. The abandonment of the project by the contractor was largely due to non-payment of outstanding IPCs amounting to K389,413.58 as at 1st November, 2021. The Provincial Administration, Central Province had engaged the contractor with a view of persuading the contractor to go back on site, whilst the Ministry was engaging the Treasury to release funds to settle all outstanding IPCs.

Committee's Observations and Recommendations

The Committee expresses concern at the delayed completion of the project and urges the Controlling Officer to re-engage the Secretary to the Treasury for requisite funding. The Committee will await a progress report on the matter.

iii. Construction of Senior Chief Kopa`s Palace – Mpika District

- **Failure to Provide Securities**

In his response, the Controlling Officer submitted that with respect to the requirement for contractors to provide performance security for the project, as per contractual obligations, the contractor had fulfilled this requirement when the contract was signed in 2017. The project period was within twelve months. The Ministry, had however, not complied with the terms of the contract by failure to pay the IPCs when due, making it difficult to call for performance security under the circumstances.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Delayed Completion**

In his response, the Controlling Officer submitted that following the fire incidence, an assessment was undertaken and opinion sought from Attorney General's office through the Muchinga Provincial Administration on the way forward on this project.

The Controlling officer further submitted that the status on the project was that the Provincial Administration had undertaken an assessment and came up with a Bill of Quantities (BoQ) amounting to K1,800,000 to construct a new palace.

The correspondence between the Muchinga Provincial Administration and the contractor, in which the contractor was accepting liability were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses sadness at the gutting of the palace under construction and bemoans the loss of funds. However, the Committee observes that the completion of the construction works and subsequent hand over of the palace will be beneficial to the community of Chief Kopa`s Chiefdom. In this regard, the Committee urges the Controlling Officer ensure that the construction works for Chief Kopa`s Palace are resumed and that all parties to the contract bear liabilities in line with the signed contract. The Committee will await a progress report on the matter.

- **Failure to Insure the Building**

In his response, the Controlling Officer submitted that the Provincial Administration, Muchinga Province sought guidance from the Attorney General's Office on the project and an opinion was granted as evidence.

The response to the Ministry's inquiry to the Provincial Administration on the Insurance of the building, as guided in the General Conditions of the Contract was that there was no insurance

taken out on the project. The records available showed that the contractor was paid K481,576.66 of the contract sum, leaving a balance of K90,760.55.

The correspondence between the Muchinga Provincial Administration and the Contractor in which the contractor was accepting liability, were made available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer ensure that the construction works for Chief Kopa's Palace are resumed and that all parties to the contract bear liabilities in line with the signed contract. The Committee will await a progress report on the matter.

iv. Failure to make Budget Provision

In his response, the Controlling Officer submitted that the Ministry's authorised budget for 2020, stood at a total of K127,770,185, which included a supplementary budget of K20,000,000. The Ministry during the year under review, did not make a budget provision for construction of the Chiefs' Palaces because the ceiling provided by the Treasury did not include the provision for infrastructure development. The Committee was informed that the Treasury was engaged to include the budget line on Infrastructure development however, this did not happen.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to prioritise the funding of the construction of Chief's Palaces. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

v. Failure to maintain Expenditure Ledgers on the Contracts for the Construction of Palaces.

In his response, the Controlling Officer submitted that at inception, the projects were to be undertaken using labour based approach. Communities within the chiefdoms were allowed to participate by providing materials up to 30 percent of the total cost of the Projects. The Ministry sent funds to the Provincial Administrations for the project implementation and expenditure returns were given to the Ministry. The Ministry was not in a position to keep individual ledgers as the discretion on which contractor to pay and materials to buy were the responsibility of the respective Provincial Administrations. The Provincial Administrations had been engaged to provide the ledgers for the period 2014 to 2017. Out of the ten provinces, the Ministry had only received from three Provinces, namely North-Western; Luapula; and Lusaka Provinces. Passage of time had been cited as a challenge in tracing the documents.

The Controlling Officer also submitted that after the review of the projects in the year 2017, it was noted that most communities were having difficulties to meet their obligations. The Ministry therefore, decided to change the methodology to full contract, thus all the costs of the contracts were to be borne by the Government.

The Controlling Officer further submitted that the contracts for these projects were entered into by respective Provincial Administrations. Therefore, the tendering, award and to some extent the

monitoring of the projects were to be conducted by the Provincial Administrations. This however, did not remove the responsibility of the Ministry, being the absolute client to monitor the projects.

The Committee was informed that the project supervisors of these projects were actually the Provincial Building Engineers, who kept track of the projects and issued Interim Payments Certificates (IPCs), at appropriate stages. The payments for the all the IPCs were, therefore, based on the IPCs issued by the engineers and therefore the risks for overpayment were very remote. The Ministry kept excels based records to track the payments and amounts outstanding for each contract.

Committee's Observations and Recommendations

The Committee cautions the Controlling Officer and urges that all expenditure records from the Provincial Administrations are retrieved and availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

i. Payment of Personal Emolument without Approved Terms and Conditions- K597,577.88

In his response, the Controlling Officer submitted that it was correct that the Ministry paid a total of K597,577.88 in Long Service Bonuses, Leave Travel Benefits and Terminal Benefits to retired Chiefs' Retainers during the period under review. The Chiefs' Retainers were initially employed by the Local Authorities and enjoyed the terms and conditions of service applicable to Classified Daily Employees (CDEs) in the Public Service, as evidenced by the samples of appointment letters from selected Local Authorities. It was therefore the Ministry's considered view that the payments that were made to the Chiefs' Retainers were in line with approved Terms and Conditions of Services as contained in Circular No. B3 of 1992, issued by the Public Service Management Division (PSMD). The Circular No. B3 of 1992, was being explicitly stated in some of the appointment letters of Chiefs' Retainers By Local Authorities as the document that contained the Terms and Conditions of Services applicable to them upon employment. The Circular made provisions for payment of the long service bonus, leave travel benefits and other terminal benefits.

The Controlling Officer also submitted that the payment of K597,577.88 to various Chiefs' Retainers by the Ministry was, therefore, in compliance with the approved and applicable employment Terms and Conditions of Service and there was nothing irregular about it.

The Ministry ceased accruing bonuses in line with the PSMD Circular No. B12 of 2012; the payments were those that accrued before the Circular.

The Committee was informed that the Ministry had been engaging the Treasury to make budgetary provisions in order to revert the Terms and Conditions of Service for Chiefs' Retainers back to the level of Classified Daily Employees, as they had lagged behind in the last decade in terms of salary and other benefits.

The lag had been as a result of the upward revision of the Public Service Terms and Conditions of Service, which had not been correspondingly done for the Chiefs' Retainers due to failure by

the Treasury to also provide budgetary provisions for the upward revision of their Terms and Conditions of Service.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

MINISTRY OF MINES AND MINERAL DEVELOPMENT

PARAGRAPH 11

1. Audit Findings

16. An examination of financial and other records maintained at the Ministry of Mines and Minerals Development carried out from April to June 2021 for the period under review revealed the following:

a. Budget Provision, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a total budget provision of K213,768,663 was made to cater for the operations of the Ministry.

In this regard, a total amount of K97,888,283 was released by the Treasury, resulting in an under funding of K115,880,380. As at 31st December, 2020, the Ministry had spent amounts totalling K97,567,814 as per Financial Statement 'C'.

Although the Ministry was underfunded, it did not utilise all the released funds as it had a balance of K320,469.

Management Response

In his response the Controlling Officer submitted that the Ministry could not utilise the funds amounting to K320,469, as the authority to vary funds amounting to K250,000 was only received on 30th December, 2020, which did not give the Ministry ample time to undertake the programmes. In addition, the balance of K70,469 could not be spent as funds were meant for geological activities, which could not be undertaken due to unfavourable weather conditions owing to the rainy season.

Committee's Observation and Recommendations

The Committee notes the response and urges the Controlling Officer to be proactive and ensure that funds are utilised on intended activities, timely.

b. Operational Matters

i. Failure to Collect Outstanding Area Charges for Mineral Right Holders K7,537,314.

In his response, the Controlling Officer submitted that the outstanding area charges amounting to K7,537,314 for mineral right holders were not collected at the time of the audit.

However, K5,409,615.87 had since been cleared, leaving a balance of K2,127,698.13.

Committee's Observation and Recommendations

The Committee bemoans the *laissez faire* attitude adopted by the Ministry in collecting area charges from mineral rights holders. The Committee also finds it unacceptable that the Ministry was not maintaining a debtor's age analysis. In view of this, the Committee urges the Controlling Officer to ensure that the remaining balance is collected without fail. The Committee also urges the Controlling Officer to ensure that the debtor's age analysis is maintained at all times, for easy tracking of customer's debt. The Committee will await a progress report on the matter.

ii. Non-Existence of Mining Appeals Tribunal

In his response, the Controlling Officer submitted that it was with regret that the Mining Appeals Tribunal was not yet constituted. However, the Ministry had commenced the process of constituting the Mining Appeals Tribunal. So far significant progress had been made as the Ministry wrote to the Law Association of Zambia (LAZ) and the Engineering Institute of Zambia (EIZ), to submit the names of the nominees to serve on the Tribunal.

The Controlling Officer further submitted that the President was engaged for the clearance of the nominees to serve on the Tribunal and the nominees had since been cleared.

The Committee was informed that the Ministry had incorporated the setting up of the Appeals Tribunal in the 2022 budget.

Committee's Observation and Recommendations

The Committee bemoans the *laissez faire* attitude adopted by the Ministry in putting in place the Mining Appeals Tribunal, in gross violation of the *Mines and Minerals Development Act, No. 11 of 2015*. In this regard, the Committee urges the Controlling Officer to ensure that the Tribunal is put in place without any further delay. The Committee will await a progress report on the matter.

c. Accounting Irregularities-K211, 200

i Irregular Payment of Sitting Allowance

In his response, the Controlling Officer submitted that it was regrettable that amounts totalling K211,200, involving forty eighty transactions were paid to twenty-five officers as sitting allowances for the Mining licensing Committee meetings. However, the Ministry had since affected recoveries from the affected officers.

Committee's Observation and Recommendations

The Committee urges the Controlling Officer to institute disciplinary action against an officer who approved the payment. The Committee also urges the Controlling Officer to ensure that funds are fully recovered and supporting documents availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii Failure to Withhold Value Added Tax (VAT)-K19,442

In his response, the Controlling Officer submitted, with regret, that VAT was not withheld at the time of payment. However, Ndozo Lodges Limited remitted the Value Added Tax (VAT) in February, 2021, on behalf of the Ministry, amounting to K21,369, through their VAT Returns.

Committee's Observation and Recommendations

The Committee urges the Controlling Officer to put measures in place which will ensure that such a query does not recur. The Committee also urges the Controlling Officer to ensure that supporting documents are submitted to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

d. Management of Liabilities – Failure to settle Outstanding Commitments-K495,913 and €55,000

In his response, the Controlling Officer submitted that non-settlement of outstanding commitment was due to inadequate budgetary allocation. However, the Ministry had provided for the dismantling of arrears in the 2022 budget.

Committee's Observation and Recommendations

The Committee will await a progress report on the matter.

MINISTRY OF MINES AND MINERALS DEVELOPMENT

PARAGRAPH 12

1. Mandate

17. Zambia Mining and Environmental Remediation and Improvement Project, is aimed at contributing to the reduction of environmental health risk and lead exposure to the local population related to mining activities in critically polluted areas in Kabwe and the Copperbelt provinces.

2. Audit Findings – 2020 Accounts

An examination of accounting and other records at the Project Coordination Unit and Project Implementation Units and physical verification of selected projects sites revealed the following.

a. Budget, Funding and Expenditure

A provision of US\$17,019,513 (K293,450,805) was made to cater for various operations of the Project in the Financial Year Ended 31st December, 2020, against which amounts totalling US\$9,710,738 (K157,866,366) were funded, resulting underfunding of US\$7,308,777 (K135,584,439) as shown in table 12.1

Table 12.1 Budget, Funding and Expenditure

No.	Implementing Unit	Amount Budgeted		Amount Released		Variances	
		K	US\$	K	US\$	K	US\$
1	Project Coordinating Unit	127,805,953	7,721,036	104,445,196	6,309,762	23,360,757	1,411,274
2	Zambia Environmental Management Agency	48,827,154	3,133,920	28,011,067	1,797,862	20,816,087	1,336,058
3	Kabwe Municipal Council	116,817,698	6,164,557	25,410,103	1,603,114	91,407,595	4,561,443
	Total	293,450,805	17,019,513	157,866,366	9,710,738	135,584,439	7,308,775

As at 31st December, 2020, amounts totalling K81,153,956 (US\$ 5,359,419.55) had been spent.

b. Weaknesses in Managing Contracts

- **Failure to Recover the Advance Payments from SMR Construction Limited-K516,300.**

In his response, the Controlling Officer submitted that Management instructed the Kabwe Municipal Council, through the Office of the Town Clerk, to make a demand on SMR Construction Limited, to pay back the advance payment. The contractor paid back K174,438.45 to the Ministry and there was an outstanding balance of K516,300. Due to grievances, the contractor decided to take the Local Authority to court.

The Controlling Officer further submitted that efforts to recover the funds from the guarantor had failed following the Writ of summons. Correspondence was sent to the Attorney General to join in the court action. As the matter was in court, the Attorney General advised that there was need to wait for the court outcome.

Committee’s Observations and Recommendations

The Committee notes, with dismay, that the paid contractor failed to mobilise to site, depriving the intended beneficiaries of the much-needed solar powered system boreholes. The Committee also observes that due diligence was not undertaken during the identification of the contractor. The Committee finds this unfortunate and urges the Controlling Officer to put measures in place that will ensure that due diligence is undertaken when identifying contractors to implement projects at the Ministry. The Committee will await a progress report on the Court case.

- c. Accounting Irregularities**
- i. Unsupported Payments-K33,062**

- a) Project Coordinating Unit**

- 1. Procurement of iPad – Irregular – K14,000

In his response, the Controlling Officer submitted that the above-mentioned assets were procured as they were planned for and included in the Procurement Plan for the year 2020.

The Controlling Officer also submitted that the project had a two-tier approval system, the Procurement Plan was first approved by the project steering committee and finally by the World Bank. The iPad was approved and planned for in the Procurement Plan.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- 2. Gift Kamwale – Officer not on ZMERIP Payroll. K10,379.65

In his Response, the Controlling Officer submitted that the parent Ministry for the project was the Ministry of Mines and Minerals Development and hence from time to time provided technical support to the project. It was further submitted that the named officer was an employee of the Ministry of Mines and Mineral Development and was engaged to undertake a self-audit and verification of transactions.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- 3. Hope Mkunte – K3, 415.54

The Controlling Officer submitted that a letter acknowledging receipt of the funds was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

ZRA – WHT ON payment to ZNBC K2,320

In his response, the Controlling Officer submitted that the VAT withheld on the payment made to Zambia National Broadcasting Corporation was made and proof from the bank statement was

available. However, the computerised receipt could not be obtained as the period in question was when the COVID-19 pandemic restrictions were imposed thus no one was allowed access to Zambia Revenue Authority premises.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification, subject to which the matter must close.

b) Kabwe Municipal Council K2,946.62

1. Kakoma Saisonga – Travelling to Lusaka to obtain bank statements

In his response, the Controlling Officer submitted that Bank of Zambia did not send bank statements via email and as such all statements were to be signed for as they were being collected. However, the project wrote to Bank of Zambia to allow the cashier for Project Coordinating Unit (PCU) to collect a statement on behalf of the Kabwe Municipal Council and this arrangement was agreed upon for the year 2021.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Failure to Remit Value Added Tax-US\$11,121.88

In his response the Controlling Officer submitted that the taxes were remitted on the 6th of May and 27th May, 2021. However, at the time of audit verification, the reconciliation was not done as the taxes were remitted in a lump sum. The summary of the taxes that were paid were shown as follows:

MIRECO tax payable 20 percent of Contract Amount	USD 8,838.10
SMEC Tax payable at 10 percent of Contract Amount	USD 2,550.89
SMEC Tax payable at 20 percent of Contract Amount	<u>USD 5,101.78</u>
Total Withholding Tax payable	<u>USD16,490.77</u>

Withholding Tax Paid:

MIRECO USD 8,838.01	Equivalent to K216,460.36	Paid on 28/05/2021
SMEC USD 7,652.67	Equivalent to K169,044.72	Paid on 6/05/2021

The Committee was informed that corrective action was taken by moving the procurement function for Kabwe office to Lusaka PCU and to be overseen by the Ministerial Procurement Committee. Further, employment contracts for erring officers were not renewed.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

d. Weaknesses in Managing Project Assets-Failure to avail Assets for Verification-K166,893.50

In his response, the Controlling Officer submitted that the assets in question, were acquired for the epic centres in Kabwe. However, the centres failed the security test prescribed by the World Bank, and they were not fully secured.

The assets were in the store room for the Project Coordinating Unit awaiting the epic centres obtaining of the minimum-security level, as the Kabwe Council was accommodated in a container and did not have adequate storage space.

The Controlling Officer further submitted that the assets were not in Kabwe at the time of the audit. However, the assets in question, had since been taken to Kabwe and were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to institute disciplinary action against officers who failed to avail the assets to the auditors at the time of the audit. The Committee urges the Controlling Officer to ensure that the said epic centre is secured and equipment installed without any further delay. The Committee will await a progress report on the matter.

MINISTRY OF FOREIGN AFFAIRS

PARAGRAPH 13

1. AUDIT FINDINGS

18. An examination of accounting and other records maintained at the Ministry headquarters for the period under review, revealed the following:

a. Budget, Funding and Expenditure

In the Estimate of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a provision of K1,543,874,531, was made to cater for the operations of the Ministry against which amounts totalling K1,263,275,368 were released, resulting in an under funding of K280,599,163.

Although the Ministry was under funded, as at 31st December, 2020, amounts totalling K1,211,721,125 had been spent leaving a balance of K51,554,243.

Management Response

In her response, the Controlling Officer submitted that going forward, the Ministry would be engaging the Ministry of Finance to ensure that the Budget was funded in full.

The Controlling Officer also submitted that the correct balance was K51,554,243 and that these unspent balances were sitting in Missions Abroad as carry over funds.

Committee's Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to be proactive and ensure that funds are spent timely and as appropriated by parliament.

b. Payroll and Staff Related Matters

i. Failure to Redeploy Recalled Diplomats

In her response, the Controlling Officer submitted that the following, were the eight recalled diplomats:

- i Mr. Wesley Chikwamu;
- ii Mr. Mukuma Musenge;
- iii Ms. Christine Kalamwina;
- iv Mr. Esau Chilupe;
- v Ms. Beatrice Mukuka;
- vi Ms. Rose Mweemba;
- vii Mr. Percy Ngwira; and
- viii Ms. Linda Mbangweta.

The Controlling Officer also submitted that there was continuous recommendation for redeployment to the PSMD only when the diplomats returned from Foreign Service. It was also submitted that PSMD redeployed once suitable vacancies had been identified. Therefore, the eight queried diplomats were recommended to PSMD for redeployment and PSMD was yet to identify suitable vacancies where they could be redeployed.

The Committee was informed that Management had written to the eight officers to start reporting for work. The Committee was also informed that, guidance had been sort from the Secretary to the Cabinet on whether officers should continue drawing salaries while awaiting deployment. Supporting documents were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern at the delayed redeployment of recalled diplomats who were still drawing salaries. In view of this, the Committee urges the Controlling Officer to engage the Secretary to Cabinet to guide on the way forward, regarding redeployment and the salaries being drawn by the said diplomats. The Committee will await a progress report on the matter.

ii. Lack of Authorities for Starters and Leavers

In her response, the Controlling Officer submitted that the cited officer, Ms. Monde Mwala Gwaba was mistakenly placed on the Ministry of Foreign Affairs and International Corporation payroll by PSMD. However, the internal auditors had already brought the matter to the attention of the Ministry's Management and on follow up, it was discovered that she was wrongly placed on the payroll by PSMD. The Officer was since moved to her latest payroll station.

A letter to PSMD requesting for information on her introduction and removal from the Ministry payroll was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iii. Irregular payment of Housing Allowance-K69,352

In her response, the Controlling Officer submitted that Smart Zambia Institute had suspended access to payroll monthly inputs for all PMEC - End Users in all ministries since, October 2019, to allow for payroll audit after which the allowances were dropped.

The Committee was informed that recoveries for housing allowances from the officers who were paid erroneously had been effected since September 2021. The names of the officers were set out below.

1. Ms. Lasiwe Lungu Namakau
2. Mrs. Deliwe Ndhlema Mumbi
3. Miss. Mainza Chanda
4. Mrs. Mary Mulosu
5. Mr. Oscar Sichimba
6. Ms. Adeline Dimuna Namoonde
7. Mr. Kapambwe Nduna
8. Ms. Brenda Mulemfwe
9. Miss. Judy Napanje

Pay slips were available for Audit Verification.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee also urges the Controlling Officer to ensure that funds are fully recovered, subject to which the matter must close.

c. Infrastructure Development

i. Mortgage Finance Lease – Delayed Completion of Works

In his response, the Controlling Officer submitted that progress was made on the cited projects. The table below elaborated the progress.

Table 13.1: Progress on the Construction Works in Missions

SN	Mission	Reason for Delayed Completion of Projects
1	Harare	Works were greatly affected by lock downs due to COVID-19 pandemic. This affected the supply of materials as well as the carrying out of works. This also affected the inspections and certification of works as officers from the Ministry of Works and Supply and Ministry of Foreign Affairs could not travel to undertake inspections and certification of works. However, a team from the Ministry of Works and Supply and Ministry of Foreign Affairs inspected and certified works in August 2021 and works done were at 85 percent complete. The report was available and was presented to the auditors. The expected completion date was December, 2021.
2	Maputo	Works were greatly affected by lock downs due to COVID- 19 pandemic. This affected the supply of materials as well as the carrying out of works. This also affected the inspections and certification of works as officers from Ministry of Works and Supply and Ministry of Foreign Affairs could not travel to undertake inspections and certification of works. However, a team from Ministry of Works and Supply and Ministry of Foreign Affairs inspected and certified works in August 2021 and works done were at 90 percent. The report was available and was presented to the auditors. The expected completion date was December 2021.
3	Windhoek	Works were greatly affected by lock downs due to COVID- 19 pandemic. This affected the supply of materials as well as the carrying out the works. This also affected the inspections and certification of works as officers from Ministry of Works and Supply and Ministry of Foreign Affairs could not travel to undertake inspections and certification of works. However, a team from Ministry of Works and Supply and Ministry of Foreign Affairs inspected and certified works in September 2021 and works done were at Lot 1 – 48 percent, Lot 2 – 27 percent. The expected completion date was February, 2022.The report was available for verification.
4	Addis Ababa	Works were greatly affected by lock downs due to COVID- 19

		<p>pandemic. This affected the supply of materials and Foreign Exchange as well as the carrying out of the works. This also affected the inspections and certification of works as officers from Ministry of Infrastructure and Housing and Ministry of Foreign Affairs could not travel to undertake inspections and certification of works. Works were ongoing and a team from Ministry of Infrastructure and Housing and Ministry of Foreign Affairs inspected and certified works in August, 2021 and works done were at 31.74 percent.</p>
5	Abuja	<p>Work was greatly affected by lockdowns due to COVID-19 pandemic. This affected the supply of materials to carry out works. This also affected the inspections and certification of works as Officers from Ministry of Works and Supply and Ministry of Foreign Affairs could not travel to undertake inspections and certification of works.</p> <p>However, a team from Ministry of Works and supply and Ministry of Foreign Affairs inspected and certified works in September, 2021 and works done were at 90 percent. The expected completion date was December, 2021. The report was available for verification.</p>
6	Washington	<p>Works were greatly affected by lock downs due to COVID- 19 pandemic. However, with the reducing number of COVID-19 cases, the works were progressing and the first certificate was sent to the Ministry of Works and Supply for approval on 29th April, 2021.</p>
7	Geneva	<p>The Property was procured in December, 2019 and the Mission had taken occupancy.</p>
8	New York	<p>Works had not commenced due to COVID-19. However, the Mission was in the process of engaging the services of a consultant to undertake assessment works before engaging a contractor to undertake the works. A reminder letter was written on 29th September, 2021 to the Mission to engage a firm to undertake the assessments.</p>
9	New Delhi	<p>The contract was signed with Aadharshila Designs Pvt Limited to provide consultancy services for the demolition of the existing residence, preparation of detailed designs, Bills of Quantities, bidding document and supervision of works for the proposed construction of a chancery and residence for the Zambian mission in New Delhi, India.</p> <p>The construction works would only start after the consultant finalised the design works, approval granted by the New Delhi Municipality and procurement processes done to engage a contractor. The consultant had delayed the finalisation of the designs because of lock downs in New Delhi, India, due to COVID-19 which had affected the completion of the assignment.</p> <p>The inception report and interim report were finalised and submitted to Ministry of Housing and Infrastructure Development and approval was granted. Documents were available for audit verification.</p>

Table 13.2: Progress Report and Committee’s Observations and Recommendations

SN	Mission	Reason for Delayed Completion of Projects	Observations and Recommendations
1	Harare	<p>Works were greatly affected by lock downs due to COVID-19 pandemic. This affected the supply of materials as well as the carrying out of works. This also affected the inspections and certification of works as officers from the Ministry of Works and Supply and Ministry of Foreign Affairs could not travel to undertake inspections and certification of works. However, a team from the Ministry of Works and Supply and Ministry of Foreign Affairs inspected and certified works in August 2021 and works done were at 85 percent complete. The report was available and was presented to the auditors. The expected completion date was December, 2021.</p>	<p>The Committee expresses disappointment at the undue delay to complete the construction works in Harare. The Committee also expresses concern that supervision of works was done by officers from the Ministry of Works and Supply. In view of this, the Committee urges the Controlling Officer to engage a local consultant who should review the works so far done by the Contractor, against the payments made. The Committee also urges the Controlling Officer to review the performance of the contractor against the signed contract such that if there are any violations and poor performance, the contract must be terminated and re-tendered. The Committee further urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.</p>
2	Maputo	<p>Works were greatly affected by lock downs due to COVID- 19 pandemic. This affected the supply of materials as well as the carrying out of works. This also affected the inspections and certification of works as officers from Ministry of Works and Supply and Ministry of Foreign Affairs could not travel to undertake inspections and certification of works. However, a team from Ministry of Works and Supply and Ministry of Foreign Affairs inspected and certified works</p>	<p>The Committee observes with concern that officers from the Ministry of Works and Supply are meant to travel to Mozambique to supervise and certify the works. The Committee finds this unacceptable and urges the Controlling Officer to engage a local consultant to supervise the remaining works. The Committee further urges the Controlling Officer to avail</p>

		in August 2021 and works done were at 90 percent. The report was available and was presented to the auditors. The expected completion date was December 2021.	supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.
3	Windhoek	Works were greatly affected by lock downs due to COVID- 19 pandemic. This affected the supply of materials as well as the carrying out the works. This also affected the inspections and certification of works as officers from Ministry of Works and Supply and Ministry of Foreign Affairs could not travel to undertake inspections and certification of works. However, a team from Ministry of Works and Supply and Ministry of Foreign Affairs inspected and certified works in September 2021 and works done were at Lot 1 – 48 percent, Lot 2 – 27 percent. The expected completion date was February, 2022.The report was available for verification.	The Committee observes, with concern that officers from the Ministry of Works and Supply are meant to travel to Namibia to supervise and certify the works. The Committee finds this unacceptable and urges the Controlling Officer to engage a local consultant to supervise the remaining works. The Committee further urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification The Committee will await a progress report on the matter.
4	Addis Ababa	Works were greatly affected by lock downs due to COVID- 19 pandemic. This affected the supply of materials and Foreign Exchange as well as the carrying out of the works. This also affected the inspections and certification of works as officers from Ministry of Infrastructure and Housing and Ministry of Foreign Affairs could not travel to undertake inspections and certification of works. Works were ongoing and a team from Ministry of Infrastructure and Housing and Ministry of Foreign Affairs inspected and certified works in August, 2021 and works done were at 31.74 percent.	The Committee observes with concern that officers from the Ministry of Works and Supply are meant to travel to Ethiopia to supervise and certify the works. The Committee finds this unacceptable and urges the Controlling Officer to engage a local consultant to supervise the remaining works. The Committee further urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification The Committee will await a progress report on the matter.
5	Abuja	Work was greatly affected by lockdowns due to COVID-19 pandemic. This affected the supply of materials to carry out works. This also affected the inspections and certification of works as Officers from Ministry of Works and Supply	The Committee observes with concern that officers from the Ministry of Works and Supply are meant to travel to Nigeria to supervise and certify the works. The Committee finds this unacceptable and urges

		<p>and Ministry of Foreign Affairs could not travel to undertake inspections and certification of works.</p> <p>However, a team from Ministry of Works and supply and Ministry of Foreign Affairs inspected and certified works in September, 2021 and works done were at 90 percent. The expected completion date was December, 2021. The report was available for verification.</p>	<p>the Controlling Officer to engage a local consultant to supervise the remaining works. The Committee further urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.</p>
6	Washington	<p>Works were greatly affected by lock downs due to COVID- 19 pandemic. However, with the reducing number of COVID-19 cases, the works were progressing and the first certificate was sent to the Ministry of Works and Supply for approval on 29th April, 2021.</p>	<p>The Committee urges the Controlling Officer to follow up on the said certificate with the Ministry of Works and Supply and have it cleared without delay. The Committee also urges the Controlling Officer to ensure that a local consultant is hired to supervise the works up to completion. The Committee further urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.</p>
7	Geneva	<p>The property was procured in December, 2019 and the Mission had taken occupancy.</p>	<p>The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.</p>
8	New York	<p>Works had not commenced due to COVID-19. However, the Mission was in the process of engaging the services of a consultant to undertake assessment works before engaging a contractor to undertake the works. A reminder letter was written on 29th September, 2021 to the Mission to engage a firm to undertake the assessments.</p>	<p>The Committee also urges the Controlling Officer to ensure that a local consultant is hired to supervise and certify the works up to completion. The Committee also urges the Controlling Officer to ensure that the contractor is engaged without delay. The Committee further urges the Controlling</p>

			Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.
9	New Delhi	<p>The contract was signed with Aadharshila Designs Pvt Limited to provide consultancy services for the demolition of the existing residence, preparation of detailed designs, Bills of Quantities, bidding document and supervision of works for the proposed construction of a chancery and residence for the Zambian mission in New Delhi, India.</p> <p>The construction works would only start after the consultant finalised the design works, approval granted by the New Delhi Municipality and procurement processes done to engage a contractor. The consultant had delayed the finalisation of the designs because of lock downs in New Delhi, India, due to COVID-19 which had affected the completion of the assignment.</p> <p>The inception report and interim report were finalised and submitted to Ministry of Housing and Infrastructure Development and approval was granted. Documents were available for audit verification.</p>	The Committee notes with concern the delayed commencement of works in New Delhi. In this regard, the Committee urges the Controlling Officer to take keen interest and ensure that works at the Mission commence without any further delay. The Committee will await a progress report on the matter.

ii. Over Commitment of Funds-US\$4,937,886

The Controlling Officer submitted that the variance would be financed through the Medium-Term Expenditure Framework. However, these projects were still ongoing and payments were done based on certification of works by the Ministry of Infrastructure, Housing and Urban Development.

Table 13.3: Table showing the basis for contract signing

No.	Mission	Contract Sum US\$	Basis for Contract signing
1	Washington	2,547,629	Contract signed based on Bill of Quantities provided by the Ministry of Works and Supply and could not be reduced or separated because it was one lot and any shortfall or excess works would be financed through the Medium-Term Expenditure Framework.
2	Addis Ababa	5,211,753	Contract signed based on Bill of Quantities provided by Ministry of Works and Supply and excess works would be financed through the Medium-Term Expenditure Framework and the Treasury committed to releasing the shortfall.
3	Harare	1,304,913	Contract signed after removing Lot 3 and 4 to be within the Budget and any shortfall or excess works would be financed through the Medium-Term Expenditure Framework. Only contracts for Lot 1 and 2 were signed. Further, the Committee was informed that the amount disbursed was US\$1,236,536.86 as opposed to the amount cited in the query.
4	Abuja	660,842	Contract signed based on Bill of Quantities provided by Ministry of Works and Supply and could not be reduced or separated because it was one lot and any shortfall or excess works would be financed through the Medium-Term Expenditure Framework.
5	Maputo	659,799	Contract signed based on Bill of Quantities provided by Ministry of Works and Supply and could not be reduced or separated because it was one lot and any shortfall or excess works would be financed through the Medium-Term Expenditure Framework.
6	Windhoek	1,023,462	Contract signed after removing Lot 3 to be within the Budget and any shortfall or excess works would be financed through the Medium-Term Expenditure Framework. Only contracts for Lot 1 and 2 were signed.
	TOTAL	11,408,398	

Committee's Observations and Recommendations

The Committee expresses concern that the Ministry did not undertake due diligence when arriving at the contract costs of the projects in Missions Abroad, resulting in over commitment of funds and committing Government to debt. In view of this the Committee urges the Controlling Officer to desist from the practice and engage the Secretary to the Treasury so that the payment

of excess amount is prioritised without any delay. The Committee will await a progress report on the matter.

iii. Proposed Construction of the Conference Hall

In his response, the Controlling Officer submitted that, a letter was written to the Ministry of Housing and Infrastructure, on 21st January, 2021, for them to verify the claim by the Contractor and provide technical guidance and prepare a certificate to pay for initial works done by China Civil Engineering Construction Corporation (Zambia) Limited. The response from the Ministry of Infrastructure, Housing and Urban Development was received on 8th October, 2021 which guided that the works being claimed formed part of preliminary and general Items and such would be treated as value of work done. The Ministry of Foreign Affairs and International Cooperation was further guided that design fees and cost of ground-breaking ceremony, were not provided for in the contract.

The Controlling Officer further submitted that, on 15th October, 2021, the Ministry of Foreign Affairs and International Cooperation wrote a letter to China Civil Engineering Construction Corporation (Zambia) Limited, informing them of the guidance provided by the Ministry of Infrastructure, Housing and Urban Development and requested them to adjust the claim by removing items not provided for in the contract so as to resolve the issue amicably and advance the important project.

The Committee was informed that the Ministry was in the process of advertising the works and to engage another contractor to do the works once the issues with China Civil Engineering Construction Corporation (Zambia) Limited were resolved and paid for. A letter was written on 30th June, 2021, requesting the Ministry of Housing and Infrastructure to submit the designs and Bills of quantities to start the tendering process. All necessary documents were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses displeasure at the inordinate delay to commence the construction works of a conference hall. The Committee finds this unfortunate especially that funds involved were a donation from cooperating partners. In this regard, the Committee urges the Controlling Officer to engage the Secretary to the Treasury on the matter and ensure that all necessary tendering processes are finalised and the contractor engaged without any further delay. The Committee will await a progress report on the matter.

d. Failure to Settle Obligations-K1,293,843

In his response, the Controlling Officer submitted that the Ministry had requested for authority to utilise funds approved in the Supplementary Budget for 2021, sitting on transportation of diplomats, to settle the outstanding bills as was indicated in the table below:

Table 13.4: Outstanding Bills

No	Details	Outstanding Amount	Amount Paid	Balance	Comments
1	Personal Emoluments	755,837	-	755,837	The Ministry had sourced funds under Supplementary Budget from Ministry of Finance
2	Capital Projects	12,332	-	12,332	The Ministry had sourced funds under Supplementary Budget from Ministry of Finance
3	Other RDCs				
i	Repatriation	80,400		80,400	The Ministry had sourced funds under Supplementary Budget from Ministry of Finance
ii	ZIDIS	247,494		247,494	The Ministry had sourced funds under Supplementary Budget from Ministry of Finance
iii	Ten nights subsistence	74,000	74,000.	-	Cleared
iv	Zesco Bill	95,710.55	80,000	15,710.55	The Ministry had sourced funds under Supplementary Budget from Ministry of Finance
v	Water Bill	28,069.73	-	28,069.73	The Ministry had sourced funds under Supplementary Budget from Ministry of Finance
	Totals	1,293,843.28	154,000	1,139,843.28	

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

DISASTER MANAGEMENT AND MITIGATION UNIT (DMMU)

PARAGRAPH 14

a. Budget, Funding and Expenditure-K153,291,560

19. In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a total provision of K480,064,845, was made (including a supplementary provision of K450,000,000), to cater for operations of the Unit, against which amounts totalling K326,773,285 were released, resulting in underfunding of K153,291,560.

As at 31st December, 2020, amounts totalling K326, 773,285 had been spent.

Management Response

In his response, the Controlling Officer submitted that the underfunding of K153,291,560, was as a result of the Treasury releases being less than the authorised provision for the DMMU.

The Committee was informed that Management would endeavour to engage Treasury on the possibility of funding the budget fully, within the prevailing limited fiscal space.

Committee's Observations and Recommendations

The Committee notes the response on the matter.

b. Maize Uplifts, Processing and Relief Mealie Meal Distribution - Pembe Millers Limited - Failure to Deliver Mealie Meal

In his response, the Controlling Officer submitted that the miller was written to and had since delivered the balance of 2,920 by 12.5kg bags of mealie meal to DMMU, on delivery note number 10469 and received on Goods Received Note number 4140 dated, 13th September, 2021.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and ensure that all supporting documents on this matter are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

c. Unaccounted for Materials – Lunga District- Northern Province-K518, 202

The Controlling Officer submitted that documentary evidence of beneficiaries of the relief materials in question was collected and was available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern that supporting documents were not availed at the time of the audit. In view of this, the Committee urges the Controlling Officer to take the audit process seriously and be proactive to avoid the recurrence of such queries. The Committee also urges the Controlling Officer to ensure that all supporting documents on this matter are availed to the

Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

d. Construction of the Infectious Disease Quarantine, Control and Treatment Centre.

In his response, the Controlling Officer submitted that the delay in completion was due to lack of funds. The Committee was informed that the Unit had written to the Treasury requesting for funding to complete the remaining works. The Unit had also written to the Ministry of Health to develop a conclusive Bill of Quantity (BoQ), for the remaining works.

Committee's Observations and Recommendations

The Committee finds it unfortunate that the construction of a Centre for Infectious Disease Quarantine, Control and Treatment remained uncompleted, six years after the commencement date. The Committee is of the view that the quick completion of the facility will help in the management of emerging infectious diseases like the COVID-19 pandemic. In view of this, the Committee urges the Controlling Officer to re-engage the Secretary to the Treasury for requisite funding and ensure that the project is completed, without any further delay. The Committee will await a progress report on the matter.

e. Project Implementing Partners (PIPs) – Failure to Pay for Relief Materials-K1,400,140

In his response, the Controlling Officer submitted that the failure to liquidate the bill owed to Project Implementing Partners (PIPs), was due to inadequate funding for dismantling of arrears. The Committee was informed that the Unit had written to the Treasury requesting for funding to liquidate the bill owed to Project Implementing Partners (PIPs).

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to re-engage the Secretary to the Treasury for requisite funding and ensure that the PIPs are paid without any further delay. The Committee will await a progress report on the matter.

MINISTRY OF FINANCE-LOANS AND INVESTMENTS

PARAGRAPH 15

Mandate

20. The Ministry of Finance and National Planning (MoFNP) derives its mandate from Part X of the Constitution of Zambia and is charged with the responsibility of economic management to foster sustainable national development. It is also guided by statutory and portfolio functions as stipulated in the Government Gazette Notice No. 836 of 2016.

Audit Findings

An examination of accounting and other records for the Financial Year Ended 31st December, 2020 at the Ministry of Finance (Loans and Investments) revealed the following:

g. Budget and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a total provision of K20,077,316,892 was made to cater for programmes under Ministry of Finance (Loans and Investments) against which amounts totalling K12,295,427,131 were released resulting in an under funding of K7,781,889,761. As at 31st December, 2020, amounts totalling K12,295,427,131 had been spent.

Treasury Response

In his response, the Secretary to the Treasury submitted that the observations made by the Auditors were factual.

Committee's Observations and Recommendations

The Committee notes the response on the matter.

h. Failure to Pay Subscriptions and Contributions to International Organisations-K30,213,970

In his response, the Secretary to the Treasury submitted that the Eighteen International Organisations remained unpaid as at 31st December, 2020 due to financial constraints.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to mobilise requisite funding and settle outstanding subscription fees. The Committee will await a progress report on the matter.

i. Unsupported Payments – Dismantling of Arrears-K25,000,000

In his response, the Secretary to the Treasury submitted that the Ministry of Finance, through Head 21, processed funding, amounting to K5,000,000 to Disaster Management and Mitigation unit (DMMU) and K20,000,000 to Ministry of Defence (MOD).

The Secretary to the Treasury also submitted that expenditure pertaining to the amounts funded to the two institutions was made by DMMU and Ministry of Defence, respectively. Ministry of Finance collected expenditure returns from the two institutions as guided by Financial Regulations No. 10 (n) and the *Public Finance Management Act, No.1 of 2018*; Part II, section 11 (1) (p).

The Committee was informed that Management advised the auditors that since the payments were made from these respective institutions, contracts; interim payment certificates; invoices; statements of account; delivery notes; and goods received vouchers were domiciled with the respective institutions.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to facilitate the availing of supporting documents to the Office of the Auditor General, on the matter. The Committee will await a progress report on the matter.

j. Wasteful Expenditure - Contract between Food Reserve Agency and Advanced African Solutions ADAS-US\$73,415,624 (K1,537,694,738)

In his response, the Secretary to the Treasury submitted that in 2013, FRA entered into an agreement with Messrs Advanced African Solutions (ADAS) of Mauritius, at a contract sum of \$70,000,000 to construct and rehabilitate storage sheds across the country. The project was envisaged to be financed through a loan facility and Deutsche Bank of New York, was identified as the financier. However, due to delays in the finalisation of the financing agreement, ADAS requested to vary the contract sum from \$70,000,000 to \$73,000,000. The approval was granted accordingly.

However, the financing terms with Deutsche Bank of New York could not be finalised. Therefore, in 2017, a decision was made that the project would be funded from domestic revenue. The FRA sought guidance from the Attorney General's Office which guided that the contract was satisfactory and was consequently approved for execution, subject to availability of funds. In this regard, on 12th April, 2018, the Food Reserve Agency (FRA), on behalf of the Government of the Republic of Zambia entered into a contract with Advanced African Solutions (ADAS), to Complete and Upgrade ninety-eight hard standing slabs across the country, at a contract sum of \$73,000,000.

The Secretary to the Treasury also submitted that the contractor put in a contract Clause 22.4 which was meant to ensure that the Food Reserve Agency fulfilled its contractual obligations.

The rationale for charging penalties in the final contract signed was to protect the contractor in an event that Food Reserve Agency failed to meet the conditions of the contract.

In the same vein, in an event that the contractor failed to undertake the agreed works in the agreed time of completion, the Government of the Republic of Zambia would rely on similar provisions in the contract as stipulated in Clause 22.1, 22.2 and 22.3.

Due to fiscal constraints, FRA failed to pay ADAS the advance as per the terms of the contract, which resulted in the contractor commencing legal proceedings.

The Committee was informed that ADAS engaged Mulenga Mundashi Legal Practitioners as its representative and indicated that they would take legal action on this matter. In this regard, the Attorney General wrote a letter to the Treasury and advised that ADAS was in the process of taking legal action because of the breach of the contract. It was submitted that there was need for the Treasury to indicate how this matter was going to be resolved, stating that there was a risk of paying penalties.

The Committee was also informed that the Ministry of Finance, Attorney General and the FRA, engaged in a series of meetings to find solutions to the matter. The goal of the Ministry of Finance was to salvage the contract by ensuring that at least the storage sheds were constructed

as opposed to paying penalties on default without having any sheds. The options that were internally considered to resolve this matter were as follows:

- a. cancelling the project;
- b. rescoping the project; and
- c. proceeding with the project and counter proposing a waiver of the accumulated penalties and proposing new dates and terms for releasing the advance payments.

The meeting resolved that, it was necessary to engage the Contractor to establish the feasible options. Further, it was agreed that the meeting with the Contractor should be held without the Contractor's lawyers and should not be taken as a precursor to the arbitration process.

Further, another series of meetings were held to negotiate the penalties, with a possibility of a full waiver of penalties. The Contractor argued that they had incurred additional costs which they shared with the meeting upon request of the information. In the meeting of 30th December, 2020, ADAS approximated the additional costs at \$70,748,550.

Nonetheless, they indicated that they were not obliged to give this information to the meeting but did so out of goodwill. In the final meeting held on 30th December, 2020, ADAS estimated the penalties at \$143,938,000. They argued that they could not provide a full waiver on account of the following:

- i. the contract never provided for an escalation in prices. Commodities such as steel had increased in prices by over 33.5 percent from 2018 and were projected to increase going forward;
- ii. the contract was signed on the basis that there would be tax exemptions. However, in the current tax law, this provision did not hold. Therefore, ADAS was liable to paying taxes such as VAT and income tax;
- iii. the calculated penalties were contractual, and ADAS was showing goodwill by engaging in discussions to consider waiving some penalties;
- iv. the project would be implemented over a period of three years as opposed to the initial agreement of two years in order to give the Treasury more time to source for funds. This would lead to escalation of costs such as labour among other costs for ADAS;
- v. ADAS could only offer a waiver that did not constrain operations or compromise the completion of works; and
- vi. the offered penalties by ADAS were based on commercial and business considerations brought to the fore by the current macroeconomic factors.

The Committee was informed that the Treasury had made a series of offers with the final offer of \$40 million to be paid as penalties over and above the contract sum of \$73 million.

However, ADAS was not willing to go lower than \$52 million because of the highlighted reasons. Because of this, \$52 million as penalties was agreed to. However, for them to lower the penalties to \$52 million, the following were the conditions attached:

- i. an initial payment of US\$30,000,000 (United States Dollars Thirty Million) was to be paid on signing of the settlement agreement; and
- ii. the balance in the sum of US\$22,000,000 was to be paid in equal monthly instalments up to the date of the completion of the works.

The rationale for agreeing to the ADAS Proposal were as follows:

- i. the penalties were contractual and there was a high risk of incurring further costs without the project being executed if the litigation route was taken;
- ii. part of the penalties would be used to pay taxes that were not provided for in the initial contract. The initial contract was signed on an understanding that a tax waiver was going to be obtained. However, since the contract was not funded by a grant, the project was liable to taxation;
- iii. the project would be implemented over three years as opposed to the initial two years based on the request from the Treasury to reduce the burden on the fiscus; and
- iv. notwithstanding it being a dollar denominated contract, there was an escalation in the cost of steel and other raw materials;

The Committee was further informed that the Ministry of Finance engaged and advised FRA to have the contract revised and that it should take into consideration concerns raised by the auditors. This engagement resulted in a draft settlement agreement which was underway, and which was looking into the amendment of some clauses such as “interest being capped”.

It was important to note that what was being charged were penalties and not interest.

The Treasury was brought on board by the Attorney General’s office to address the best option of the Government of the Republic of Zambia to reduce costs and ensure that that the project was delivered by the contractor.

Committee Observations and Recommendations

The Committee is extremely saddened by the wastage of public resources through a contract which it describes as exploitative to the Government. The Committee finds it unacceptable that the Government was literally held hostage by ADAS on account of signing a contract without undertaking due diligence, especially on the repercussions of including provisions that pertain to interest charges on delayed payments. The Committee also expresses concern that advance payment and other subsequent payments were literally funding the project and wonders why the project was contracted. The Committee, therefore, urges the Attorney General to seriously review the contract between FRA and ADAS, so that exploitative clauses are amended to the benefit of all parties without any further delay. The Committee also urges the Attorney General to enhance the contract vetting processes at his Chambers in order to avert such unacceptable wastage of public resources through poorly vetted contracts, without fail. Notwithstanding the

above recommendations, the Committee urges the Secretary to the Treasury to ensure that requisite funding is mobilised and pay all outstanding IPCs in order for the contractor to expeditiously finish all the remaining works, for the benefit of the Zambian people. The Committee will await a progress report on the matter.

k. Wasteful expenditure – Curzon Global Limited- US\$1,430,215.31

In his response, the Secretary to the Treasury submitted that the Ministry of Defence signed a contract with Messrs. Curzon for the supply of assorted goods. The Ministry defaulted on the payments resulting in Messrs. Curzon taking legal action. The matter was handled by the Attorney General’s Chambers.

From the records held at the Ministry of Finance, the Ministry of Justice did not defend the matter hence the default Judgment against the Government. Further, the Attorney General did not appeal the Judgment against Ministry of Defence but referred the matter to Ministry of Finance for payment.

Upon receipt of the court order from Ministry of Justice to pay the adjudged amount and in order to cure further accumulation of interest, the Ministry of Finance agreed to pay the debt on behalf of Ministry of Justice, which was in charge of compensation and awards. However, due to financial constraints, the delay to pay the adjudged amount could not be avoided.

The Secretary to the Treasury submitted that, in order to address the mismanagement of contracts by public bodies, the Treasury undertook the following interventions:

- i. issued Treasury Circular No. 11 of 2018 that instructed public bodies procuring high value to ensure that Treasury Authority or Board Authority was secured to support the financing of the contract before the contract was submitted for clearance to the office of the Attorney General;
- ii. the Treasury would be issuing out a circular directing public bodies to appoint a specific contract manager for each contract;
- iii. the Government through the Ministry of Justice had to start deploying legal officers to ministries provinces and spending agencies to review contracts before consent and so far, legal officers had been attached to key ministries;
- iv. the *Public Finance Management Act, No.1 of 2018* had fused in Section 12 that provided for Fiduciary Duties of Controlling Bodies and further provided sanctions for any diversion or omission; and
- v. the *Public Finance Management Act, No.1 of 2018* had fused in Section 26 that seeks to address the causes of the mismanaged contract for Food Reserve Agency.

The Committee was informed that, for the contracts cited above, the Treasury would await the recommendations of the Committee so that the necessary sanctions were evoked against office holders that mismanaged these contracts.

Committee Observations and Recommendations

The Committee expresses concern at the impunity with which u public resources are wasted through negligence by public officers. In this regard, the Committee urges the Attorney General to reorganise his Chambers and enhance the contract vetting processes and client representation in order to avert such unacceptable wastage of public resources through poorly vetted contracts and lack of representation. The Committee will await a progress report on the matter.

MINISTRY OF HOME AFFAIRS

PARAGRAPH 16

Head 30 : Zambia Correctional Service
Department 2 : Zambia Correctional Service
Unit 2 : Prisons and Reformatory Unit
Programme : Various
Activities : Various

1. Mandate

21. The Zambia Correctional Service is mandated to manage, regulate and ensure the security of Prisons and Correctional Facilities and inmates.

2. Audit Findings

An examination of accounting and other records for the Zambia Correctional Service (the Service) carried out at the Headquarters, Regional Offices and selected Correctional Facilities revealed the following to which the Controlling Officer submitted as set out below:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the year 1st January to 31st December, 2020, provision of K63,962,883 was made to cater for operations of the Service against which amounts totalling K57,353,520 were released resulting in an under funding of K6,806,791.

As at 31st December 2020, amounts totalling K57,156,094 had been spent leaving a balance of K197,426

Management Response

In his response, the Controlling Officer submitted that the under-funding of K6,806,791 was not released by the Treasury as appropriated by Parliament.

The Controlling Officer also submitted that in respect of the unspent balance totalling K197,426, on 31st December, 2020, the Department received funding amounting to K2,000,000 of which the Department was able to spend K1,802,574 given the time constraint.

The Committee was informed that Zambia Correctional Service through Ministry of Home Affairs had constantly engaged the Treasury over the need to ensure that budgets were executed as appropriated. As of 15th November, 2021, the Treasury had released substantially the Service's allocation for the financial year ending 31st December, 2021.

Funding requests, extract of funding report from the IFMIS and budget performance report were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern about the underfunding and therefore urges the Secretary to the Treasury to endeavour to fund programmes as appropriated by Parliament so that planned activities are not affected. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification.

b. Management of Assets

i. Lack of Title Deeds

In response, the Controlling Officer submitted that the delay to obtain the title deeds was due to lack of clear process steps on how to acquire title deeds.

The Controlling Officer also submitted that Zambia Correctional Service was in the process of securing title deeds for all the properties. An inventory for all properties under the Zambia Correctional Service were identified and compiled, and forwarded to the Ministry of Home Affairs for consolidation at Ministerial level. As for the parcels of land where the thirty-five buildings and farms were sitting, the status report was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that title deeds for parcels of land on which the said thirty-five office buildings and farms were located, without any further delay. The Committee will await a progress report on the matter.

ii. Failure to Maintain Government Property – Nyimba Correctional Facility

In his response, the Controlling Officer submitted that the failure to rehabilitate the building at Nyimba Correctional Facility was due to lack of funds.

The Controlling Officer also submitted that out of a budget provision of K15,000,000 for the financial year ending 31st December, 2021, K6,000,000 had been released for various infrastructure works out of which K100,000 was set aside specifically for the rehabilitation of Nyimba office block where works had since commenced.

The Committee was informed that according to the progress report by the Acting Technician General from the Ministry of Infrastructure, Housing and Urban Development, project works were standing at 82 percent, as at 15th November, 2021.

Supporting documents were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern and urges the Controlling Officer to put a routine property maintenance policy in place so that Government properties under the Ministry remain in good condition. The Committee also urges the Controlling Officer to ensure that construction works at the Office block are completed without any further delay. The Committee will await a progress report on the matter.

iii. Unpaid Insurance Claim- Headquarters-K627, 321

In his response, the Controlling Officer submitted that the insurance claims were not honored because the service did not pay the insurance premiums due to budgetary constraints.

The Controlling Officer also submitted that despite lodging the claims, Zambia State Insurance Corporation, could not honour the claims because the service did not pay the insurance premiums due to budget constraints. The Service, through the Ministry of Home Affairs, had applied for a supplementary budget which was approved but was yet to be funded.

Supplementary application and request for funding were available for audit verification

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to re-engage the Secretary to the Treasury on the funding for payment of insurance premiums. The Committee will await a progress report on the matter.

c. Management of Liabilities - Outstanding Bills -Copperbelt Province-K10,903,183

In his response, the Controlling Officer submitted that, the outstanding bills accumulated due to inadequate budgetary allocation, yearly.

The Controlling Officer also submitted that the Zambia Correctional Service had since paid part of the outstanding bills arising from funding received from the Treasury in amounts totaling K4,550,000 released in May 2021, towards the liquidation of outstanding bills for all the ten provinces. Out of the total funding received, Copperbelt Region was allocated a total of K645,942.80.

Notice of funding for outstanding bills from Treasury and Schedule of payments for the Copperbelt region were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to prioritise the dismantling of the outstanding bill. The Committee will await a progress report on the matter.

MINISTRY OF HOME AFFAIRS

PARAGRAPH 17

Head 30 : Zambia Correctional Service
Department 2: Zambia Correctional Service
Unit 2 : Prisons and Reformatory Unit
Programme : Various
Activities : Various

3. Mandate

22. The Zambia Correctional Service is mandated to manage, regulate and ensure the security of Prisons and Correctional Facilities and inmates.

4. Audit Findings

An examination of accounting and other records for the Zambia Correctional Service (the Service) carried out at the Headquarters, Regional Offices and selected Correctional Facilities revealed the following to which the Controlling Officer submitted as set out below.

a. Income and Expenditure

During the period under review, income in amounts totalling K18,803,125 was generated from Prisons industrial Revolving Fund (PIRF) activities such as sale of farm produce, animals and furniture.

In addition, amounts totalling K806,540 were brought forward from the previous year bringing the total funds available to K19,609,665. As at 31st December, 2020, amounts totalling K16,944,326 had been spent leaving a balance of K2,665,339.

Table 17.1: Income and Expenditure

No.	Region	Opening Balance K	Income K	Total K	Expenditure K	Closing Balance K
1	Central	77,265	4,996,124	5,073,388	5,031,359	42,029
2	Copperbelt	30,410	4,438,607	4,469,018	2,334,559	2,134,459
3	Eastern	32,453	2,847,878	2,880,331	2,862,818	17,512
4	Luapula	6,321	1,199,361	1,205,682	1,183,135	22,547
5	Lusaka	96,443	936,474	1,032,917	892,218	140,699
6	Muchinga	374,800	1,338,567	1,713,367	1,662,622	50,745
7	Northern	36,765	1,176,231	1,212,996	1,159,160	53,836
8	North Western	43,099	930,406	973,505	939,759	33,746
9	Southern	69,637	468,518	538,156	415,550	122,605
10	Western	39,346	470,960	510,306	463,147	47,159
		806,540	18,803,125	19,609,665	16,944,326	2,665,339

b. Failure to Withhold Value Added Tax – Kalonga Milling-K25,233

In his response, the Controlling Officer submitted that the failure to withhold VAT was an omission on the part of the responsible officers.

The Controlling Officer also submitted that Zambia Correctional Service followed up with Zambia Revenue Authority to confirm that the vendors paid the VAT amount through VAT returns as provided for in the *Value Added Tax Act, Chapter 331* of the Laws of Zambia. Having confirmed that the vendors were tax compliant, and that there was no loss to the Government, the officers responsible had been verbally warned in line with the disciplinary code and procedures for handling offences in the public service Section (a) (ii) and (b).

Request for proof of VAT compliance, remittance to ZRA and payment receipts and Returns provided by the ZRA were available for audit verification.

Committee’s Observations and Recommendations

The Committee expresses concern at the failure by the Ministry to withhold tax, in line with the *Value Added Tax Act, Chapter 331* of the Laws of Zambia. The Committee, therefore, urges the Controlling Officer to put measures in place which will ensure that tax is withheld at the point of payment to the suppliers of goods and services. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

MINISTRY OF COMMERCE, TRADE AND INDUSTRY

PARAGRAPH 18

Budget Provision, Funding and Expenditure

23. An examination of accounting and other records at the Ministry of Commerce, Trade and Industry Headquarters revealed the following:

a. Budget, Funding and Expenditure

In the Estimate of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a provision of K1,270,856,739, was made to cater for operations at the Ministry, against which amounts totalling K479,531,422 were released resulting in underfunding of K791,325,317. See table 18.1 below.

Table 18.1: Budget, Funding and Expenditure

No.	Funder	Approved Estimates K	Amounts Funded K	Total Expenditure K	Under Funding K	Unutilised Funds K
1	GRZ	810,131,363	379,242,407	377,817,354	430,888,956	1,425,053
2	Projects and D	460,725,376	100,289,015	100,264,846	360,436,361	24,169
		1,270,856,739	479,531,422	478,082,200	791,325,317	1,449,222

Although the Ministry was underfunded, as at 31st December, 2020, amounts totalling K478,082,200 had been spent leaving a balance of K1,449,222.

Management Response

In his response, the Controlling Officer submitted that the correct position was that a total provision of K1,270,856,739 was made in the 2020 Financial Year.

The Controlling Officer also submitted that, in the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a provision of K810,131,363, was made to cater for operations at the Ministry against which amounts totalling K379,242,407 were released, resulting in underfunding of K430,888,956. The Ministry spent 377,817,354, leaving a balance of K1,425,052.25 unspent, as at 31st December, 2020.

The Controlling Officer also submitted that, K589,732.67, was meant for provincial offices to be utilised during the survey on the operations of the solar milling plants, while K221,050, was meant for Headquarters to conduct a survey on the operations of the solar milling plants.

The Committee was informed that a survey could not be conducted as scheduled due to restrictions in movements as guided by Cabinet Office, due to COVID-19 pandemic.

It was also submitted that K457,976.67 were operational funds meant for the provinces and districts. The funds were remitted late as there were challenges with the provincial accounts. K14,500 was unretired imprest and recoveries were instituted. K141,793 were residual amounts on client 800–SAP which resulted partly from incomplete procurement processes.

The Committee was further informed that the Ministry wrote to Secretary to the Treasury to authorise the carrying over of K1,268,759.34 of the unutilised funds.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification.

b. Accounting Irregularity - Questionable Claims of Subsistence Allowances-K73,166

In his response, the Controlling Officer submitted that contrary to the Auditors' assertions that the payments were for subsistence allowances, of the eight officers, seven were invited to attend various activities that were fully sponsored and as such were entitled to out of pocket allowance which was calculated at 20 percent of the full daily subsistence allowance. The officers raised the claim forms for the amounts due to them after their return during periods ranging from 2014 to 2018, as that was out of pocket allowance.

The Controlling Officer also submitted that, during the year 2020, there was a provision of K900,000 included in the budget for debt dismantling. In this regard, various payments were made to reduce amounts owed to officers, including the said claims. This did not affect budgeted for programmes during the year. The payments were not made at the time of the said trips because of inadequate funding and to avoid excess on the authorised provision for the year in

which the activities took place. One officer had to pay for the processing of the visa application as that was normal practice and claimed the refund in 2020, when the activity took place.

The Committee was informed that, no action had been taken as the officers were appropriately owed the said amounts. All claim forms, invitation letters as well as copies of the pages of the passports bearing the necessary stamps and boarding passes, where possible, were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern that payments of subsistence allowances were made six years after the activity had been undertaken. The Committee finds this unfortunate and urges the Controlling Officer to be proactive and put measures in place to avert the recurrence of this situation. The Committee also urges the Controlling Officer, to avail all supporting documents on this matter to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

c. Fleet Management – Unaccounted for Usage of Motor Vehicle – GRZ 679CE

In his response, the Controlling Officer submitted that, during the year 2020, the Ministry began the process of updating the fixed assets register, during which it became aware that the said motor vehicle was missing. It was during this process that the audit for the Financial Year 2019 commenced and efforts were still being made to locate the same vehicle. The then transport officer was written to and requested to explain the whereabouts of the motor vehicle. The Controller of Government Transport intervened and indicated that the vehicle was in their custody and the vehicle was finally handed over in July 2021.

The Committee was informed that the Ministry had commenced disciplinary action against the former transport officer. This was subsequently stopped when the vehicle was returned by the Controller of Government Transport. The Ministry had also taken note of the lapse that occurred and since updated its Asset Register quarterly.

Committee's Observations and Recommendations

The Committee bemoans the professional misconduct exhibited by the Controller of Government Transport in all this matter. The Committee also observes with concern, the management of assets by the Ministry. In view of this, the Committee urges the Controlling Officer to report the said Controller of Government Transport to Secretary to the Cabinet for appropriate disciplinary action. The Committee also urges the Controlling Officer to put measures in place to ensure that the asset register is updated timely. The Committee will await a progress report on the matter.

d. Management of Payroll and Staff related Matters - Outstanding Staff Debt-K499,558

In his response, the Controlling Officer submitted that during the budgeting process for the year 2021, all Ministries, Provinces and Spending Agencies (MPSAs), were guided not to provide for other personnel related emoluments or the dismantling of such arrears as these were to be included under the Ministry of Finance provision for the year.

The Committee was informed that the outstanding staff debt was submitted to Ministry of Finance, which made efforts to reduce the debt during the year 2021.

Committee's Observations and Recommendations

The Committee notes that this information should have been availed to the auditors at the time of the audit. In this regard, the Committee urges the Controlling Officer to be proactive and ensure that all supporting documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

e. Delayed Removal of Separated Officer from the Payroll-K13,096

In his response, the Controlling Officer submitted that, according to the Terms and Conditions of Service for the Public Service, Chapter 3 NO. 36 b, "an officer on probation may resign at any time by giving the Government one month's notice, in writing, exclusive of leave, or paying Government one month's salary in lieu of notice".

The Controlling Officer submitted that, the said officer resigned from his position with effect from 22nd July, 2020 and not in June 2020; and gave notice of one month according to the terms and conditions of service, which meant that he worked up to July 2020 and was appropriately paid his salary for July as well.

The Committee was informed that, the officer involved was engaged and paid back the salary paid to him for August 2020 after his resignation and so far K6,500 had since been paid.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and ensure that all supporting documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

f. Misplacement of Officers on the Payroll -K655, 529

In his response, the Controlling Officer submitted that the officers were serving in new districts and in districts with frozen positions, which required their services but did not have the Treasury Authority for the positions and that it was vital to note that, frozen positions were only activated on availability of funds by the Treasury. The October, 2021 staff assignment and a schedule providing details of the actual description of the misplaced officers that were serving under the Ministry of Commerce were available for audit verification.

The Controlling Officer also submitted that the said officers were employees of the Ministry but only serving in different districts.

The Committee was informed that following the granting of Treasury Authority No. 4 of 2020, some new positions were created on the Ministry payroll, but not covering all the new districts. The Committee was also informed that out of the ten officers, two were correctly placed on the payroll, as per districts in which they were serving, leaving out eight officers for which the Ministry had engaged Payroll Management and Establishment Control (PMEC) to realign the positions accordingly.

Committee's Observations and Recommendations

The Committee will await a progress report on the realignment of positions by the Payroll Management and Establishment Control.

MINISTRY OF FINANCE- IFMIS AND TSA

PARAGRAPH 19

Mandate

24. The Ministry of Finance is charged with the responsibility of economic management to foster sustainable national development.

Background

a. Integrated Financial Management Information Systems

This is an Integrated Financial Management Information System (IFMIS) which was used for administration of financial transactions in the ministries provinces and other spending agencies.

The system had twelve modules which included:

- i. General Ledger;
- ii. Accounts Payable;
- iii. Accounts Receivable;
- iv. Cash Management;
- v. Material Management;
- vi. Funds Management;
- vii. Asset Accounting;
- viii. Fleet Management;
- ix. Project Accounting;
- x. Loan Management;
- xi. Audit; and
- xii. Business Planning and Consolidation.

As at 31st July, 2021, the system had been rolled out to fifty-nine Ministries Provinces and Agencies (MPAs), out of sixty-two MPAs in the Country.

b. Treasury Single Account (TSA)

Treasury Single Account (TSA) was a business solution that was used for facilitating of payments on IFMIS. It was a unified structure of bank accounts that gave a consolidated position of cash resources. The solution was implemented in January, 2015 in order to ensure that there was efficiency and effectiveness in the processing of GRZ transactions.

c. Management

In his response, the Secretary to the Treasury submitted that the facts were as stated by the Auditor General.

Committee's Observations and Recommendations

The Committee notes the Response on the matter.

d. Failure to Fully Implement the Treasury Single Account (TSA)

In his response, the Secretary to the Treasury submitted that the implementation of TSA was based on the prerequisite of using the IFMIS. The three sites that were not on the IFMIS were tabulated as below:

S/N	Head	Institution	Status
1	01	State House	Not on TSA
2	03	Electoral Commission of Zambia	Not on TSA
3	78	Office of the President Special Division	Not on TSA

Implementation of IFMIS in the three sites was suspended on account of the sensitive nature of the operations in the affected Heads. However, despite the institutions operating manually, Part V of the Financial Regulation Number 56(1) provided for manual transactions, where the electronic system was not available.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Secretary to the Treasury to come up with ways and means of enhancing transparency and efficiency in the management of public funds in the three affected institutions, notwithstanding their sensitivity. The Committee will await a progress report on the matter.

e. Failure to Configure Interface between IFMIS and RTGS

In his response, the Secretary to the Treasury submitted that automated reconciliation had not been implemented on the gateway because of the ongoing system enhancement and upgrade of the IFMIS.

The Committee was informed that the Treasury was currently using manual reconciliations that were performed routinely. Feedback to respective MPAs were provided using a status report on a daily, weekly and monthly basis by the Treasury.

The Committee was informed that the Treasury in collaboration with Bank of Zambia was in the process of implementing a technical solution that would facilitate for automated reconciliation as well as feedback to IFMIS.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Secretary to the Treasury to ensure that the IFMIS upgrade processes and system enhancements are finalised without any further delay. The Committee will await a progress report on the matter.

f. Non-Functional SMS Notification System

In his response, the Secretary to the Treasury Submitted that the K71,804 was an annual contract fee that was paid after the issuance of the certificate of completion by Smart Zambia Institute, which was providing technical assistance.

The Secretary to the Treasury also submitted that in November, 2018, the SMS Notification contract expired and was not renewed. At the end of 2018, Government embarked on an IFMIS system enhancement project. During the project implementation, the SMS Notification solution was not migrated as it was not active but expired.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to avail supporting documents to the Office of the Auditor General for audit verification. The Committee also urges the Secretary to the Treasury to ensure that the short messaging solution was actualised without delay. The Committee will await a progress report on the matter.

g. Unauthorised Excess Expenditure - Ministry of Chiefs and Traditional Affairs

In his response, the Secretary to the Treasury submitted that, the Ministry of Chiefs had challenges for the year 2019 regarding their transactions, which led to some officers being disciplined for introduction of funding on the Open Item Report without the funding slip. These transactions were erroneously captured in the Ledger resulting in the highlighted variance. In order to address this, an enhanced internal control in IFMIS/TSD was implemented, which used GL161010 to capture funding in the IFMIS system and only funding captured through the IFMIS GL161010 by MPAs and payments processed were paid out by the Treasury Service Department.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to be proactive and ensure that supporting documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

h. Weaknesses in the Implementation of IFMIS

- **Failure to Utilise Fleet Management Module**

In his response, the Secretary to the Treasury submitted that the fleet management module was configured and implemented in 2010 and office holders responsible for Transport Management in MPAs were trained and capacitated in the operations of the IFMIS fleet module. Following the revelation of the continued use of the manual processes of fleet management by the Auditor

General, the Treasury was taking stock of the various levels of officers in MPAs responsible for fleet management to make sure that they were trained and commenced the utilisation of the module.

Committee's Observations and Recommendations

The Committee finds it unacceptable that a module that was configured and implemented in 2010 and officers capacitated was unutilised. The Committee also observes, with /concern that the Secretary to the Treasury was acting after the audit process. In this regard, the Committee urges the Secretary to the Treasury to ensure that the said fleet management module is operationalised without any further delay. The Committee will await a progress report on the matter.

- **Implementation of the Funds Management Module- Budgets Prepared Outside IFMIS**

In his response, the Secretary to the Treasury submitted that the Treasury recognised the need for a software/module or electronic system that could displace the internally designed temporal Microsoft Access based system for Output Based Budget (OBB) and mainstream all OBB processes and interface with other Public Finance Management (PFM) processes. It was to this effect that the Ministry engaged Nova base Consultants of Portugal to upgrade the IFMIS, to incorporate the budgeting window that could fully address all the processes of OBB and interface with other PFM processes such as planning, reporting and auditing.

The Committee was informed that a SAP Business Planning Consolidation (BPC) – OBB module had since been developed by the consultant and presented to the Treasury for consideration. Notwithstanding, observations had been made on the above-mentioned module during a series of engagements with the consultants and feedback was given. It had been noted by the Treasury that the developed module had some shortcomings which would need to be resolved before the system was fully adopted.

Committee's Observations and Recommendations

The Committee expresses concern at the delay by the Treasury to operationalise the Funds Management Module. The Committee contends that this move has a potential to undermine the credibility of the National budget. The Committee, therefore, urges the Secretary to the Treasury to ensure that IFMIS is upgraded to incorporate the budgeting window that can fully address all the processes of OBB and interface with other PFM processes, without delay. The Committee will await a progress report on the matter.

i. IFMIS Enhancements and Interfaces

In his response, the Secretary to the Treasury submitted that the interface implementation was not completed as the financial, analytical and budget data maintenance in P MEC did not allow for a payroll accounting document to be sent to IFMIS due to differences in the datasets. A data mapping exercise was conducted by the Ministry of Finance to attempt to close the data gaps.

An alternative solution was proposed to integrate the PMEC with the IFMIS in a single instance and use the same dataset. Cabinet and Treasury Authority for the single instance was sought and granted. However, implementation could not start off due to the non-availability of resources.

The Secretary to the Treasury submitted that the process of integration and interface of IFMIS and e-GP system was initiated in 2017 through the development of the detailed business requirements and workflow diagrams for the integration and interface of the two systems, unfortunately the IFMIS crashed in January, 2018 and the integration was halted.

The integration was included as part of the deliverables during the project to enhance IFMIS SAP system and the consultant engaged, completed the preparation and design of Business Blue Print (BBP), which was satisfactory simulated and tested. The full implementation was awaiting engagement of the e-GP system software developers to conclude the configuration and integrations of the two systems.

The Committee was informed that a progress report would be availed once the integration was completed.

Committee's Observations and Recommendations

The Committee expresses concern at the delay to interface IFMIS with PMEC and e-GP systems. The Committee is concerned that the delay will have a corresponding effect on the efficiency of doing financial transactions and finalisation of electronic procurement processes. The Committee, therefore, urges the Secretary to the Treasury to ensure that the interfaces are actualised without fail. The Committee will await a progress report on the matter.

j. Procurement and Implementation of the e-GP System

▪ Failure to Utilise e-GP System

In his response, the Secretary to the Treasury submitted that a total of sixty-three procuring entities were introduced on the e-GP system, forty-two were utilising the system and twenty-one were not utilising it. In order to address this omission, the Accountant General had been instructed to engage the Controlling Officers in charge of the respective procuring entities to find out the challenges they were encountering in the use of the e-GP system.

The Committee was informed that a progress report would be availed to the Committee in due course.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to be proactive and ensure that all the MPAs are utilising the e-GP system without exception. The Committee will await a progress report on the matter.

▪ Failure to Integrate IFMIS with e-GP

In his response, the Secretary to the Treasury submitted that the process of integration of IFMIS and e-GP system was initiated in 2017, through the development of the detailed business

requirements and workflow diagrams for the integration of the two systems. Unfortunately the IFMIS crashed in January 2018 and the integration was halted. The integration was included as part of the deliverables during the project to enhance IFMIS SAP system and the consultant engaged, completed the preparation and design of Business Blue Print (BBP), which was satisfactory simulated and tested. The full implementation was awaiting engagement of the e-GP system software developers to conclude the configuration and integrations of the two systems.

The Committee was informed that, a progress report would be availed once the integration was completed.

Committee's Observations and Recommendations

The Committee expresses concern at the delay to interface IFMIS with e-GP system. The Committee is concerned that the delay will have a corresponding effect on the efficiency of doing financial transactions and finalisation of electronic procurement processes. The Committee, therefore, urges the Secretary to the Treasury to ensure that the interface is actualised without fail. The Committee will await a progress report on the matter.

▪ Failure to Provide for Business Continuity

In his response, the Secretary to the Treasury submitted that the Board approved the Infrastructure and Business Continuity Plan for the Authority and the implementation was at an advanced stage. Progress on the completion of the project would be availed upon conclusion. The Secretary to the Treasury also submitted that the Disaster Recovery and Business Continuity Plan (DRBCP) for IFMIS, PMEC and TSA were reviewed in September, 2018.

From the last review, the Ministry implemented system enhancements which resulted in technological changes while the business processes remained unchanged. This entailed that there was no need to revise the business processes. However, in September, 2020, the backup and operations policy were revised to incorporate the technological changes that were implemented. In order to incorporate the changes from the backup policy into the Disaster Recovery and Business Continuity Plan (DRBCP) for IFMIS, PMEC and TSA, Treasury had budgeted and planned for the review, in the 2022 annual budget.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

k. Lack of Offsite Backup

In his response, the Secretary to the Treasury submitted that the IFMIS and PMEC systems were hosted in two physical data centres; with both sites having similar copies of databases and applications which mitigated the risk of complete data loss should any data centre experience a disaster.

While the AVAMAR solution was used for online disc backup, the Ministry of Finance in March, 2021 went on further to procure a VERITAS Tape Library to be used for creation of

offline tape backups. Engagements with other Institutions to offer some physical space for storage of the backups had also been initiated.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

I. Lack of Insurance Cover for PMEC and IFMIS Hardware Equipment

In his response, the Secretary to the Treasury submitted that insurance was a form of risk mitigation by transferring the risk to a third party. The identified risks of system unavailability and data loss had been mitigated by way of the following:

- mitigation against the risk of System unavailability, the IFMIS/PMEC systems had been distributed/co-located in two physical sites which are: MOF and Infratel Data Centres. In the event of disruption in one site, the service would still be available in the other site. Infratel had invested heavily in its data centre and was a certified Tier III data centre to guarantee 99.999 percent system availability. The Ministry of Finance data centre had also been improved by way of installing; Biometric Access Control to prevent theft, automatic fire suppression system, UPS and two Standby Power Generators; and
- the Service Level Agreement also covered replacement of spares to ensure quick replacement of faulty/failed components thereby mitigating delays in system repair.

The Committee was informed that, in order to address the Auditor General's observations, the Ministry would undertake a review of the current risk management mitigations employed with a view of transferring the risk to a third party.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to ensure that PMEC and IFMIS Hardware Equipment are insured and supporting documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

MINISTRY OF COMMUNITY DEVELOPMENT AND SOCIAL SERVICES

PARAGRAPH 20

Department : **Community Development**
Unit : **Food Security Pack**
Program : **Various**
Activities : **Various**

20.1 Mandate

25. The Ministry of Community Development and Social Services is mandated to provide and facilitate the provision of equitable social protection services to communities in order to contribute to sustainable human development.

20.2 Audit Findings

An examination of accounting and other records at the Ministry Headquarters and selected stations countrywide for the period under review revealed the following to which the Controlling Officer submitted as set out below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December, 2020, a total provision of K1,859,753,476 was made to cater for the operations of the Ministry against which amounts totalling K1,209,849,346 were released resulting in an underfunding of K649,904,130.

As at 31st December, 2020, the Ministry had spent amounts totalling K1, 209,849,346.

Management Response

In response, the Controlling Officer submitted that the Ministry was not only underfunded amounts totalling K649,904,130, but also experienced delays in releases of the budgeted funds which generally adversely affected the implementation of programmes and activities, thereby giving rise to some queries highlighted by the Auditor General.

The Committee was informed that the Ministry had continued engaging the Treasury on full release funds.

Committee's Observations and Recommendations

The Committee notes the response on the matter.

b. Food Security Pack

i. Failure to Fully Implement the Food Security Pack

In response, the Controlling Officer submitted that the secondary components of the Food Security Pack programme namely: Wetland Cropping and Alternative Livelihood Intervention (ALI) were not being allocated adequate resources to support the full implementation of the programme over the past four years mainly due to underfunding of the Ministry arising from budgetary constraints.

The Committee was informed that the Ministry was implementing the Alternative Livelihood Initiative of the FSP at community level through funds realised from beneficiary recoveries.

In addition, following the sustained increase in the budgetary ceiling for the programme in the Financial Years 2021 and 2022, the Ministry had allocated resources to support the implementation of Wetland and Alternative livelihood interventions.

Committee's Observations and Recommendations

The Committee finds it unacceptable that Wetland Cropping and Alternative Livelihood Intervention (ALI) activities remained unfunded and unimplemented since 2014. The Committee contends that while it was appreciated that the Ministry had been receiving inadequate funds, it was inconceivable that the same activities remained unimplemented. In this regard, the Committee urges the Controlling Officer to prioritise the implementation of Wetland Cropping and Alternative Livelihood Intervention (ALI) activities without delay. The Committee will await a progress report on the matter.

ii. FSP – Supply of Inputs in 2020/2021 Farming Season

o Undelivered Farming Inputs - Zambezi Ranching and Cropping Limited

The Controlling Officer submitted as set out below.

a. Shangombo District

In response, the Controlling Officer submitted that the under-delivery of the ten bags of 5Kg maize seed was discovered at the time of supply on 28th October, 2020. In this regard, arrangements were made with the Supplier for the delivery of the remaining consignment after it was noted that the delivery note number 025469, that was issued had incorrectly indicated that 300 bags of maize seed had been delivered when only 290 bags had been received. Even though this was so, the query was maintained in that a letter of confirmation of delivery was required, from the Supplier.

The Committee was informed that the shortfall of the ten by 5kg maize seed was subsequently delivered on 7th December, 2020. In addition, the supplier furnished the Ministry with a letter affirming that full delivery of the consignment had been made.

Delivery Note, Goods Received Notes and Confirmation letter from the supplier were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

b. Mbala District

In response, the Controlling Officer submitted that the Ministry's distribution schedules of inputs for the 2020/ 2021 farming season under the Food Security Pack Programme indicated that the 300 beneficiaries under Mbala District were each earmarked to receive a full pack consisting of one bag of 50Kg Urea, two bags of 50 Kg D- Compound, one bag of 10 kgs maize seed and one bag of 5Kg legume seed namely: Mbereshi beans. However, the query on the other hand, maintained that groundnut seeds were also part of the pack distributed to the beneficiaries under Mbala District.

Registers and Goods Received Note were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

o Late Delivery of Farming Inputs

In response, the Controlling Officer submitted that the delayed funding to the Ministry by the Treasury led to delays in settling advance payments in respect of contractor mobilisation. Consequently, suppliers encountered difficulties in commencing and completing the deliveries of inputs within the stipulated timeframes.

The Committee was informed that the Ministry had continued engaging the Treasury on the timely release of funds in order to enable prompt settlement of contractual obligations.

Payment details were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

o Delivery of Damaged Fertilizer – Nyimba Investments Limited

a. Lunga District

In response, the Controlling Officer submitted that the nine by 50 Kgs bags of Urea and three by 50Kgs bags of D-Compound fertilisers had their packaging damaged during transportation via Lake Bangweulu to Lunga District.

The supplier was engaged to replace the bags of fertiliser and was willing to make good but could not do so as the bags were already distributed to the beneficiaries following the onset of the planting season since the quantities had considerably remained intact.

The Committee was informed that management had since charged the District Community Development Officer for receiving damaged inputs contrary to FSP guidelines.

Letter from the supplier for the replacement of damaged goods and charge letter were available for audit verification.

Committee's Observations and Recommendations

The Committee finds it unfortunate that damaged Fertiliser was delivered by the supplier and distributed to the beneficiaries. The Committee contends that this is due to inadequate Goods received and distribution mechanisms in place. The Committee, therefore, urges the Controlling Officer to enhance the mechanisms in place to prevent the recurrence of the query. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

b. Mpika District

In response, the Controlling Officer submitted that the supplier was engaged to replace the bags of fertilizer and was willing to replace but could not do so as the consignment in question had already been distributed to the beneficiaries following the onset of the planting season as the quantities were considerably intact.

The Committee was informed that as a deterrent measure to avert a recurrence, Management had since charged the District Community Development Officer for receiving damaged inputs.

Letter from the supplier for the replacement of damaged goods and Charge letter were made available for audit verification.

Committee's Observations and Recommendations

The Committee finds it unfortunate that damaged Fertiliser was delivered by the supplier and distributed to the beneficiaries. The Committee contends that this is due to inadequate Goods received and distribution mechanisms in place. The Committee, therefore, urges the Controlling Officer to enhance the mechanisms in place to prevent the recurrence of the query. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

c. Kasempa District

In response, the Controlling officer submitted that the fertilizer packaging was damaged while in transit to Kasempa district.

The Controlling Officer submitted that the supplier was engaged and the seven by 50 Kgs bags of D-Compound and one by 50Kg of Urea fertilizers were replaced as the consignment was not distributed to the beneficiaries.

The Delivery note, Goods Received Note and Charge letter were made available for audit verification.

Committee's Observations and Recommendations

The Committee finds it unfortunate that damaged Fertiliser was delivered by the supplier and therefore, urges the Controlling Officer enhance the Goods received mechanisms in place to prevent the recurrence of the query. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

○ Failure to Replace Inputs – Zambezi Ranching and Cropping

In response, the Controlling Officer submitted that the reported non- germination of Kabulangeti beans and groundnuts seeds (MGV4) respectively, supplied by Zambezi Ranching and Cropping Limited in five out of the twelve CWACs in Solwezi District could not be exclusively attributed to the Supplier.

The Controlling Officer also submitted that the seed in question was certified by Seed Control and Certification Institute under the Ministry of Agriculture and was supplied to all districts in the Country where no similar adverse germination performance was reported.

The Committee was also informed that the Ministry engaged the supplier over the reported isolated incident of non-germination of the seed which could have been caused by many other contributory factors such as: poor planting methods and timing, soil quality, excessive rainfall and poor overall crop management. However, the supplier's position was that their seed was certified and instead of replacing, they showed willingness to donate out of goodwill. The Ministry was still following up the matter with the supplier.

A letter from the supplier was made available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure adherence to the contract provisions, on the supply of groundnut seeds, so that the Supplier is compelled to replace the failed seed without delay. The Committee will await a progress report on the matter.

iii. Inspections of Food Security Pack Programme in the Districts

• Irregular Collection of Recoveries - Nchelenge District

In response, the Controlling Officer submitted that the query was caused by the failure on the part of the responsible officer in adhering to FSP Guidelines that required beneficiaries to pay back after harvesting the crop. Consequently, this constituted serious misconduct on the part of the concerned Officer.

The Controlling Officer also submitted that management charged the responsible District Officer for failure to adhere to the FSP guidelines.

The Committee was informed that going forward, management would ensure that officers and the communities were sensitised on the FSP guidelines to avoid a recurrence. A charge letter was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

- **Unaccounted for Funds - Nchelenge DCDO-K42,500**

- a. **Nchelenge district**

In response, the Controlling Officer submitted that the query was as a result of an Officer's failure to follow laid down FSP guidelines and the Financial Regulations.

The Controlling Officer also submitted that the funds in question were spent on the procurement of goats in four Area Food Security Pack Committees/CWACs namely: Kilwa, Kasumpa, Mwatishi and Chilongo as an Alternative Livelihood Intervention which was one of the components of the Food Security Pack Programmes.

The procurement of goats for distribution to the beneficiaries was undertaken after the District Food Security Pack Committee (DFSC) had granted approval, in line with the FSP guidelines. Accordingly, the expenditure incurred against the K42,500 was broken down as follows:

- Mwatishi Food Security Committee bought 15 she goats worth K7,500;
- Kilwa Island Food Security Committee bought 30 she goats worth K15,000;
- Chilongo Food Security Committee bought 25 she goats worth K12,500; and
- Kasumpa Food Security Committee bought 15 she goats worth K7,500.

The Committee was informed that the total number of she goats bought were 85, at a cost of K500 each, giving the total cost of K42,500. The erring Officer had been charged for failure to follow laid down procedures.

The Application forms, Receipts, Beneficiary register and DFSPC minutes were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

b. Mungwi District

In response, the Controlling Officer submitted that the query was as a result of the project proposal and expenditure record not being availed to the auditors during the audit process.

The Committee was informed that the concerned officer had been cautioned.

The approved project proposal and list of beneficiaries were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Delayed Banking - Nchelenge District-K54,000**

In response, the Controlling Officer submitted with regret that amounts totalling K54,000 were not banked within the stipulated period as required by the Financial Regulations. The anomaly was as a result of failure by the responsible officers to promptly open and deposit funds into the District Recoveries Bank Account.

The Controlling Officer also submitted that the status at the time was that the funds were deposited following opening of the District Recoveries Bank Account. In addition, management had charged the responsible erring officers for the omissions.

The Charge letters and bank statement for the District recoveries account were made available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Under Collection of Agricultural Produce**

In response, the Controlling Officer maintained that in line with the FSP guidelines, recoveries were based on the actual produce harvested and not the anticipated produce. The reported under collection of recoveries in Mpongwe, Masaiti, Mwense, Chienge, Samfya, Kawambwa, Nchelenge, Luanshya, Mufulira, Kitwe, Lusaka, Chirundu, Kafue and Kalomo Districts, estimated at a value of K431,022 was computed based on the expected yields on the inputs utilised and not the actual yields harvested, as dictated by the FSP Guidelines.

The Controlling Officer also submitted that the COVID-19 pandemic generally affected agricultural activities during the period under review. Travel restrictions imposed during the year as a result of the COVID-19, also affected monitoring and follow ups on the produce. Other contributory factors for the poor performance in the collection of recoveries were tabulated below:

<i>S/N</i>	<i>Districts</i>	<i>Reasons for failure to collect recoveries</i>
1	Masaiti, Mpongwe, Mufulira, Luanshya and Kitwe	Adverse weather conditions and fall army worms
2	Kawambwa, Mwense, Samfya, Chienge, Kafue, Chirundu, Lusaka and Kalomo Districts	Failure to record 100 percent collection of recoveries due to beneficiaries recording poor harvests
3	Kanchibiya, Mafinga and Chinsali Districts	Non-enforcement of collection of recoveries

The Committee was informed that the Ministry would continue sensitising officers, CWACs and the communities at large on the FSP guidelines, so as to ensure enhanced collection of produce from the participating beneficiaries.

Reports from the Ministry of Agriculture detailing the extent of the adverse weather and FSP Guidelines were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern at the non-enforcement of collection of recoveries in Kanchibiya, Mafinga and Chinsali Districts and the poor collection recorded in other districts. In this regard, the Committee urges the Controlling Officer to impress upon ministry officers in the affected districts to be proactive and ensure that, in line with FSP guidelines, the 10 percent of the yield is recovered from all the beneficiaries without exception. The Committee also urges the Controlling Officer to enhance the collection mechanisms in the districts so that activities are not hampered by outbreak of the COVID-19 pandemic. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Unacquainted for Inputs-K1,949,838**

In response, the Controlling Officer submitted that the query was caused by the failure to avail correct beneficiary registers at the time of the audit. In this regard, the respective Districts submitted beneficiary registers for the 2019/2020 farming season instead of the 2020/2021 farming season, leading to a delay in furnishing the records for audit verification.

The Controlling Officer also submitted that the status at the time was that the four districts had submitted duly completed acquittal sheets showing where 305 beneficiaries collected their farming inputs.

The Committee was informed that management had cautioned the officers for the delay in making the submissions.

FSP registers and Charge letters were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place which will enhance internal control measures in place to avoid the reported delay in availing of supporting documents. The Committee also urges the Controlling Officer to ensure that supporting documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Unaccounted for Inputs-K491,805**

In response, the Controlling Officer submitted that the anomaly was due to the failure by the District Officers in availing beneficiary registers evidencing the distribution of the inputs, as they were still being used by the Community Development Assistants at the various sub-centres.

The Controlling Officer also submitted that the status at the time was that all the beneficiary records were available for audit verification.

FSP Programme beneficiaries' registers were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place which will enhance internal control measures in place to avoid the reported delay in availing of supporting documents. The Committee also urges the Controlling Officer to ensure that supporting documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Unapproved Beneficiaries**

In response, the Controlling Officer submitted that the query was caused by the failure by the District Community Development Officer to update the beneficiary register, following replacement of ineligible beneficiaries by the CWACs as per the approved list.

The Committee was informed that the responsible officer had been charged for negligence and the FSP beneficiary register had been updated accordingly. The Committee was also informed that management had since planned the digitisation of the FSP programme in the year 2022, under the enhanced ZISPIS.

FSP register and approved list of beneficiaries were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place which will enhance internal control measures in place to avoid the reported delay in availing of supporting documents. The Committee also urges the Controlling Officer to ensure that supporting documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the digitisation of the FSP programme.

- **Inputs Collected Twice by Same Beneficiary – Chinsali District-K3,484**

In response, the Controlling Officer submitted that the query arose due to the fact that the beneficiary in question collected inputs on behalf of another beneficiary, contrary to the FSP guidelines.

The Committee was informed that the inputs in question were duly received by the intended beneficiary. However, management had charged the responsible officer for flouting FSP guidelines in the issuance of inputs.

A letter from the beneficiary confirming receipt of the inputs and a charge letter to the District Officer were available for audit verification.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and ensure that supporting documents are availed to the Office of the Auditor General for audit verification subject to which the matter must close.

- **Beneficiaries with Duplicate National Registration Cards – Chinsali District-K6,969**

In response, the Controlling Officer submitted that the manual FSP system could not detect that the two beneficiaries, Monica Chileshe and Ronnie Mulenga, both of whom were eligible beneficiaries of the programme, shared a common National Registration Card Number 140532/46/1.

The Committee was informed that the matter had been referred to the Department of National Registration, Passports and Citizenship (DNRPC), for possible resolution of the shared NRC number.

A Letter to the Department of National Registration, Passports and Citizenship (DNRPC) was available for audit verification.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

c. Accounting Irregularities

- i. Missing Payment Vouchers – Nakonde District-K20,980**

In response, the Controlling Officer submitted that the query was caused by misfiling of the two payment vouchers, following staff transfers that had occurred prior to the audit.

The Committee was informed that the vouchers were traced and were available for audit verification.

The Committee was further informed that management had cautioned the officer for improperly filing the records.

Payment vouchers were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and enhance record keeping in the Ministry. The Committee also urges the Controlling Officer to ensure that supporting documents are availed to the Office of the Auditor General for audit verification subject to which the matter must close.

ii. Irregular Use of Accountable Imprest – Nakonde District-K31,819

In response, the Controlling Officer submitted that the query was caused by the failure on the part of responsible officers in adhering to the provisions of the Financial Regulations of 2020.

The Committee was informed that the Ministry had charged the District Community Development Officer for breach of accounting guidelines. In addition, the Ministry would continue to re-orient all non-accounting officers handling financial management matters at district level.

The Charge letters were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and ensure that supporting documents are availed to the Office of the Auditor General for audit verification subject to which the matter must close.

iii. Failure to Follow Tender Procedures – Chadiza District

In response, the Controlling Officer submitted that the query was caused by the failure of the responsible officer to follow laid down Procurement Regulations and procedures.

The Committee was informed that the officer had been cautioned and advised to follow the laid down Procurement Regulations and Procedures when engaging suppliers of goods and services.

The Committee was further informed that management was conducting trainings in financial management and procurement regulations to non-accounting staff handling the FSP programme in districts.

A caution letter to the officer was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and ensure that supporting documents are availed to the Office of the Auditor General for audit verification subject to which the matter must close.

d. Recurrent Departmental Charges- K101,761

i. Outstanding Bills

In response, the Controlling Officer submitted that the delay in settling the outstanding utility bills in respect of waste disposal, newspapers and telephone handsets, among others was due to erratic funding to the Ministry during the period under review. The K10,000 in question remained outstanding due to lack of supporting documentation.

The Committee was informed that the outstanding bills had been settled centrally by the Ministry of Finance. As regards, the K10,000 owed to Golden vocals (Choirs), management wished to state that the amount would be settled once relevant supporting documentation was made available.

The payment schedule was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to expeditiously engage the said Golden vocals (Choirs) on the unpaid K10,000, so that the matter is addressed without delay. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Lack of Title Deed

The Committee was informed that previously, the function of asset management was under the jurisdiction of the Ministry of Finance, until recently when this function was delegated to the respective ministries.

The Committee was also informed that the Ministry engaged the Commissioner of Lands, under Ministry of Lands and Natural Resources, requesting for the issuance of a copy of the title deed and the plot number for the building. The survey process had since been completed awaiting issuance of the title deed.

A Letter to the Commissioner of Lands was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and ensure that supporting documents are availed to the Office of the Auditor General for audit verification subject to which the matter must close.

e. Staff Related Matters - Unauthorised Staff on Payroll

In response, the Controlling Officer submitted that the variance between the Ministerial payroll and the 2020 Establishment Register arose for the following reasons:

- a) at the time the Department of Mother and Child Health was split from the Ministry of Community Development and Social Services, some positions and staff under the said

department were retained on the Ministry pay roll. The Ministry had continued to engage the Public Service Management Division to re-align the Establishment Register and the Staff Assignment (Payroll); and

- b) the excess staff on the payroll was as a result of not having updated the Establishment Register in a long time leading to discrepancies with the Payroll Staff Assignment. The changes to the existing Establishment Register could only be effected upon availing the Division with the Treasury authorities issued at the time when the Ministry was being restructured to support the said changes.

The Committee was informed that the Controlling Officer had engaged the Public Service Management Division on the revision of the Establishment Register.

Letter to the Public Service Management Division was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to re-engage the PSMD to expedite the revision of the Establishment register. The Committee will await a progress report on the matter.

f. Self-help Initiative Programme

i. Failure to Provide Expenditure Returns for the Project-K542,880

In response, the Controlling Officer submitted with regret that at the time of the audit, the expenditure returns for amounts totalling K542,880 for the three projects were not made available. This was as a result of misfiling on the part of the community representatives participating in the self-help project.

The Committee was informed that communities had since submitted expenditure returns.

Receipts and expenditure returns were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and ensure that supporting documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Lack of Self-Help Initiative Guidelines

In response, the Controlling Officer submitted that the Ministry had developed Guidelines for the Community Self Help Initiative project, which was still in draft form awaiting stakeholder validation and approval. The delay had been caused by the lack of funds to validate and approve the Guidelines. In addition, the COVID-19 pandemic also hampered the finalisation of the Guidelines.

The Committee was informed that the Ministry had allocated funds in the 2022 budget to validate and approve the Guidelines, by end of the second quarter of the year, subject to availability of resources.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the Self-Help Initiative Project was rolled out when Guidelines were not in place. The Committee is of the strong view that this may lead to un-coordination and mismanagement of public resources. The Committee, therefore, urges the Controlling Officer that the Guidelines are validated and approved without any further delay. The Committee will await a progress report on the matter.

MINISTRY OF COMMUNITY DEVELOPMENT AND SOCIAL SERVICES PARAGRAPH 21

Department: Social Welfare

Unit: Social Cash Transfer

Program: Various

Activities: Various

21.1 Background

26. The Government through the Ministry of Community Development and Social Services has been implementing the Social Cash Transfer Scheme (SCT) in all the districts across the country with the objective of reducing extreme poverty and vulnerability at household level.

According to Chapter 1.2.1 of the social cash transfer guidelines, the major objective of the programme was to contribute towards reduction in extreme poverty and the intergenerational transfer of poverty. Further, the programme aimed to contribute towards the increase in the number of households having a second meal per day and promote household food security.

The beneficiaries were in two (2) categories namely; the vulnerable and the disabled who received K180 or K360 per payment cycle, respectively.

In this regard, the beneficiaries were entitled to social cash payments every two (2) months to assist in poverty alleviation.

During the year under review, the Ministry had a total of 616,464 (able bodies - 554,753 and disabled – 61,711) Social Cash Transfer beneficiaries.

21.2 Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and selected districts for the financial year ended 31st December, 2020, revealed the following to which the Controlling Officer submitted as set out below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December, 2020, a total provision of K1,601,833,065 was made to cater for implementation of Social Cash Transfer programmes against which amounts totalling K849,641,252 were released resulting in an underfunding of K752,191,813.

In addition, a balance of K10,958,151 was brought forward from 2019 bringing the total available funds to K860,599,403. See table 21.1 below.

Table: 21.2: Budget, Funding and Expenditure

No.	Details	Approved Estimates K	Supplementary K	Total Provision K	Release K
1	Social Cash Transfer (GRZ)	699,494,400	320,000,000	1,019,494,400	267,302,587
2	Social Cash Transfer (Donor)	582,338,665	-	582,338,665	582,338,665
3	Balance B/F @ 1st January 2020	-	-	-	10,958,151
Total		1,281,833,065	320,000,000	1,601,833,065	860,599,403

Although the Ministry was underfunded, as at 31st December, 2020, amounts totalling K729,694,008 had been spent leaving a balance of K130,905,395 (GRZ – K11,250,763 and Donors - K119,654,632).

As at 31st July, 2021, no satisfactory explanation was provided in respect of the failure to fully disburse the funds.

Management Response

In response, the Controlling Officer submitted that the Ministry was under-funded with an amount of K752,191,813 during the period under review. Available resources totalling K11,250,763, in the GRZ Social Protection Counterpart Account, were insufficient to cater for the minimum caseloads in the forty-nine districts under GRZ support, which required about K98,000,000. As a result, the funds were carried forward, for disbursement in the first quarter of the 2021 financial year.

The Controlling Officer also submitted that, funds totalling K119,654,631.80 in Multi-Donor Trust Fund Account were part of the K582,338,665 that were funded on 3rd December, 2020.

These funds were also carried forward as they were ring-fenced for the sixty-seven districts under additional financing support by the cooperating partners.

The K11,250,763 in the GRZ component that was carried forward, was part of the funds that were disbursed to the 251,478 beneficiaries in the 2021 financial year, in the forty-nine districts under the GRZ financing support.

The K119,654,631.80 in Multi-Donor Trust Fund Account carried forward were programmed to be partly applied towards the payment of cash transfers for beneficiaries in respect of the

January/ February, 2021 payment cycle, in the sixty seven districts under additional financing support. Subsequently disbursements were made in year 2021 to the 364,986 beneficiaries, after authorisation was granted by the cooperating partners.

Payment schedules for the January/February cycle were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and ensure that funded activities are implemented timely. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

b. Information and Communication Technology Systems- Failure to Disburse due to System Failure-K437,760

In response, the Controlling Officer submitted that the omission was caused by the failure on the part of the responsible officer to promptly notify the Ministry headquarters over the malfunctioning of the MIS, leading to non-payment of transfers to the affected beneficiaries.

The Controlling Officer also submitted that the Nkeyema Social Welfare Office did not create and retain a back-up copy of the district MIS despite having been trained in 2018.

The Committee was informed that the computer in question and MIS for Nkeyema were repaired in December, 2020 and the data-set was restored and was functional. In this regard, the back-up had since been done and the unpaid beneficiaries of 1,139 had since received their entitlements amounting to K437,760. In addition to repairs and restoration of data for the district office, management at headquarters had provided an extra computer to facilitate backups in order to ensure business continuity at all times.

The Committee was further informed that the responsible officer had since been charged for negligence of duty.

The charge letters and Proof of payment were made available for audit verification

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

c. Failure to Disburse Programme Funds-K86,151,000

In response, the Controlling Officer submitted that the 251,478 beneficiaries were under the forty-nine districts whose funding was to be drawn from the GRZ funding component.

However, the Treasury only released funds for two payment cycles covering January/February; and March/April, 2020, bi-monthly. As a result, the remaining bi-monthly payment cycles for the year under review, could not be made.

The Committee was informed that, the available resources under the Multi Donor Trust Fund Account, were specifically designated for the 364,986 beneficiaries under sixty-seven districts financed by Cooperating Partners. Therefore, the Ministry could not utilise ring-fenced donor funds to pay the 251,478 beneficiaries in question under the GRZ counterpart funding arrangement. In any case, the disbursement would have amounted to not only misapplication of funds but breach of the financing agreement.

The Ministry had been engaging the Treasury to ensure full funding was released to cater for districts under the GRZ counterpart funding component. There had been a significant improvement in funding releases during the 2021 financial year. Supporting documents were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to prioritise the payment of the affected beneficiaries once funding is made available. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

d. Accounting Irregularities

i. Delayed Banking - K17,060

In response, the Controlling Officer submitted that the anomaly was caused by failure on the part of district officers to ensure that Pay Point Managers (PPM's) promptly redeposited the uncollected funds.

The Committee was informed that management charged the responsible officers for their failure to effectively guide PPMs to redeposit the funds in line with Financial Regulations and SCT Guidelines.

Charge letters were made available for audit verifications

Committee's Observations and Recommendations

The Committee expresses concern at the delay in banking of revenue and therefore, urges the Controlling Officer to put measures in place which will ensure that PPMs are sensitised on financial regulations and the SCT guidelines, at the point of recruitment, without fail. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Unaccounted for Remittances-K10,243,654

In response, the Controlling Officer submitted that the variances were caused by misfiling of payment vouchers and Electronic Fund Transfer Advices (EFTAs) in respect of the funding made to other programmes. As a result, funding details in respect of other programmes such as the Service Efficiency and Effectiveness for Vulnerable Children and Adolescents (SEEVCA) project, Juvenile Welfare and Public Welfare Assistance Scheme (PWAS), which were also disbursed to the same accounts in the districts and provinces, other than the Social Cash Transfer

funding, were not captured in the reconciliation. This caused distortion in the remittances, leading to the query.

The Committee was informed that the Ministry had enhanced proper filling of records through re-orientation of staff. Therefore, all payment vouchers and EFTAs that were misfiled had since been traced and the funding variances between the Ministry and provinces/districts had accordingly been harmonised. Supporting documents were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iii. Unacquitted Funds-K193,274

Mufumbwe District:

In response, the Controlling Officer submitted that The Pay Point Managers (PPM) delayed in availing deposit slips to the District Office, leading to the failure to submit the records to the auditors at the time of the audit and management deeply regretted the anomaly.

The Controlling Officer also submitted that deposit slips were availed and were available for verification. The Committee was informed that, the concerned officers had been cautioned to ensure that prompt follow-ups were made to facilitate timely submission of deposit slips by the PPMs.

Deposit slips were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Kasempa District:

In response, the Controlling Officer submitted that the query arose from the piloting of the Zambia Integrated Social Protection Information System (ZISPIS), as a payment mode for the districts, which utilised a centrally managed virtual account maintained at Atlas Mara bank in Solwezi, as opposed to the designated account for the district which was held at NATSAVE Kasempa Branch.

The Committee was informed that NATSAVE bank did not successfully integrate with ZISPIS as a Payment Service Provider at the time of the pilot. As a result, the District was made to access the funds through the virtual account in Solwezi in order to facilitate disbursements, since Atlas Mara had no branch in Kasempa District.

The Committee was further informed that, the District only utilised K1,079,163 against an allocation of K1,160,057, leaving a balance of K80,894 which remained in the virtual account.

The Ministry recalled all the unspent funds in the virtual accounts, which included the K80,894 in the Ministry account, which was a pool account. In addition, the Committee was informed that the integration of NATSAVE on the ZISPIS had since been successfully concluded.

Bank statements and Letter to recall funds into the Ministry pool Account were made available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Nchelenge District:

In response, the Controlling Officer submitted that the query was caused by the PPMs who did not promptly submit deposit slips to the District Office.

The Controlling Officer also submitted that the PPMs resided in the localities of the beneficiaries, where in some cases, there were no banking facilities in close proximity.

Management regretted that at the time of the audit, the District Office failed to avail deposit slips amounting to K900 to the auditors.

The deposit slips were available and were ready for verification.

The Committee was informed that management had since cautioned the concerned officer for failing to promptly collect deposit slips from the PPMs.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Namwala District

In response, the Controlling Officer submitted that payment vouchers and the acquittal sheets were misfiled at the time of the audit. Therefore, management regretted that the District Office failed to avail acquittal sheets and payment vouchers at the time of the audit.

The Controlling Officer also submitted that records were traced and were available for audit verification.

The Committee was informed that the concerned officers were warned and cautioned to ensure they adhered to proper filling of documentation.

Acquittal sheets and Payment vouchers were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Kawambwa District:

In response, the Controlling Officer submitted that the query was caused by the PPMs who did not promptly submit deposit slips to the District Office.

The Controlling Officer also submitted that the PPMs resided in the localities of the beneficiaries, where in some cases, there were no banking facilities in close proximity.

The Committee was informed that it was regrettable that at the time of the audit, the District Office failed to avail deposit slips amounting to K99,720 to the auditors.

The deposit slips were availed and were ready for verification.

The Committee was also informed that management had since cautioned the concerned officer for failing to promptly collect deposit slips from the Pay Point Managers.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Mungwi District:

In response, the Controlling Officer submitted that the query was caused by the PPMs who did not promptly submit deposit slips to the District Office. The Controlling Officer also submitted that the PPMs resided in the localities of the beneficiaries, where in some cases, there were no banking facilities in close proximity.

The Committee was informed that management regretted that at the time of the audit, the District Office failed to avail deposit slips amounting to K3,060 to the auditors. The deposit slips were availed and were ready for verification. The Committee was also informed that management had since cautioned the concerned officer for failing to promptly collect deposit slips from the Pay Point Managers.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iv. Irregular Withdraw of Cash-K534,844

In response, the Controlling Officer submitted that the officers made the withdraws based on a waiver issued by the Office of the Accountant General, dated 14th May, 2020, referenced MF/OAG/101/23/4, which gave authority for district officers to draw cash for payment of subsistence allowances and fuel meant to facilitate programme implementation.

Authority dated 14th May, 2020 referenced MF/OAG/101/23/4 was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

v. Failure to Disburse Funds to Beneficiaries – Kalumbila-K188,560

In response, the Controlling Officer submitted that the query was caused by the District Social Cash Transfer (SCT)-Management Information System experiencing challenges in archiving beneficiaries that exited or relocated over the years.

The funds in question were remitted back to the Ministry's main account, after all eligible beneficiaries in the District were paid their cash transfers, after successfully archiving the exiting beneficiaries from the system.

The Committee was informed that the Ministry was migrating to the enhanced Zambia Integrated Social Protection Information System (ZISPIS) from the SCT- MIS, to avert a recurrence of such data management challenges. Supporting documents were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

vi. Duplicate Payment of Transfer Amounts- Mazabuka-K7,920

In response, the Controlling Officer submitted that the anomaly was attributed to deficiencies in the beneficiary Management Information System (MIS) which could not filter duplicates at the time of enrolment of the beneficiaries.

The Controlling Officer also submitted that beneficiary register containing duplicated households was corrected and the overpaid funds amounting to K3,960 have since been redeposit. Deposit slips were available for audit verification.

The Committee was informed that the Ministry, through the support of cooperating partners and Smart Zambia Institute, had embarked on a new and enhanced system, that is, the Zambia Integrated Social Protection Information System (ZISPIS), which had embedded strong internal

controls in beneficiary case management. The new system was under pilot phase and it was expected that such anomalies would not re-occur.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

vii. Payment to Beneficiaries without NRCs-K20,160

Mongu District-K4, 860

The Controlling Officer submitted that at the time of registration, all beneficiaries without NRCs were allocated a default number 999999/99/9 which was inputted in the SCT – MIS, as permitted by the SCT guidelines at the time of enrolment on the programme.

The Committee was informed that, prior to 2016, beneficiaries or their deputies who had no NRCs were enrolled on the programme and some were still beneficiaries, giving rise to the query in question.

The Committee was also informed that migration of the SCT -MIS into the enhanced ZISPIS would help filter out all beneficiaries and deputies without NRCs. This would allow the Ministry to engage the Ministry of Home Affairs and Internal Security to help address this issue. However, as a control measure, beneficiaries were only paid upon verification by the CWAC members during disbursement of funds.

Acquittal sheets were made available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Kaoma District-K4,680

In response, the Controlling Officer submitted that at the time of registration, all beneficiaries without NRCs were allocated a default number 999999/99/9 which was inputted in the SCT – MIS, as permitted by the SCT guidelines at the time of enrolment on the programme.

The Committee was informed that, prior to 2016, beneficiaries or their deputies who had no NRCs were enrolled on the programme and some were still beneficiaries, giving rise to the query in question.

The Committee was also informed that migration of the SCT -MIS into the enhanced ZISPIS would help filter out all beneficiaries and deputies without NRCs. This would allow the Ministry to engage the Ministry of Home Affairs and Internal Security to help address this issue. However, as a control measure, beneficiaries were only paid upon verification by the CWAC members during disbursement of funds.

Acquittal sheets were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Lusaka District-K10, 620

In response, the Controlling Officer submitted that at the time of registration, all beneficiaries without NRCs were allocated a default number 999999/99/9 which was inputted in the SCT – MIS, as permitted by the SCT guidelines at the time of enrolment on the programme.

The Committee was informed that, prior to 2016, beneficiaries or their deputies who had no NRCs were enrolled on the programme and some were still beneficiaries, giving rise to the query in question.

The Committee was also informed that migration of the SCT -MIS into the enhanced ZISPIS will help filter out all beneficiaries and deputies without NRCs. This would allow the Ministry to engage the Ministry of Home Affairs and Internal Security to help address this issue. However, as a control measure, beneficiaries were only paid upon verification by the CWAC members during disbursement of funds.

SCT Guidelines were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

viii. Disbursements Acquitted by Persons not on the Payment List-K49,780

In response, the Controlling Officer submitted that the query arose because of failure by Pay Point Managers to follow SCT guidelines in the payment of transfers.

The Committee was informed that Pay Point Managers were cautioned against paying funds to persons not on the payment lists.

The Committee was informed that, apart from Namwala District which was yet to submit, the Ministry had since received letters of confirmation from the concerned beneficiaries acknowledging receipt of the transfers.

Acquittal sheets and letters of acknowledgment were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ix. Payments Not Supported by Disability Cards or Certificates-K1,033,560

In response, the Controlling Officer submitted that indeed the cards and medical certificates in respect of disabled beneficiaries were not availed and verified by the auditors during the audit process.

The Committee was informed that disability cards and medical certificates were available for audit verification.

Disability certificates were available for verification.

Committee's Observations and recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

x. Unaccounted for Funds - Nsama District -K102,060

In response, the Controlling Officer submitted that the query arose due to misfiling of payment vouchers upon which funds were drawn to pay beneficiaries.

The Committee was informed that the payment vouchers in question were traced and the cash book was also updated.

The Committee was further informed that the erring officers had since been cautioned and sensitised on proper record keeping.

Payment vouchers and cash book were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

xi. Unretired Accountable Imprest-K24,484

In response, the Controlling Officer submitted that it was regrettable that district officers did not avail retirement documentation in respect of accountable imprest issued to various pay point managers.

The Committee was informed at the time that the status was that all retirements were made and were available for audit verification. To this effect, all officers in question had been cautioned to strictly adhere to the Financial Regulations of 2020.

Supporting Documents were made available for audit verification

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

xii. Unsupported Payments- K1,101,052

In response, the Controlling Officer submitted with regret that the supporting documentation was not availed at the time of audit as they were misfiled.

Even though this was so, all requisite documents were eventually provided.

Supporting documents were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

xiii. Unaccounted for Stores-K157,921

In response, the Committee was informed that at the time of the audit, the stores records were misfiled by the responsible officers.

Supporting documents were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

xiv. Failure to Distribute Goods to Beneficiaries

In response, the Committee was informed that at the time of the audit, the ministerial trucks had broken down and were undergoing repairs at Southern Cross Limited. Further, the delay was caused by travel restrictions in civil service imposed as a result of the COVID-19 pandemic.

The Committee was further informed at the time that the status was that the materials were distributed following availability of transport and the lifting of travel restrictions in the civil service.

Distribution schedules were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

xv. Weaknesses in Management of Liabilities - Failure to Withhold Value Added Tax (VAT)-K50,346

In response, the Controlling Officer submitted with deep regret the irregularity. This omission was caused by the lack of awareness and understanding of payment procedures regarding withholding value added tax, by the social welfare officers handling accounting matters at district level.

The Controlling Officer also submitted that, the Zambia Revenue Authority was creating individual PINs for each district to facilitate the remittances of VAT. The Ministry had since embarked on sensitisation programmes for non-finance personnel handling financial transactions in provinces and districts.

The Committee was informed that the Ministry had appealed to the Office of the Accountant General and the Controller of Internal Audit to have trained accountants and auditors at provincial and district so as to strengthen systems of internal controls.

Letter of instruction to the districts and letter to ZRA were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

MINISTRY OF HEALTH

PARAGRAPH 22

a. Budget, Funding and Expenditure

27. In the Estimate of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a provision of K9,713,645,083 was made to cater for various activities against which amounts totalling K7,143,035,786 were released resulting in underfunding of K2,570,609,297. See table 22.1 below.

Table 22.1: Budget, Funding and Expenditure

No.	Details	Approved Estimate K	Amounts Funded K	Total Expenditure K	Underfunding K
1	GRZ	6,804,165,389	6,130,137,280	6,128,831,792	674,028,109
2	Projects and Donor	2,132,180,547	359,343,006	334,223,323	1,772,837,541
3	Grants to Institutions	777,299,147	653,555,500	653,555,495	123,743,647
TOTAL		9,713,645,083	7,143,035,786	7,116,610,610	2,570,609,297

Although the Ministry was underfunded, as at 31st December, 2020, amounts totalling K7,116,610,610 had been spent leaving a balance of K26,425,176.

Management Response

In his response, the Controlling Officer submitted that the Ministry of Health received K7,143,035,786, against the approved budget provision of K9,713,645,083, resulting in an underfunding of K2,570,609,297 for the period under review.

The Controlling Officer submitted that the reported under expenditure of K26,425,176, was the balance from the K40,204,800, drawn from the Bank of Zambia account for the Project under the Southern Africa Tuberculosis and Health Systems Support (SATBHSS). The funds were drawn for procurement of medical supplies and equipment. However, the activity could not be concluded before the end of the year under review. The activity was therefore carried over into the year 2021 and was still ongoing.

The Committee was informed that the Ministry of Health had continued to engage the Treasury to ensure that the budgeted programmes were adequately funded. These engagements had resulted in improved funding in 2021, as at 31st October, 2021, the Ministry had already received above 80 percent of the Non-Personnel budget allocation.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and ensure that all funded activities are implemented without delay, so that funds are utilised within a particular financial year as appropriated by Parliament. The Committee also urges the Controlling Officer to submit all supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

b. Operational Matters

i. Questionable Outstanding Amounts-K2,241,319,119

In his response, the Controlling Officer submitted that the Ministry owed sixty-three suppliers of medical equipment and medical supplies amounts totalling K2,241,319,119 as at 31st December,

2020. The accumulation of debt was attributable to inadequate budget allocations and inadequate funding experienced during the period under review.

The Controlling Officer also submitted that the Ministry further agreed with the Auditors' concerns expressed on the accuracy and completeness of the outstanding amounts. This was attributable to weaknesses in the overall management of accounts payables at the Ministry.

The records to support the outstanding amounts were poorly maintained. The Director of Finance was reprimanded and directed to devise and implement a robust Accounts Payable Management System.

The Committee was informed that the Ministry had streamlined the management of the Accounts Payable by creating ledgers and individual subject files for every vendor. The Ministry had also developed and issued a Standard Operating Procedure (SOP) on Accounts Payable management.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to take the audit process seriously and desist from acting after the audit process. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Overpayment to Supplier-K1, 556,100

In his response, the Controlling Officer submitted that the overpayment to Nsochita General Dealers amounting to K1,556,100 was attributable to the weaknesses in the Accounts Payable Management System alluded to in (i) above.

The Controlling Officer also submitted that, the Ministry still owed the supplier an amount totalling K15,206,250 and the overpayment had been recovered against this balance.

The Committee was informed that the Ministry had put in place an Accounts Payable Management System to avert the recurrence.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the Ministry overpaid the contractor due to weak internal controls in the Accounts Payable Management System. The Committee wonders how such a critical Ministry could operate without regard to the resilience of the Financial Management Systems. The Committee, therefore, urges the Controlling Officer to ensure that the systems are strengthened without fail. The Committee also urges the Controlling Officer to avail supporting documents to the office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Expired Drugs

In his response, the Controlling Officer submitted that most of the reported expired drugs were Anti-Retroviral (ARV) and Tuberculosis drugs which were due to changes in the treatment protocols. Other drugs that expired, especially in North Western Province, were Magnesium

Sulphate, which was a critical emergency drug that was required to be at the health facilities at all times but in some circumstances remained unused. The analysis was as shown in the table below:

Analysis for Expired Drugs

No.	Institution	Cost K	Category of drugs
1	Kabwe PHO	22,085	ARV'S
2	Kabwe DHO	35,908	ARV'S
3	Ndola DHO	13,577	ARV'S
4	Ndola Teaching Hospital	46,748	ARV'S
5	Kitwe Central Hospital	14,572	ARV'S
6	Solwezi DHO	197,200	ARV'S/ TB
7	Kabompo DHO	137,564	ARV'S/TB/MAGNESIUM SULPHATTE
8	Kabompo Hospital	66,164	ARV'S/TB MAGNESIUM SULPHATTE
	TOTAL	533,818	

The Committee was informed that the Ministry had put in place a system to ensure that facilities did not overstock drugs. The system was based on the principle of demand (Pull as opposed to push system) informed by quantified and well-established reorder levels of stock.

In addition, the Ministry had been conducting structured mentorship on drug supply logistics for improved supply chain management.

The Committee was further informed that, the Ministry had measures in place to constantly monitor stocks so that if there was any projection of drugs which were about to expire, such commodities were redistributed to other needy facilities so that they could be consumed before they could expire.

Analysis of disposals and disposal certificates were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses displeasure that the Ministry was putting in place measures after the audit process and the expiry of drugs. In this regard, the Committee strongly cautions the Controlling Officer to desist from the practice. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iv. Missing Tricycle Ambulances

In his response, the Controlling Officer confirmed that an amount of K14,500 was paid to the Ministry of Works and Supply for the registration of the twenty-nine tricycle Ambulances as GRZ property. The Ambulances were donated to the Ministry to assist in the fight against COVID-19 pandemic.

The Controlling Officer also submitted that the Ministry of Health commenced the registration process with the Ministry of Works and Supply and the GRZ numbers were allotted. However, the donated Ambulances were not physically presented to the Ministry of Health. All efforts to trace the whereabouts of the tricycle Ambulances proved futile until the Ministry wrote to the donor for clarity.

The Committee was informed that, in response to the Ministry's enquiry, Barakatel Investments Limited guided that the items were actually not delivered to the Ministry due to some technical challenges and that they were still ready to deliver. The Ministry was planning to collect them.

Committee's Observations and Recommendations

The Committee expresses concern at the *laissez faire* attitude adopted by the Ministry of health officials on the collection of donated tricycle Ambulances, depriving the Zambian people timely service delivery. The Committee also questions the motive of the donor for not showing any sense of urgency to deliver the donated Tricycle Ambulances. In this regard, the Committee urges the Controlling Officer to ensure that the donated tricycle Ambulances are delivered without delay. The Committee will await a progress report on the matter.

v. Irregularities in the Procurement of 1,500 Tricycle Ambulances

In his response, the Controlling Officer submitted that the Ministry entered into contract with Barakatel Investment Limited for the supply and delivery of 1500 tricycle Ambulances.

The Supplier, Barakatel Investments Limited made a partial delivery of 1,114 tricycle Ambulances within the 2-8 weeks of the contract validity period. The supplier failed to complete the delivery of the tricycles but issued a Tax Invoice for K133,680,000 demanding payment for the delivered Tricycles.

The Committee was informed that when documents were passed for payment a number of lapses in the procurement process were identified and, therefore, the Ministry could not pay. Notwithstanding the number of anomalies, the Ministry could only fall back on the Barakatel failure to supply the items in full to terminate the contract. Therefore, the contract was terminated for failure to supply 1,500 tricycles in full on 8th April, 2021 after following the due termination process.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that all tricycle Ambulances, which were delivered by the supplier, are returned without fail. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

• Questionable Contract Price

The Controlling Officer submitted that the letter which was written to ZPPA indicated an estimated amount of US\$6,150,000. However, the evaluation process was based on the quotation of K120,000 per tricycle that the supplier submitted and which informed the signing of the contract.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Failure to Deliver Tricycle Ambulances as Per Contract**

In his response, the Controlling Officer submitted that the Supplier, Barakatel Investments Limited made a partial delivery of 1,114 Tricycle Ambulances within the 2-8 weeks of the contract validity period and the supplier was issued Goods received certificates from the Chipata, Mansa and Kasama Medical Stores Limited Hubs.

The Committee was informed that failure to deliver the Tricycle ambulances as per contract was the main reason for terminating the contract.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

- **Failure to Enact the Performance Bond-K18,000,000**

In his response, the Controlling Officer submitted that the Ministry had not encashed the performance bond which expired on 5th March, 2021. The Ministry could not encash the performance bond because the process to terminate the contract had already begun.

The Committee was informed that the contract between the Ministry and Barakatel Investments Limited was terminated on 8th April, 2021.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

- **Failure to Meet Contract Specifications**

In his response, the Controlling Officer submitted that the tricycle Ambulances delivered did not conform to the contract specifications as stated above. This too was one of the reasons that led to the cancellation of the contract, as the items which did not meet specifications were considered as not delivered.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification, subject to which, the matter must close.

- **Undelivered Tricycle Ambulance Equipment and Accessories**

The Controlling Officer submitted that the Supplier did not fulfil delivery of equipment and accessories in accordance with the provisions of the contract.

The Controlling Officer further submitted that, to them that meant that the delivery was incomplete leading to contract termination.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

- **Failure to Distribute Tricycle Ambulances**

In his response, the Controlling Officer submitted that the ambulances had not been distributed to the health facilities, as at 31st August, 2021, as the tricycles were no longer a property of the Ministry after termination of the contract.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification, subject to which, the matter must close.

- **Poor Storage of the Tricycle Ambulances**

In his response, the Controlling Officer submitted that after termination of the contract, the supplier was expected to collect the items from their premises as they were no longer property of the Ministry. However, the supplier complained of logistical challenges, as they now needed more trucks to transport them back to Lusaka, unlike at the time of delivery when the items were in boxes before assembly.

The Committee was informed that the supplier was expected to get tricycles from the Ministry's premises as soon as possible.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

c. Accounting Irregularity - Irregular Cash Withdrawals-K5,065,105

In acknowledging the Auditor General's observation, the Controlling Officer submitted that the Ministry did not adhere to the Ministry of Finance Treasury and Finance Management Circular No. 1 of 2020. Although the cited cash withdrawals were mainly done where it was not practically possible to obtain bank details for concerned officers, authority should have been obtained from the Secretary to the Treasury before doing so.

The Controlling Officer also submitted that the withdrawals were part of the weaknesses identified in the Interim Audit Report that was presented before the Committee earlier in the year. The Director of Finance was charged with the offences of negligence and non-compliance with established procedures or standing instructions, in accordance with the Service Commission Disciplinary Code and Procedures for Handling Offences in the Public Service Category B (b) (ii) and C (a) (iii).

The Committee was informed that the Ministry had fully implemented recommendations of the Auditor General and those of the Committee. The Ministry no longer drew cash for payment of subsistence allowances, fuel refunds and any other allowances but paid directly into the beneficiaries' bank accounts.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await progress report on the matter.

MINISTRY OF HEALTH

PARAGRAPH 23

Audit Findings

28. An examination of accounting and other records for the Financial Year Ended 31st December, 2020, carried out at the Provincial Health Offices (PHOs), selected District Health Offices (DHOs), hospitals, schools of nursing and midwifery and physical verifications of projects revealed the following:

a. Budget, Funding and Expenditure

In the estimate of revenue and expenditure for the Financial Year Ended 31st December, 2020, a provision of K1,800,454,916 was made to cater for general administration, personal emoluments and infrastructure development against which amounts totalling K1,627,842,426 were released resulting in an under funding of K172,612,490.

As at 31st December 2020, amounts totalling K1,627,842,426 had been spent. See table 23.1 below.

Table 23.1: Budget, Funding and Expenditure

No.	Details	Provision K	Released K	Under Funding K	Expenditure K
1	Personal Emoluments	1,514,624,380	1,423,541,830	91,082,550	1,423,541,830
2	General Administration	189,192,503	158,800,596	30,391,907	158,800,596
3	Infrastructure	96,638,033	45,500,000	51,138,033	45,500,000
	Total	1,800,454,916	1,627,842,426	172,612,490	1,627,842,426

In addition, user fees in amounts totalling K68,599,848 were collected.

b. Operational Matters – Delivery of Substandard Drugs

In acknowledging the observation by the auditors, the Controlling Officer submitted that drugs costing K988,856 to three institutions were recalled and others rejected.

The Controlling Officer also submitted that for Lusaka and Eastern Provinces, the drugs were rejected to allow for redistribution before expiry. The drugs were recalled from Lewanika General Hospital as a safeguard, since the product had failed the quality control test which was done routinely on random sample basis.

The Committee was informed that parts of the drugs for Eastern Province were replaced while full replacements were done for Chongwe District Health Office and Lewanika General Hospital. Alternative drugs were provided to Eastern Province to avoid deprivation.

Committee’s Observations and Recommendations

The Committee expresses extreme displeasure that drugs were procured and distributed without regard for shelf life and before quality control tests were conducted to ascertain their safety. In this regard, the Committee urges the Controlling Officer to ensure that measures are put in place to provide for the undertaking of due diligence before drugs are procured and distributed, so that matters of drug shelf life, quality control tests and needs assessment, are addressed before distribution. The Committee also urges the Controlling Officer to reorganise the provincial and district health offices that are neglecting to timely distribute drugs to needy areas. The Committee further urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

c. Management of Payroll and Staff Related Matters

i. Misplacement of Officers on the Payroll

In his response, the Controlling Officer submitted that the officers cited in the report were on administrative transfers to stations where they were critically required for effective service delivery. The Ministry was granted authority to make administrative transfers in view of the nature and sensitivity of the sector and the transfer letters and arrival advice forms were made available for verification.

The Committee was informed that the placement of staff in question was mainly done to respond to staffing needs of newly created district offices and a number of newly constructed health facilities which needed immediate operationalisation, as well as to respond to expansion of health services at some of the facilities.

Committee’s Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to engage the Public Service Management Division and the Accountant General to normalise the affected officers pay points without delay. The Committee also urges the Controlling Officer to submit supporting

documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Frozen Key Position - Solwezi General Hospital – North Western Province

The Controlling Officer submitted that the position of Medical Superintendent at Solwezi General Hospital in North Western Province was frozen in 2016.

The Controlling Officer also submitted that the Provincial Health Director for North Western had since been charged for allowing a critical position to be frozen.

The Committee was informed that the Ministry would consider unfreezing of this critical position based on the amount of Treasury Authority that would be granted.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to engage the Secretary to the Treasury and the PSMD on the frozen critical position so that the matter is addressed without any further delay. The Committee will await a progress report on the matter.

d. Accounting Irregularities - Failure to Collect User Fees - K11,755,329

In his response, the Controlling Officer submitted that the major component of the reported outstanding amount comprised of school fees and the general position was that collection of fees was hampered by COVID-19 outbreak, which led to closure of training institutions. It was difficult to pursue collection of fees during that period.

The Controlling Officer also submitted that Management had continued engaging students through demand letters to have the funds paid. Management had also engaged the General Nursing Council (GNC) to assist in collecting outstanding balances at the point of registration and renewal of licenses. GNC would not renew licenses or register any student with outstanding bills.

The Committee was informed that out of the reported uncollected revenue of K11,755,329 amounts totalling K6,466,724.83 had been collected leaving the balance of K5,288,604.17.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the full collection of the outstanding fees.

e. Infrastructure Development

i. Stalled Projects

In his response, the Controlling Officer Submitted that the cited delays in completing projects were mainly attributable to Government's inability to pay contractors for certified works. The Contractor demobilised and would only go back once the funding was assured.

The Committee was informed that the Ministry had been engaging with the Treasury and reasonable provisions had been made in 2022 budget which would help to resolve the long outstanding challenge.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to prioritise the funding to completion of the two health posts. The Committee will await a progress report on the matter.

1. Installation of new Elevators – Ndola Teaching Hospital in Ndola, Copperbelt Province

In his response, the Controlling Officer submitted that seven out of eight lifts had been installed and the works had not been completed, as at August 2021. The completion of the installation of the lifts and associated works was delayed due to delayed payment.

The Committee was informed that the remaining lift would be installed once funds were available.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to engage the Secretary to the Treasury for funding to complete the remaining works. The Committee will await a progress report on the matter.

b Delayed Completion of Gwembe District Hospital Phase II – Southern Province

In his response, the Controlling Officer submitted that the delayed completion of Gwembe District Hospital Phase II, in Southern Province, was due to erratic funding and that the project had taken six years two months.

The Controlling Officer further submitted that the Project Manager, Ministry of Housing and Infrastructure Development had been issuing letters of extension of time.

Committee's Observations and Recommendations

In noting the submission by the Controlling Officer, the Committee expresses concern at the undue delay to complete the construction works at Gwembe District Hospital. Based on its physical inspection of the project in May, 2022, the Committee is of the view that while funding has been erratic, officers from the Ministry of Health and Ministry of Housing and Infrastructure development, were taking too long to supervise and certify the completed works, respectively. In this regard, the Committee urges the Controlling Officer to impress upon the officers responsible for Infrastructure development in the Ministry of health to prioritise the supervision of construction works for guaranteed quality workmanship. The Committee also urges the Controlling Officer to engage the Ministry of Housing, Infrastructure and Urban Development Ministry certify the completed works as and when they fall due to prevent undue interest charges on delayed payments. The Committee also urges the Controlling Officer to engage the Secretary to the Treasury for requisite funding to complete the remaining works. The Committee will await a progress report on the matter.

f. Management of Liabilities - Failure to settle Outstanding Bills-K71,016,099

In his response, the Controlling Officer submitted that the accumulation of the debt was as a result of inadequate funding from the Treasury.

The Committee was informed that the Ministry had been engaging the Treasury on this matter and Government was looking for a lasting solution in dealing with all the outstanding bills.

Committee's Observations and Recommendations

The Committee will await a progress report on the dismantling of outstanding bill.

MINISTRY OF TRANSPORT AND COMMUNICATIONS

PARAGRAPH 24

24.1 Mandate

29. The Ministry is mandated to formulate and administer policies in the transport, communications and meteorological sectors in order to enhance their contribution to sustained socio-economic development for the people of Zambia.

24.2 Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters for the period under review revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a provision of K1,361,313,297, was made to cater for operations of the Ministry against which amounts totalling K383,917,211 were released, resulting in an underfunding of K977,396,086. Although the Ministry was underfunded, as at 31st December, 2020, amounts totalling K383,792,971 had been spent, leaving a balance of K124,240.

Management Response

In his response, the Controlling Officer submitted that of the amount cited as underfunding, K800,224,583 was a provision for the disbursement of a foreign loan meant to facilitate disbursement towards the construction of communication towers across the Country, which amount was not disbursed by Export and Import (EXIM) Bank of China.

The Controlling Officer also submitted that the unutilised funds of K124,240, were a sum of residual funds, sitting on various budget lines under the Ministry. These funds were as a result of reversed incomplete transactions at the close of the Financial Year, 2020.

Going forward, Management had put in place measures to ensure that planned activities were executed as soon as funds were released by the Treasury to avoid having unspent balances at the close of the year.

Committee's Observations and Recommendations

The Committee notes the response on the matter and urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification, after which the matter is recommended for closure.

b. Management of Capital Projects

i. Contract for the Design, Supply, Delivery, Installation and Commissioning of Communication Towers in Underserved Areas in the Republic of Zambia Phase II

• Failure to Settle Interim Payment Certificates

In his response, the Controlling Officer submitted that upon certification of works on the Towers by the project managers, ZAMTEL Limited, the Ministry submitted the Interim Payment Certificates (IPCs) to the Ministry of Finance for onward submission to EXIM Bank of China, for disbursement of funds to the Contractor. Of the three outstanding IPCs, the one for USD16,531,879 and the other for USD7,022,042, were submitted to EXIM Bank of China for payment.

The failure to settle the Interim Payment Certificates cited, was as a result of the Bank holding off on the Loan for the construction of the Communication Towers.

Management had continued to engage the Ministry of Finance on the matter and the Ministry had been assured that funds would be secured and the contractor would be paid.

Committee's Observations and Recommendations

The Committee finds the situation unfortunate and urges the Controlling Officer to engage the Secretary to the Treasury in order to review the funding modality, so that the Contractor can be paid using other means, including the Universal Access Service Funds. The Committee will await a progress report on the matter.

• Variations without Attorney General's Clearance

In his Response, the Controlling Officer submitted that the re-scoping cited by the Auditor General involved the swapping of components in the contract with those of latest technology, necessitated by the delayed completion of the Project. The other reason for re-scoping was due to duplicate sites where ZAMTEL already had equipment and these sites were swapped for newer technologies.

The Controlling Officer also submitted that all the newer technologies were negotiated to be provided at the original costs in the Bill of Quantities as provided by the Contractor, at the time of the signing of the contract.

The Controlling Officer further submitted that it was an oversight by the Ministry to have sought for clearance of variations from the Attorney General's chambers after the approval by the Ministerial Procurement Committee. The Ministry had since continued to engage the Attorney General's Chambers to have the variations cleared.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the Ministry proceeded to vary the scope of works without clearance from the Attorney General, contrary to the provisions of the procurement regulations. In this regard, the Committee urges the Controlling Officer to ensure adherence to the provisions of the Public procurement regulations and laws, without exception. The Committee also urges the Controlling Officer to institute disciplinary action against the officers who neglected to follow the laid down procedures. The Committee will await a progress report on the matter.

- **Failure to Provide Information for Audit**

In his response, the Controlling Officer submitted that the agreements and repayment details which were requested for were not in the custody of the Ministry of Transport and Communications, as they were signed between Exim Bank of China and Ministry of Finance and as such, Management had to write the responsible Ministry, requesting for copies.

The Controlling Officer also submitted that it was regrettable that at the time of the audit, the documents had not yet been received by the Ministry of Transport and Communications. This notwithstanding, the documents had been received and were upon receipt submitted to the Office of the Auditor General, for verification.

Committee's Observations and Recommendations

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

- ii. **Construction of Kasama Aerodrome**

In his response, the Controlling Officer submitted that the extension of the completion period for the contract was due to delays in the disbursement of funds by the Treasury. This notwithstanding, the extensions which had no cost attached to them were not submitted to the Attorney General's Chambers for clearance, despite the approval by the Ministerial Procurement Committee. Further, Management had continued engaging the Attorney General's Chamber to have the extension cleared.

The Committee was informed that the Government had paid all Interim Payment Certificates that were outstanding on the Project.

Committee's Observations and Recommendations

The Committee expresses concern that the construction of Kasama Aerodrome remains uncompleted, way after the initial contract period, a situation that has a corresponding increase in the cost of the project. In view of this, the Committee urges the Controlling Officer to engage the

Secretary to the Treasury for requisite funding and ensure that the project is completed without any further delay. The Committee will await a progress report on the matter.

i. Kasaba Bay Runway – Wasteful Expenditure

In his response, the Controlling Officer submitted that the accumulation of the total amount of K152,989,989, was as a result of costs incurred by the Contractor during the period that the Government put the project on hold due to a recommendation from the Anti-Corruption Commission, following an audit of the project by the Office of the Auditor General. This eventually led to a settlement agreement between Government and the Contractor, based on clauses that were in the original contract.

The Committee was informed that Management had further made several efforts to have the settlement agreement amount liquidated by the Treasury, hence the payment of K51,750,000, as of October 2021. Engagements with the Treasury with regard to the settlement of the outstanding amount for the project had continued.

Committee’s Observations and Recommendations

The Committee bemoans the poor contract management that characterized the provision of consulting services at Kasaba Bay Runway. The Committee observes that this contract was exploitative on the part of Government, as the consultant was literally benefitting on technicalities. However, the Committee urges the Controlling Officer to ensure that the contract on the provision of consulting services is re-tendered but avoid the inclusion of exploitative clauses in the contract, such as interest charges. The Committee will await a progress report on the matter.

iv. Construction of Embankments and Landing Jetties - Luapula Province

➤ **Delayed Payments–Interest Claims**

In his response, the Controlling Officer submitted that the failure to settle the Interim Payment Certificate of K8,132,186, which led to interest claims as per the contract clause, was due to non-release of funds by the Treasury. Government and the Contractor agreed to a mutual closure of the project and the final settlement amount was K3,704,678.94, which the Ministry of Transport and Logistics had requested the Treasury to settle. The Ministry had continued requesting for the release of funds by the Ministry of Finance so as to fully close the contract.

Committee’s Observations and Recommendations

The Committee bemoans the loss of public funds through this contract, which it observes to be exploitative to the Government. In this regard, the Committee urges the Controlling Officer to endeavour to engage contract managers whenever there was need to sign such contracts, in order to safeguard public funds. The Committee also urges the Controlling Officer to mobilise requisite funding and ensure that the said outstanding amount is dismantled without delay. The Committee will await a progress report on the matter.

- **Failure to Complete the Works**

In his response, the Controlling Officer submitted that the failure to settle the Interim Payment Certificate of K8,132,186, which led to the claim of interest, as per the contract clause, was due to non-release of funds by the Treasury. Government and the Contractor agreed to a mutual closure of the project and the final settlement amount was K3,704,678.94, which the Ministry of Transport and Logistics had requested the Treasury to settle. The Ministry had continued requesting for the release of funds on this Project, by the Ministry of Finance so as to fully close the contract.

Committee's Observations and Recommendations

The Committee bemoans the wastage of public resources due to poor contract management and weak contract vetting processes by relevant approval authorities. The Committee also expresses concern that the project still remains uncompleted even after wasting a lot of public resources. In view of this, the Committee urges the Controlling Officer to re-tender the project and have the works completed. The Committee also urges the Controlling Officer to ensure that a contract manager is engaged, to manage the contract. The Committee further urges the Controlling Officer to re-engage the Treasury on the requisite funding. The Committee will await a progress report on the matter.

- c. **Procurement of Goods and Services**

- i. **Procurement of Bay Compactor**

In his response, the Controlling Officer submitted that while the supplier indicated availability of the compactor, it was not delivered and efforts to have the company fulfil its obligation proved futile. However, the Ministry had reported the matter to the law enforcement agencies.

Committee's Observations and Recommendations

The Committee expresses concern that due diligence was not undertaken when identifying the said supplier. In this regard, the Committee urges the Controlling Officer to put measures in place to ensure that due diligence is conducted when identifying suppliers. The Committee will await a progress report on the outcome of investigations by the investigative wings.

- ii. **Contract for the Supply, Delivery, Commissioning and Testing of Five Dredging Machines – Wasteful Expenditure**

In his response, the Controlling Officer submitted that the accumulation of interest on this contract was due to delays by the Government in making payments to the Supplier as stipulated in the Contract.

The Committee was informed that the Ministry had made several efforts to have all outstanding arrears for goods and services settled by the Treasury.

Committee's Observations and Recommendations

The Committee bemoans the wastage of public resources due to poor contract management and weak contract vetting processes by relevant approvals authorities. The Committee also expresses concern and urges the Controlling Officer to engage the Office of the Attorney General for legal advice. The Committee will await a progress report on the matter.

MINISTRY OF WATER DEVELOPMENT, SANITATION AND ENVIRONMENTAL PROTECTION

PARAGRAPH 25

Audit Findings

30. An examination of accounting and other records maintained at the Ministry's headquarters and visits to selected project sites for the Financial Year Ended 31st December, 2020, revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December 2020, a provision of K3,091,495,376, was made to cater for operations against which amounts totalling K1,180,281,659 were released, resulting in an underfunding of K1,911,213,717. Included in the underfunding was an amount of K1,869,034,291, which had not been disbursed by the cooperating partners.

Although the Ministry was underfunded, as at 31st December, 2020, amounts totalling K1,180,117,605 had been spent, leaving a balance of K164,054. See table 25.1 below.

Table 25.1: Budget, Funding and Expenditure

No.	Funder	Approved Estimate 2020 K	Amounts Funded K	Total Expenditure K	Under Funding K
1	GRZ	24,938,280	17,215,463	17,162,899	7,722,817
2	Projects and Donor	2,975,830,932	1,106,796,641	1,106,685,152	1,869,034,291
3	Grants to Institutions	90,726,164	56,269,555	56,269,555	34,456,609
	Total	3,091,495,376	1,180,281,659	1,180,117,605	1,911,213,717

Management Response

In response, the Controlling Officer submitted as set out below.

Underfunded activities

The underfunding of K7,722,817 on the Government budget led to the following activities not being fully undertaken:

- monitoring and evaluation;
- rollout of Integrated Management Information System;
- subscriptions to international Organisations;
- audit of commercial water utility companies by internal audit;
- procurement of motor vehicles;
- deployment of wide area network in two provinces; and
- production of project documentaries.

The underfunding of K1,869,034,291 on the project was partly as a result of suspension of funding by Cooperating Partners and other lenders due to the debt restructuring exercise that was being done by the Treasury.

The underfunding also led to the accumulation of outstanding payment certificates under the following major projects that were loan financed:

- the Kafulafuta Water Supply System project;
- the Nkana Water Supply and Sanitation project;
- the Zambia Water Supply and Sanitation project under Mulonga Water Supply and Sanitation Company;
- the Transforming Rural Livelihoods in Western Zambia (TRLWZ); and
- the Lusaka Sanitation Programme.

The underfunding of K34,456,609 grants to institutions was as a result of a budget provision under Water Resources Management Authority (WARMA), in anticipation for revenue which was to be collected and expensed under the Institution. The Institution could not collect the bulk of the budgeted revenue because the Authority operated without a Board from July 2018 to April 2020. During this period, all expired water permits could not be renewed and at the same time new permit applications could not be granted. As a result, the Authority could not collect this potential income from fees and charges. Secondly, the advent of COVID-19, which affected most businesses, did not spare water users. Most water user's ability to pay fees and charges diminished.

The funding balance of K164,054, which was unspent was VAT that was withheld and could not be processed at the close of the year, which had since been processed and paid in 2021.

Committee's Observations and Recommendations

The Committee expresses concern at the erratic funding releases from the Treasury and the corresponding effect on the implementation of planned activities. In this regard, the Committee urges the Secretary to the Treasury to ensure that planned activities are funded in line with the appropriation act. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification.

b. Infrastructure Development

i. Rehabilitation of Water Supply and Sanitation Project-Kaputa District Wasteful Expenditure - Interest on Delayed Payments-K4,104,184

In his response, the Controlling Officer submitted that the interest accrued was as a result of late release of funds from the Treasury towards the interim payment certificates issued by the contractor.

The contract provided for interest on late payments beyond twenty-eight days, as per clause 40 of the General Conditions of contract.

The Controlling Officer had on several occasions engaged the Ministry of Finance through the Secretary to the Treasury requesting for the release of funds for capital projects in order to settle the outstanding interim payment certificates for the various projects. The Ministry had continued to engage the Ministry of Finance to consider releasing extra resources to settle the interest accrued on unpaid IPCs.

Committees Observations and Recommendations

The Committee expresses disappointed that the Controlling Officer over committed the Government to a contract without being sure of funding. The Committee notes, with concern, that it has become a trend by most Controlling Officers to over commit the Government to contracts without Treasury approval. The Committee, therefore, urges the Secretary to the Treasury to ensure that a clear policy guideline is put in place and implemented expeditiously to curb any further loss of funds. The Committee will await a progress report on the completion of projects and full payment of the outstanding amounts.

ii. Borehole Sitting, Drilling and Installation of Seventeen Hand Pumps – Chibombo District

• Failure to Equip Boreholes with Mark II Hand Pumps

In his response, the Controlling Officer submitted that Chibombo District Council had been directed to effect termination proceedings of the contract, in its capacity as the contracting and implementing agency. A letter to Chibombo Town Council to effect termination proceedings was available for audit verification. Chibombo District Council had since terminated the contract with MABKAPS enterprises as per letter dated 22nd September, 2021 which was also available for audit verification.

Committees Observations and Recommendations

The Committee notes, with concern, the failure to carry out due diligence by officers tasked with the responsibility to identify the contractor. The Committee expresses displeasure that the same was done to the detriment of the much-needed services by the communities intended. In this regard, the Committee urges the Controlling Officer to institute disciplinary action against the erring officers and ensure that the project is retendered and have the remaining boreholes drilled and equipped without fail. The Committee will await a progress report on the matter.

iii. Failure to Pay Advance Payments

In his response, the Controlling Officer submitted that advance payments as required under the contracts could not be effected due to non-release of funds for these projects, in 2018.

Further in 2019, the Government issued a policy directive to concentrate on projects that were 80 percent and above complete. As a consequence, advance payments on these contracts could not be paid. The Ministry, in consultation with the Ministry of Justice, was reviewing the contracts to effect termination as a result of passage of time.

Committees Observations and Recommendations

The Committee expresses disappointment that the Controlling Officer committed the Government to debt by entering into contracts when funding was not secured. The Committee also notes, with concern, that it has become a trend by most Controlling Officers to commit Government to debt without following the laid down procedures. In this regard, the Committee urges the Secretary to the Treasury to ensure that a clear policy guideline is put in place and implemented expeditiously to curb any further loss of public funds. The Committee resolves to await a progress report on the resolutions to be made on the contracts.

MINISTRY OF HOUSING AND INFRASTRUCTURE DEVELOPMENT

PARAGRAPH 26

Audit Findings

31. An examination of accounting and other records maintained at the Ministry Headquarters and selected provincial and district infrastructure offices for the Financial Year Ended 31st December, 2020 revealed the following:

a. Budget, Funding and Expenditure

In the estimates of revenue and expenditure for the Financial Year Ended 31st December, 2020, a provision of K279,967,678 was made to cater for various activities, against which amounts totalling K156,906,512 were released, resulting in an underfunding of K123,061,166.

Although the Ministry was underfunded, as at 31st December, 2020, amounts totalling K156,887,907 had been spent leaving a balance of K18,605.

Management Response

In his response, the Controlling Officer submitted that the unspent funds of K18,605 were due to hanging transactions in the IFMIS which when reversed reinstated the balance.

Committee's Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

b. Accounting Irregularity - Failure to Remit Pay as You Earn-K181,367

In his response, the Controlling Officer submitted that the deductions were made on the computation of settling in allowances and commutation of leave days. The deducted PAYE was however not paid and remitted to ZRA due to limitation of funds and the need to help officers during the COVID-19 pandemic period.

The Controlling Officer also submitted that Management decided to make part payments to carter for more officers. At the time, the Ministry had an outstanding debt of other emoluments amounting to K2,317,995.16. The Ministry, however, only received K500,000 in the year 2020 for other emoluments and all the officers on the schedule still had outstanding amounts, including the amount payable to ZRA as PAYE.

The Committee was informed that the exercise of dismantling the debt was ongoing and out of the funds allocated and paid from the Ministry of Finance (K500,000), the sum of K193,242.71 was PAYE. The sum of K21,702.14 relating to the outstanding amounts in the query was paid, leaving a balance of K158,949.38. The Ministry was committed to paying the remaining balances when the Treasury released more funding towards the dismantling of outstanding bills of other emoluments.

Committee's Observations and Recommendations

The Committee expresses concern at the violation of the provisions of the *Income Tax Act, Chapter 323 of the Laws of Zambia*, with impunity. In this regard, the Committee urges the Controlling Officer to desist from the practice and ensure that the deducted Pay as You Earn is remitted to the ZRA without fail. The Committee will await a progress report on the matter.

c. Infrastructure Development

i. Purchase of Three Storey Office Block

- **Wasteful Expenditure – Payment of Property Transfer Tax (PTT) - K5,350,000**

In his response, the Controlling Officer submitted that the Ministry paid the Property Transfer Tax in compliance with the clause in the contract as guided by the Office of the Attorney General.

Committee's Observations and Recommendations

The Committee finds it unacceptable that public funds have been lost due to a questionable contract vetting process by the Office of the Attorney General. In this regard, the Committee urges the Attorney General to reorganise the chambers, in order to safeguard wastage of public resources through exploitative contracts. The Committee will await a progress report on the matter.

- **Failure to Adhere to Recommendation from Government Valuation Department**

In his response, the Controlling Officer submitted that Government Valuation Department was not involved at the completion stage, so as to give its final assessment before agreeing to the price of \$5,350,000.

The Controlling Officer also submitted that, Management at the time, relied on the available competence and the initial valuation from Government Valuation Department that the price was fair, provided the subject property was completed using high quality materials and good standard of workmanship exhibited at the 35 percent completion stage were maintained all the way up to 100 percent completion stage.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the Ministry proceeded to procure a property without the engagement of the Government Valuation Department to assess and establish its final market value. In this regard, the Committee urges the Secretary to the Treasury to take keen interest and institute necessary disciplinary action against Officers who were involved. The Committee will await a progress report on the matter.

- **Failure to Adhere to Procurement Procedures**

In his response, the Controlling Officer submitted that a 'No Objection' was granted before the Treasury gave authority to vary the funds. The purchase of the building was however budgeted for in the subsequent budgets under construction of public infrastructure.

The Committee was informed that, the contract was only entered into after authority was obtained from the Secretary to the Treasury. The letter of variation for the part payment was availed to the auditors during the audit.

Committee's Observations and Recommendations

The Committee expresses displeasure at the failure by the Ministry to adhere to procurement procedures on the procurement of the property in question. The Committee, therefore, urges the Controlling Officer to institute disciplinary action against all the officers in the violation of the procurement regulations during the procurement process of the said property to serve as a deterrent. The Committee also observes, with concern, that the Secretary to the Treasury approved a variation of funds towards a part payment on the procurement of the property. In this regard, the Committee urges the Secretary to the Treasury to interrogate requests for variations before granting authority, to avoid such violations in future. The Committee will await a progress report on the matter.

- **Accrued Interest – Wasteful Expenditure-K357,300,674**

In his response, the Controlling Officer submitted that according to their records, interest had accumulated to a tune of US\$3,378,414.28 as at 31st July, 2021, using the acceptable method of calculating interest in Government (Simple Interest Method). This was contrary to the amount of \$18,561,074 being claimed by the vendor.

The Controlling Officer also submitted that, efforts to agree on the computation of interest with the vendor were ongoing. An initial meeting with the vendor was held.

In addition, the Ministry had written to the office of the Attorney General for interpretation of the clause on interest in the sales contract. Response was being awaited from the Attorney General's office.

The Committee was informed that, the Ministry wrote on several occasions requesting the Treasury to urgently clear the balance on the principal amount in order to arrest further growth of interest. The Ministry made an additional step by engaging the vendor to waive part of the interest to which he agreed to on condition that the negotiated amount be cleared within a period of six months, failure to which the claim would revert to its original amount.

Further, the accumulated interest was as a result of delayed payment of the Principal amount.

Committee's Observations and Recommendations

The Committee bemoans the poor contract management demonstrated by the Ministry, resulting in the loss of public funds. In this regard, the Committee urges the Controlling Officer to put measures in place that will augment contract management systems in the Ministry in order to avoid such wastage of public resources. The Committee also urges the Attorney General to take keen interest and ensure that all legal impediments surrounding the contract are addressed. The Committee will await a progress report on the Matter.

- **Failure to Secure Title Deeds**

In his response, the Controlling Officer submitted that the title for the building had not been obtained at the time of the audit because the full payment towards the purchase of the building had not been completed. The Principal amount had since been cleared. Due to the outstanding interest, the Vendor was yet to release the title to the Ministry.

The Controlling Officer further submitted that the Ministry was unable to insure the said property as title had not yet been transferred from the Vendor to the Ministry.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for Audit verification. The Committee will await a progress report on the matter.

ii. Contract for Sound Proofing of Offices - Failure to Execute Works

In his response, the Controlling Officer submitted that the contractor was paid an advance payment of K68,281, representing 25 percent of the contract sum and that at the time of audit, no works had been done.

The Controlling Officer also submitted that the advance payment in question, was paid on 24th December, 2019 and not on 25th December, 2020 as reported by the Auditors. However, contrary to the assertion that the Ministry had not acted to recover the advance payment, the Ministry engaged the contractor on several occasions requesting the contractor to either mobilise to site or pay back the money. Letters to the Contractor on the subject were available for audit verification.

The Committee was informed that the contractor had submitted a repayment plan which was rejected by the Ministry as it was deemed unrealistic. This matter had since been forwarded to the Debt Collection Unit of the Attorney General's Chambers for debt recovery.

Committee's Observations and Recommendations

The Committee observes that due diligence was not undertaken when identifying the contractor. The Committee contends that if due diligence was undertaken, such a contractor could not have been engaged. In this regard, the Committee urges the Controlling Officer to put measures in place which will enhance the management of contracts at the Ministry without fail. The Committee will await a progress report on the recovery of the debt.

d. Infrastructure Upgrade at Kenneth Kaunda (Lusaka), Simon Mwansa Kapwepwe (Ndola) and Mfuwe International Airports.

i. Contract for Designing and Construction of Airport Infrastructure Upgrade at Kenneth Kaunda International Airport.

- **Questionable Change in the Terms of the Contract**

The Controlling Officer submitted that, contrary to the assertion that the contract was converted from a Bill of Quantity (BOQ) to a Turnkey Project; the contract had been a Turnkey Project from inception. The request for expression of interest for the project clearly indicated so. An extract from request for expression of interest for the project was attached for audit verification. In addition, Clause 17.0 of the Special conditions of contract of the 3rd June, 2013, contract clearly stated that, "This project was Turnkey based project".

The Controlling Officer further submitted that Bills of Quantities were erroneously listed by the Ministry as part of the documents forming the contract under Clause 2.2 of the special conditions of the contract. With regards to revision of the contract sum, and as rightly observed, the contract for the designing and construction of airport infrastructure upgrade at Kenneth Kaunda International Airport was signed between the Ministry of Transport, Works, supply and Communications and China Jiangxi Corporation for International Corporation Limited in 2013. The contract only came into effect in April 2015, upon signing of the Concessional Loan contract for financing the project between Ministry of Finance and National Planning (Zambia) and EXIM Bank of China, as dictated by the contract. This was before the then Ministry of Housing and Infrastructure Development was created in 2016. By virtue of its mandate, the Ministry of

Housing and Infrastructure Development took over the supervision and contract administration of the construction works in 2016.

The Controlling Officer also submitted that from the records obtained from the then Ministry of Transport Works, Supply and Communication, the Contract price was reduced from US\$385,809,673 to US\$360,000,000 (Duty and VAT exclusive). The reduction of the cost of the project was initiated and done by the Ministry of Finance. The letter addressed to the Deputy Regional Director for Africa, Concessional Loan Department, and the Export-Import Bank of China from the Ministry of Finance, dated 16th July, 2013 was available for audit verification. The Ministry further requested for more information from the Ministry of Finance, including Minutes of negotiations for the said reduction and was still awaiting a response.

The Committee was informed that, since the project was a Turnkey (Design and Build) contract, the final designs for the facility could not be approved at the time of signing the contract. The requirement for Turnkey projects was that the scope of works (client's requirements), instead of designs and BOQs, are used for signing Contracts. The designs for a Turnkey Project were generated by the Contractor after signing of the contract. Therefore, the contract price was based on lump sum milestones and not Bills of Quantities.

Furthermore, the Committee was informed that clearance from the Attorney General was obtained for all the changes that were made to the original contract.

Expression of interest extract, Contract extract, Letters to EXIM Bank, Letter to Ministry of Finance requesting for information, clearance letter from Attorney General were available for audit verification.

Committee's Observations and Recommendations

The Committee observes that this information should have been availed to the Office of the Auditor General at the time of the audit. In this regard, the Committee urges the Controlling Officer to be proactive and take the audit process seriously and avoid such irregularities. In this regard, the Committee urges the Controlling Officer to avail all supporting documents to the office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Questionable Variation**

In his response, the Controlling Officer submitted that, the contract had always been a Turnkey project as provided for under Clause 17.0 of the Special Conditions of the Contract signed in June, 2013. As indicated earlier, the contractor did the designs after the contract was signed and the designs were based on the agreed client requirements. As rightly observed, the contractor was responsible for the designs of the works and the accuracy of the client's requirements and this was embedded in Clause 5.1 of the conditions of contract.

The Controlling Officer also submitted that, in the June, 2013 contract and its successor contract, signed in September, 2013, there were provisions for dealing with variations under Clause 40 and Clause 13 of the General Conditions of Contract, respectively. In both contracts, variations could only arise from the client's modifications or additions to the agreed scope of works as was

the case with Kenneth Kaunda International Airport (KKIA) project whose variations arose due to additions to the Scope of Works which was already agreed upon.

Some additional works were as a result of the Government's failure to undertake or execute the works which were under its obligations in the contract. Due to lack of funds, the contractor was instructed to execute the works. Other variations arose due to additions to the already agreed scope of works by various key stakeholders and the contractor was instructed to execute the works.

The Committee was informed that with regard to Price Reasonableness Analysis, a comprehensive adjudication of prices was conducted as per Quantity Surveying practice on all claims of variations submitted by contractors. In addition, due diligence on the contractor's claims was done by a combined team of stakeholders.

The results of the adjudication (Price Reasonableness Analysis) for the said variations were illustrated as follows on the table below;

No	Description of Variations	Originated by/from	Contractor's Claim(US\$)	DPI's Approved Cost (US\$)
1	Changing of Bullet proofing at the Presidential Pavilion	Stakeholders request	5,150,886.51	3,508,371.31
2	Changing of Name Plate		366,165.95	93,043.48
3	Variation works for external works at the Presidential Pavilion.		2,843,111.63	183,350
4	Variation works for the New Terminal Building because of the adjustments of VIP and First-Class Lounges		762,518.02	150,989
5	Variation works for the access road from Hitachi to the Rescue and Fire Service Station		2,497,199.32	2,299,605.44
6	Airfield Ground Lighting (AGL) Variations	Clients Obligations	14,819,182.77	1,500,000
7	Sewer System		1,980,000	1,500,000
	TOTAL		28,419,064.20	9,235,359.23

From the adjudication indicated above, the contractor's claim was reduced from US\$28,419,064.20 to US\$9,235,359.23, therefore due diligence was undertaken.

Letters from client and contractor; due diligence working papers; negation minutes; and clearance from Ministry of Justice were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail all supporting documents to the office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Project Status**

In his response, the Controlling Officer submitted that the contract provided for sectional completion and handover. The terminal building was one of the structures that was completed and handed over.

The Controlling Officer also submitted that out of the outstanding works:

- he steel structure installation on the corridor connecting the terminals which was at 35 percent was now at 100 percent complete.
- rehabilitation of the existing terminal building which was at 5 percent was now at 20 percent.
- rehabilitation of Zambia Air Services Training Institute (ZASTI) which was at 10 percent was now at 50 percent.

While other works were still ongoing.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that all the outstanding works are completed without any further delay. The Committee also urges the Controlling Officer to avail all supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Contract for Designing and Construction of Airport Infrastructure (Green Field) in Ndola

- **Questionable Upward Price Adjustment-US\$574,768,046 to US\$397,201,694**

The Controlling Officer submitted that although some original quantities were maintained as in the original contract, the prices were adjusted upwards. The reasons for the upward and downward adjustments of the prices, despite the quantities remaining the same was attributed to the period of negotiations which took fourteen months to conclude and, in this period, there were currency fluctuations (Yuan against US Dollar) which affected the cost of materials at source.

The Controlling Officer also submitted that contrary to the report that the entire size of the airport reduced from 22,250m² to 12,000m², the area indicated in the Report of the Auditor General was just for the Terminal Building only, whose original cost was US\$115,444,800 and reduced to US\$61,559,259. Some structures and works remained the same but the prices were revised downwards such as the Runway and the Air traffic Control (ATC) building was indicated as follows in the table below.

Scope of Work	Unit	Original Quantity	Revised Quantity	Original Price US\$	Revised Price US\$	Price Gain US\$
3.5 km Runway with associated Taxi ways with room for extension to 4 Km	m ²	3.5	3.5	164,612,320	126,887,215	37,725,105
Stand-alone Control Tower with modern Facilities	m ²	1,000	1,000	13,602,000	12,825,185	776,815
Total						38,501,920

The adjudication identified that whilst there was an upward adjustment in the cost of some of the items, there was also a downward adjustment. In reference to the above table, overall there was a reduction in the cost of the prices amounting to US\$ 36,811,719.

The Committee was informed that with regards to the specifications for 18km access road, the contract was a Turnkey project and that there were no designs at the time of signing the contract. And with regard to inclusion of a price of US\$5,092,593 for construction of staff houses, the amount indicated was a provisional sum. This amount in the contract could only be disbursed subject to the client's instruction and provision of specifications of the houses to be built and the total amount of items.

The Committee was further informed, with regards to the inclusion of a contingency sum of US\$29,422,348, that a contingency sum was a provisional sum which was meant to cater for unforeseen works or costs. It could only be expended when need arose and it had to be authorised by the client.

Committee's Observations and Recommendations

The Committee expresses concern at the provisional sums for the construction of staff houses and contingency, on accounts that they are prone to abuse. The Committee, therefore, urges the Controlling Officer to ensure that the contract is revised so that it is consistent with the actual cost of building the required houses and provide for an appropriate contingency sum, without fail. The Committee also urges the Controlling Officer to ensure that supporting documents on this matter are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Failure to Pay the Contractor-US\$1,913,155**

In his response, the Controlling Officer submitted that, the contractor had not been paid the said amounts for over fourteen months.

The Controlling Officer also submitted that the role of the Ministry of Infrastructure, Housing and urban Development, through the Project Manager (Director of Public Infrastructure), was to evaluate and prepare milestone payment certificates and recommend them for payment to the Secretary to the Treasury. The Ministry of Finance and National Planning in turn, submitted to the EXIM Bank of China for payment.

The Controlling Officer also submitted that, the Ministry undertook its responsibilities timely (submitting milestone payment certificate to Ministry of Finance on time), but payment to contractors was purely the responsibility of the Ministry of Finance.

The Committee was informed that the Ministry had been engaging the Ministry of Finance on the outstanding payments to the contractors to avoid incurring interest on delayed payments and the Contractor suspending the works.

The Committee was further informed that the contract allowed for claim of interest on delayed payment as rightly observed by the Auditors. However, this particular claim from the contractor had not been certified for payment as it could only to be done after the full amount owed was settled. Physical progress on site was 96 percent and the airport had partially been handed over and was operational. Letters to Ministry of Finance were available for audit verification.

Committee's Observations and Recommendations

The Committee bemoans the exploitative contract entered into by the Ministry and urges the Attorney General to take keen interest in the contract, in order to safeguard public resources from further loss. The Committee also urges the Controlling Officer to re-engage the Secretary to the Treasury for requisite funding, to avoid escalation of interest charges. The Committee will await a progress report on the matter.

iii. Contract for Consultancy Services for Contract Management of the Design and Construction of New Airport Infrastructure (Green Field) in Ndola

In his response, the Controlling Officer submitted that the Consultant was engaged late due to Ministry's financial constraints. During the time the private consultant was not engaged, the Department of Public Infrastructure, which was the Government consultant on construction related matters, was on site as Project Managers from inception, to ensure that the works executed were as per specified quality.

The Controlling Officer also submitted that the Construction Contract was an Engineering Procurement and Construction (EPC) Contract (Turnkey project). An EPC contract, a form of contract used for large projects or otherwise complex projects under which the builder (EPC contractor) would deliver a completed project as a Turnkey project. The Contractor (EPC) apart from being a builder also had responsibility for the quality of work. Therefore, at no time were the works done without consultants.

In addition, the engagement of the local consultant was meant to complement Department of Public Infrastructure Headquarters' work in quality assurance due to the distance involved. These consultants were resident (based on site) consultants.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Failure to Settle Fee Notes-K2,700,037**

In his response, the Controlling Officer submitted that out of the total amount of certified fee notes in amounts totalling K7,024,101.07, the Ministry paid the sum of K4,324,064.44 leaving a balance of K2,700,037. As at 30th June, 2021 the said amount had been outstanding for a period of nine months and not the thirty-six months indicated in the report. The delay in paying the outstanding balance had been due to funding constraints.

The Committee was informed that management had been engaging the Treasury on the matter.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to re-engage the Secretary to the Treasury for requisite funding. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Non-Renewal of Contract**

In his response, the Controlling Officer submitted that the project did not operate without a private consultant for thirty-six months but only for eight months, from November 2020 to 30th June, 2021.

The Controlling Officer also submitted that the Department of Public Infrastructure, which was the Project Manager, provided and was still providing consultancy services during the absence of the private consultant.

The Committee was informed that the contractual obligations as regards the extension of consultancy contract, were strictly adhered to, as could be seen from the letters of extension of time. The Ministry offered a consultant an extension of time in relation to the outstanding works, however, the consultant declined the offer insisting on maintaining a full team of staff for the remaining consultancy works, despite the volume of work, reducing significantly.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents on this matter to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- e. **Construction of Office Blocks, Police Stations, Post Offices, Houses and associated external works in the newly created Districts**

- i. **Failure to Pay Contractors-K44,869,529**

In his response, the Controlling Officer submitted that, indeed at the time of the audit, a number of contractors were not paid for a long time, which resulted in some projects stalling or being abandoned completely. The main reason for the non-payment of contractors was inadequate funding. As a result of inadequate funding, in 2018, the Government directed all spending

agencies to focus on paying contractors with projects that were 80 percent and above complete with the view of completing the targeted projects.

The Controlling Officer also submitted that, as a result of 80 percent of the projects being omitted from the payments, the affected contractors could not continue executing works without being paid, hence the 69 projects that either stalled or were abandoned.

Committee's Observations and Recommendations

The Committee finds it unfortunate that projects which were less than 80 percent complete were exempted from funding. The Committee observes that this move does not stop the contractors of various projects from claiming charges on standing time since they had already mobilised on various sites. In this regard, the Committee urges the Controlling Officer to engage the Secretary to the Cabinet on this 80 percent policy matter, so that it is reversed, to enable the completion of the construction works in various districts. The Committee also urges the Controlling Officer to ensure that the Secretary to the Treasury is engaged on the requisite funding to complete the projects which were still outstanding. The Committee will await a progress report on the matter.

ii. Delayed Completion of Works

In his response, the Controlling Officer submitted that indeed a number of projects in the newly created districts were not completed as stipulated in the contracts. This was mainly due to inadequate funding to the projects which led to delayed honouring of interim payment certificates.

In order to ensure that delayed projects were expedited and completed, Management continued to lobby for funds so that payment certificates were honoured on time.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to re-engage the Secretary to the Treasury for requisite funding and have the outstanding projects completed. The Committee will await a progress report on the matter.

iii. Terminated Contracts

- **Failure to issue Certificates for the Value of Work done on Terminated Contracts.**

In his response, the Controlling Officer submitted that with regard to the thirty-nine months after termination of nineteen contracts, the Project Manager had not issued certificates for the value of works done. This is because, the Certificates being referred to were the Final Payment Certificates on the terminated contracts, which could only be issued after the remaining works were completed by the contractors engaged to complete the remaining works.

Clause 57.1 of the General Conditions of Contract reads:

"If the Contract is terminated because of a fundamental breach of Contract by the Contractor, the Project Manager shall issue a Certificate for the value of the work done and Materials ordered less advance payment received up to the date of the issue of the certificate

and less the percentage to apply to the value of the works not completed, as indicated in the SCC.

Additional Liquidated Damages shall not apply. If the total amount due to the Employer exceeds any payment due to the Contractor, the difference shall be a debt payable to the Employer”.

As could be noted from the Clause above, the contract provided for a list of costs which each party was entitled to claim under the Final Payment Certificate and once it was issued, a party could not make any further claims.

Before a final payment certificate was issued, a Notional Final Account was prepared. A Notional Final Account gave a breakdown of all the costs which each party was entitled to claim which were listed in Clause 57.1 of the General Conditions of Contract and the Notional Final Account had to be agreed and signed by both parties.

Furthermore, Clause 57.1 of the particular conditions of contract provided a formula which was used to calculate the compensation which was due to the client and it read “The percentage to apply to the value of works not completed, representing the employer’s additional cost for completing the works is 0.5 percent of the value of the Works uncompleted per day”.

The interpretation of the above Clause was that the cost of compensation would be calculated as 0.5 percent of the value of the works uncompleted multiplied by the actual number of days it took to complete the remaining works. Therefore, this cost could only be calculated after the remaining works were completed by a contractor engaged to complete the remaining works.

Therefore, the contractual provision must be adhered to by both parties. If the Project Manager was to issue a final payment certificate without following the above explained contractual procedures, then that final payment certificate could be challenged in a Court of Law or Arbitration. Furthermore, if the Project Manager issued a final payment certificate without following the above explained contractual procedures, the Ministry risked being cited by auditors for failure to calculate the compensation payable to the Government, using the formula which was stipulated in the Contract.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Failure to Recover Advance payments from Terminated Contracts-K22,846,048**

In his response, the Controlling Officer submitted that the Ministry was unable to recover advance payments from the said contracts in full at the time of termination as the advance security bonds had expired.

The Committee was informed that the Ministry sought for the services of the Attorney General’s Chambers, Debt Collection Unit for the recovery of the outstanding advance payments.

Committee's Observations and Recommendations

The Committee bemoans the *laissez faire* attitude adopted by the Ministry on the recovery of advance payments, risking the loss of public funds. In this regard, the Committee strongly warns the Controlling Officer to be proactive and ensure that the Attorney General is re-engaged and have the funds recovered without any further delay. The Committee will await a progress report on the matter.

- **Failure to Renew Security Bonds**

In his response, the Controlling Officer submitted that as at 30th June 2021, out of seventy-eight contracts, twenty-nine active contracts had expired performance security bonds.

However, only twenty-two of the seventy-eight contracts had expired bonds as indicated on the auditors list of affected contracts contrary, to the twenty-nine contracts mentioned.

The reasons were attributed to the fact that;

- two of the cited contractors were replacement contractors awaiting advance payment and could not obtain or renew their securities because of uncertainty of payments; (Chipando General Dealers and Diamond palace Limited).
- four of these contractors were among those whose progress on site were below 80 percent completion and complained of the cost of continued renewal of security bonds due to uncertainty regarding future payments, bearing in mind the Government directive to focus on projects above 80 percent completion; (Contech, Mixjer Limited, Devine link for two contracts).
- the remaining Sixteen contracts were for those whose progress was above 80 percent completion and some of them were awaiting the outcomes of ongoing negotiations on adjustment of rates arising from the fluctuation of the cost of building materials.
- the majority of these contractors had renewed their performance bonds and before payment was made Management ensured that valid securities were provided.

Committee's Observations and Recommendations

The Committee expresses concern that contractors neglected to renew security bonds and the Ministry did not take any action, contrary to the contract provisions, thereby risking the loss of public funds. In this regard, the Committee urges the Controlling Officer to engage the Attorney General for further guidance on the matter. The Committee also urges the Secretary to the Treasury to take keen interest in the matter and ensure that measures are put in place to prevent the loss of public funds in an event of failure to perform by the contractors. The Committee will await a progress report on the matter.

MINISTRY OF ENERGY

PARAGRAPH 27

Audit Findings

32. An examination of financial and other records maintained at the Ministry of Energy headquarters carried out from April to July, 2021 for the period under review, revealed the following:

a) Budget Provision, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a total budget provision of K1,496,859,922, including a supplementary budget of K91,300,000 was made to cater for the operations of the Ministry against which amount totalling K373,627,488 was released by the Treasury resulting in under funding of K1,123,232,474. Although the Ministry was underfunded as at 31st December, 2020, amounts totalling K373,550,203 had been spent leaving the balance of K77,285.

Management Response

In her response, the Controlling Officer submitted that the unspent amount of K77,248 being 0.02 percent of the funded amount of K373,627,448 was an excerpt from the Budget Consumption Report in IFMIS, which could be broken down as set out below.

- i. K53,377 was meant for a meeting on the preparation of the 2021 Procurement Plan. However, the activity could not take place due to the heightened prevalence of COVID-19 and the restrictions on physical meetings by Cabinet Office.
- ii. the balance of K23,871 was meant for procurements under the Departments of Petroleum, Energy and Planning and Information, which could not be finalised by the close of accounts on 24th December, 2020.

The unspent balance of K77,285 was swept to the Consolidated Fund - Control 99.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that all planned activities are implemented accordingly before closure of each financial year. The Committee however, resolves to close the matter subject to audit verification.

b) Operational Matters - Failure to Achieve Target Outputs

In her response, the Controlling Officer submitted that the underfunding was as a result of fiscal challenges experienced by the Treasury. The Ministry engaged the Treasury on a regular basis to ensure budgeted programmes and activities were fully funded in order for the core activities to be undertaken. The Ministry of Finance was requested for an input with regard to the audit findings on this underfunding and the response was being awaited. It was submitted that going

forward, the Ministry would continue engaging the Treasury in order to ensure that the budgeted funds for programmes and projects were fully released for implementation.

Committee's Observations and Recommendations

The Committee expresses concern at the *laissez faire* attitude exhibited by the Ministry on the implementation of the activities and following up of the funding and therefore, sternly cautions him to be proactive. The Committee also urges the Secretary to the Treasury, particularly, to ensure that funding is released timely to enable ministries, provinces and other spending agencies to implement all planned activities within their planned schedule. The Committee resolves to await a progress report on the full implementation of the planned activities.

c) Staff Related Matters

(i) Failure to Pay NAPSA Contributions Timely-K592,035

In her response, the Controlling Officer submitted that the erring officers who delayed remittances of statutory contributions were charged and evidence of the report and letters were available for audit verification. The delayed contributions were paid to NAPSA together with penalties all totalling K592,035.72 and a receipt was available for audit verification.

The Committee was informed that NAPSA contributions were being remitted electronically and the Ministry was up to date.

Committee's Observations and Recommendations

The Committee bemoans the weak internal controls at the Ministry and the loss of public funds through negligence by officers tasked with the responsibility to manage public resources. The Committee recommends that these officers must be surcharged to serve as a deterrent to others. In this regard, the Committee urges the Controlling Officer to institute disciplinary action against the said erring officers. The Committee also sternly cautions the Controlling Officer to ensure that the internal control systems are strengthened to avoid the recurrence. The Committee resolves to await a progress report on the matter.

d. Accounting Irregularities

i) Unretired Accountable Imprest - K29,009

In her response, the Controlling Officer submitted that accountable imprest, amounting to K29,009 was part of the K177,009 in query (d) (ii), on the failure to avail activity reports. The unretired accountable imprest amounting to K29,009 was the fuel component for one of the activities which could not be undertaken due to the COVID-19 travel restrictions. However, the activity was undertaken in October, 2021 after the lifting of COVID-19 travel restrictions. The imprest had since been retired and the retirement details were available for audit verification.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which, the matter must close.

ii) Failure to Avail Activity Reports

In her response, the Controlling Officer submitted that officers could not undertake the Activities earlier due to the COVID-19 travel restrictions.

However, the officers involved undertook the activities in October and November of 2021. Activity reports were prepared and were available for audit verification.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which, the matter must close.

MINISTRY OF HIGHER EDUCATION

PARAGRAPH 28

Head: 65 Ministry of Higher Education

28.1 Audit Findings

33. An examination of accounting and other records maintained at the Ministry Headquarters and selected stations for the financial year ended 31st December, 2020, revealed the following to which the Controlling Officer submitted as set out below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December, 2020, a provision of K2,487,289,400 was made to cater for various activities against which amounts totalling K1,494,413,469 were released, resulting in an underfunding of K992,875,931.

Although the Ministry was underfunded, as at 31st December, 2020, amounts totalling K1,494,354,304 had been spent leaving a balance of K59,165.

Management Response

In his response, the Controlling Officer submitted that, the reversal of payment was due to wrong account details of the vendor. A payment of K29,000 to Copier Tech could not go through on account of wrong bank details submitted by the vendor.

There was an unspent non-cash budget support of K23,630 from Support to Science and Technology Education Project (SSTEP) and there was no actual cash that was received by the Ministry.

The Controlling Officer also submitted that the difference of K6,535 could not be spent because it comprised small amounts of unspent funds from the thirty-six budget lines.

The Committee was informed that, letters were written to Ministry of Finance for recall of the funds. The transaction would be paid and accounted for in 2021 financial year. The Activity for STTEP had been undertaken.

Payment for the site visit which was undertaken was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification.

b. Operational Matters

i. Failure to Appoint a Special Committee of Survey on Separation

In his response, the Controlling Officer submitted that the board was created in the year 2017 and dissolution of the Bursaries Committee also took place in 2017. At the time of dissolution, the *Public Finance Management Act, No. 1 of 2018* had not been enacted.

The Controlling Officer also submitted that management had requested the Secretary to Treasury to constitute a special Board of Survey, as per recommendations of the auditors.

The Committee was informed that the Board was constituted and verification of Assets was underway.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to ensure that supporting documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the finalisation of the asset verification.

ii. Irregular Transfer of Funds – Development of Higher Education Management Information System (HEMIS) -K1,364,616

In his response, the Controlling Officer submitted that the error was due to misinterpretation of Act as it was taken that the Act did not apply to transfer of funds from the Treasury Single Account.

The Committee was informed that management had drawn up a programme to sensitise non accounting officers on the provisions of the *Public Finance Management Act, No.1 of 2018* and that disciplinary action was taken against erring officers.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that supporting documents are availed to the Office of the Auditor General for audit verification subject to which the matter must close.

iii. Procurement Matters

- a contrary to the payment conditions on shipment of 80 percent, the Ministry paid a sum of US\$9,620,423 against contract amounts of US\$10,613,846 resulting in delayed payments of US\$993,423, which had been outstanding for periods ranging from six to eight months as at 30th June, 2021.

Management Response

In his response, the Controlling Officer submitted that delayed payments were due to delayed installation and training by the supplier. The equipment in question was procured from China and India; and these countries were adversely affected with the COVID-19 pandemic. The lockdowns in these countries affected the movement of key staff who were supposed to do the installations and training.

The Controlling Officer also submitted that the Government of the Republic of Zambia had also imposed restrictions on travels in the bid to avoid the spread of COVID-19. Government had issued various circulars restricting travel in the year 2021.

The condition for payment of the last 10 percent of the contract sum was not met. According to the General Conditions, Clause 16.1, the last 10 percent payment was triggered upon completion of installation and training.

The Committee was informed that with the easing of COVID-19 restrictions, four out of ten contracts valued at \$2,416,457 had been fully executed. The contractors for the remaining six contracts were on site carrying out installations and were expected to complete the installation and training by 2022.

The Committee was also informed that management had written to the Ministry of Finance for release of K182,000,000 to enable the Ministry settle the balance of \$993,423.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that the remaining six projects are fully completed and appropriate payments made without delay. The Committee will await a progress report on the matter.

- b. Although the suppliers had delivered various equipment worth US\$10,187,739, between July 2020 and October 2020 in Lusaka, equipment worth US\$4,895,288 from eight (8) suppliers had not been delivered to the eighteen (18) trade institutions. As a result, installation, commissioning and training of key staff had not been done as at 30th June, 2021, over eight (8) months after delivery of the equipment. The contract periods for all ten contracts had expired for periods of over twenty-four (24) months as at 30th June, 2021.

Management Response

In his response, the Controlling Officer submitted that the Government of the Republic of Zambia had imposed restrictions on travels in the bid to avoid the spread of COVID-19. Government had issued various circulars restricting travel in year 2020 and 2021.

The Controlling Officer also submitted that delayed installation and training by the supplier was because the equipment in question was procured from China and India; and these countries were adversely affected with the COVID-19 pandemic. The lockdowns in these countries affected the movement of key staff who were supposed to do the installations and training.

The Committee was informed that, the undelivered equipment with estimated value of \$550,000 earmarked for Sesheke Trades Training Institute, which was earmarked for completion in 2022. The Ministry embarked on an exercise to deliver equipment to institutions after the restrictions were eased and equipment with estimated value of \$2,416,457 had since been delivered.

The Committee was further informed that with the easing of COVID-19 restrictions, four out of ten contracts valued at \$2,416,457 had been fully executed (Installation and training had already taken place).

The remaining equipment (\$1,928,831) would be delivered in 2022.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that the remaining six projects are fully executed and appropriate payments made without delay. The Committee will await a progress report on the matter.

- c. The contract periods for all ten contracts had expired for periods of over twenty-four (24) months as at 30th June, 2021.

Management Response

In response, the Controlling Officer submitted with regret that the contracts could not be executed within the contract period due to delayed release of funds by Ministry of Finance.

The contracts were entered into on the premise that Ministry of Finance would release the K212,000,000 that it had collected under the Skills Development Fund (SDF). The failure by Ministry of Finance to timely disburse the funds lead to the non-adherence to the contractual period, resulting into delayed payment of between six to eight months.

The Committee was informed that all the contracts were paid up to 90 percent. Eight out of ten contracts were signed in January 2019 and the 10 percent advance payment and the 80 percent payment were only made in February 2019 and November 2019, respectively.

The Committee was also informed that the funding uncertainty observed in the second month of the contract period made it difficult for management to estimate the period of extension.

Management had written to Attorney General to seek legal guidance on the contracts.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and put measure in place which will ensure that contracts are renewed before expiry. However, the Committee resolves to await a progress report on the legal guidance from the Attorney General on the expired contracts.

- d. Contrary to the payment terms, the Ministry had paid Elegant Automobiles US\$887,513, which was 90 percent of the contract sum, despite the supplier not having delivered equipment valued at US\$106,500. Further, the supplier had not submitted all the required documentation to support the payment of 90 percent.

Management Response

In his response, the Controlling Officer submitted that at the time of the audit, the equipment in question was already delivered by the supplier.

The Controlling Officer also submitted that at a later stage, management invited the auditors to physically inspect the equipment. The equipment queried, of US\$106,500 as having not being delivered was already in the Country, except it had not been distributed to the Institutions. Bill of lading on shipment was available for audit verification and payments were based on shipment.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and ensure that supporting documents on this matter are availed to the Office of the auditor General for audit verification. The Committee will await a progress report on the matter.

- v. On 25th January, 2019, the Ministry signed a contract with Graidco BV at a contract sum of US\$1,329,182.74 VAT exclusive for the supply, delivery, and installation and commissioning and training of staff on the use of various tannery and taxidermy equipment for various training institutions, with a delivery period of fourteen (14) to sixteen (16) weeks.

The contract was amended on 29th October, 2019 through an addendum which changed the contract from the supply of tannery and taxidermy equipment to supply of electrical equipment at the same total contract sum of US\$1,329,183.

The decision of the Ministry to vary the items in the original contract at the same contract price was questionable in that the new items were not subjected to price competition and there was no report to indicate that the Government has obtained value for money.

Further, the basis of Management coming up with the technical specifications which led to the award of the contract could not be determined and the change in the supply implied that the planned training in tannery and taxidermy equipment could not be achieved.

Management Response

In his response, the Controlling Officer submitted that due to the specialised nature of the equipment, the specifications that were provided by end-users were not suitable for training.

The specifications that were provided by the technical experts were for heavy duty industrial equipment, which was not suitable for training purposes. This anomaly was only discovered during the pre-shipment inspection.

The Controlling Officer also submitted that the technical experts and the end user did a cost benefit analysis and considered the options available.

The Committee was informed that the report was presented to the Ministerial Procurement Committee for evaluation and approval.

Committee's Observations and Recommendations

The Committee finds it unfortunate that end- user specifications were found unsuitable, leading to amendment of the contract on the procurement of equipment. In this regard, the Committee urges the Controlling Officer to impress upon all relevant officers to ensure that due diligence is undertaken during procurement of goods, services and works, in order to prevent wastage of public resources. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- vi. The supplier under contract No. 4 in the table 1 above was paid a total of US\$343,249 which was 90 percent of the contract sum. This was despite the Ministry having rejected equipment worth US\$305,043.

Management Response

In his response, the Controlling Officer submitted that, the position that was given at Management letter stage did not reflect the true position. The Ministry clarified that it did not reject any equipment.

The Controlling Officer also submitted that the Ministry had expedited the delivery of the equipment that was not yet delivered to the institutions and the status was that the supplier had installed part of the equipment.

The Committee was informed that disciplinary action was instituted against erring officer. The documentation for shipment (packing lists and invoices) were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

- vii. The supplier under contract No. 6 under table 1 above had been paid a total of US\$882,684 which was 90 percent of the contract sum, despite the supplier not having delivered equipment valued at US\$32,564. Further, the supplier had not submitted all the required documentation to support the payment of 90 percent.

Management Response

In his response, the Controlling Officer submitted with regret that the position that was given at Management Letter Stage that there was a partial shipment of goods; and wished to clarify that shipment of equipment took place before payments were made. Payments were based on shipment.

The Committee was informed that the position given at Management letter stage did not reflect a true position. Evidence of shipment of goods was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to impress upon the officers in the Ministry to take the audit process seriously and desist from giving different information at different stages. In this regard, the Committee urges the Controlling Officer to institute disciplinary action against the officers involved in order to serve as a deterrent. The Committee will await a progress report on the matter.

iv. Contract on Nuclear Energy Programme Implementing Organisation (NEPIO) Office Rentals - Questionable Payment of Rentals in Dollars-K717,728

In his response, the Controlling Officer submitted that for the period from May to December 2020, there was an agreement with UCZ to charge rentals at a fixed rate of US\$15.50.

The Controlling Officer also submitted that UCZ was the best evaluated bidder by the Ministerial Procurement Committee and advice was sought from the office of the Attorney and clearance was obtained regarding this contract.

The Committee was informed that management terminated the contract in December 2020 as it became unsustainable after depreciation of the currency.

The Committee was further informed that management renovated the old building that was formally occupied by Higher Education Loans and Scholarship Board and the Nuclear Energy Programme Implementing Organisation had since moved from the UCZ building and occupied it.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

MINISTRY OF TOURISM AND ARTS

PARAGRAPH 29

Audit Findings

34. An examination of accounting and other records maintained at the Ministry Headquarters and selected District Offices for the financial year ended 31st December, 2020 revealed the following to which the Controlling Officer submitted as set out below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December, 2020, a provision of K320,113,069 was made to cater for various activities, against which amounts totalling K285,946,720 were released, resulting in an underfunding of K34,166,349.

Although the Ministry was underfunded, as at 31st December, 2020 amounts totalling K284,857,290 had been spent leaving a balance of K1,089,430 in 2020.

See table 29.1 below.

Table 29.1: Budget, Funding and Expenditure

Year	Approved Estimates K	Funding K	Actual Expenditure K	Under Funding K
2020	320,113,069	285,946,720	284,857,290	1,089,430
Total	320,113,069	285,946,720	284,857,290	1,089,430

Management Response

The Committee was informed that the variance for the Financial Year 2020, of K1,089,430.02, was for the unspent funds in the game management areas, under the Department of National Parks and Wildlife (DNPW).

According to Secretary to the Treasury's instructions, K49,644.60 supplementary provision was applied and approved, while the balance of K1,039,777 was profiled for the Financial Year 2021, under the Management unit, respectively.

The funds remained utilised because most of the activities were scaled down, due to the COVID-19 pandemic, in the game management areas.

Authority to retain and carry over the funds to the following year was secured from the Secretary to the Treasury and documentation was available for verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification.

b. Weaknesses in Managing Payroll and Staff Related Matters

i. Double Payment of Salaries

In his response, the Controlling Officer submitted that during the transition from Zambia Wildlife Authority (ZAWA) to the Department of National Parks and Wildlife (DNPW), former ZAWA prosecutors were moved to National Prosecution Authority (NPA) in line with the Attorney General's opinion, before Treasury Authority was granted to transfer them. This entailed retaining them on the payroll, with the understanding that NPA was to pay them a difference, in order to equate them to NPA salary scale, until the transfers were affected.

The procedure in Government for terminating officers from the payroll required authority to be granted. Furthermore, all terminations were conducted by the Super Users at PMEC.

In view of the foregoing, all the fifty prosecutors who were retained on double salaries had the Ministry of Tourism (MOT) salaries terminated centrally by PMEC super users who had the authority. The status on the termination was set out below.

- i. Thirty-seven officers were terminated as of June, 2018 and had drawn double salaries for 5 months while one was terminated as of August, 2018 and had drawn salaries for 7 months.
- ii. Seven officers were terminated as of June, 2019, and had received double salaries ranging between 13 and 18 months.
- iii. Four officers were terminated as of June, 2020.
- iv. The remaining officer was terminated as of October, 2020 because his case had delayed to be normalised.

The Ministry was communicated to by PSMD on Minute No. PSMD/64/13/1, dated 19th March, 2020 to formalise the normalisation the transfers of these officers by the Civil Service Commission and consequently all the transfers were normalised as per Minute no. AP/64/13/1, dated 3rd November, 2020, as a matter of procedure;

The Committee was informed that, all the officers had since been terminated from the Ministry payroll and recoveries effected in accordance to the duration of their indebtedness as alluded to above. These funds had since been remitted to the Ministry of Finance; and

The Ministry had also requested NPA to institute appropriate disciplinary proceedings against the fifty officers because the Ministry no longer had jurisdiction over them and because public service officers conduct must be beyond reproach. Furthermore, the pay slips were instructive upon each officer to conduct themselves above board by reporting overpayments.

Committee's Observations and Recommendations

The Committee finds it unacceptable that prosecutors whose mandate is to uphold law and order where found in this situation and could not report the matter for normalisation. The Committee finds this unfortunate and urges the principals at the National Prosecution Authority to impress

upon the said officer to uphold morality and ethics in their discharge of duties. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

ii. Failure to Recover Salary and Tuition Advances-

In his response, the Controlling Officer submitted that all the recoveries were effected on all the officers except for one officer who was not on payroll. The officer was not on payroll and the recoveries would be effected against salary arrears when introduced on payroll.

The Committee was informed that there were no officers drawing salary and tuition advances without being cleared by the Permanent Secretary and the relevant circular had been availed to all members of staff. Supporting documents were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

c. Accounting Irregularities

i. Unsupported Payments-K343,297

In his response, the Controlling Officer submitted with regret that payments were unsupported at the time of the audit. The cause was as a result of delays in receiving transmission copies and obtaining receipts from vendors to support the payments. All the payments were supported.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

Department of National Parks and Wildlife

In his response, the Controlling Officer submitted that for the DNPW, the irregularity was attributable to poor records management.

The Controlling Officer also submitted that the Ministry had since severely cautioned all concerned officers as well as re-oriented them in records management to avoid a recurrence of the matter. All the cited payments had since been adequately supported and documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

ii. Unretired Accountable Imprest-K9,440

In his response, the Controlling Officer submitted that the officer referred to was a Senior Tourism Research Officer in the Ministry. However, the imprest remained unretired because the trip she was supposed to undertake was cancelled due to COVID-19 pandemic outbreak.

Secondly, during the same period she was dismissed from the Civil Service.

The Controlling Officer also submitted that as a result of being dismissed from the Civil Service, she was removed from the payroll, which made it difficult to recover the balance K9,440.

The Committee was informed that the officer was reinstated back into the Civil Service after her appeal. The recoveries of the balance would be affected immediately she was reintroduced on the payroll. Dismissal letter was available for audit verification.

Committee's Observations and Recommendations

The Committee will await a progress report on the matter.

iii. Failure to Avail Activity Reports

In his response, the Controlling Officer submitted that activity reports were produced after every activity because it was the reports upon which decision-making and other policy directions were based. However, because of various files that were used when compiling reports, it posed as a challenge to locate some of the reports at the time of the audit. Some of the files were just misfiled and could not be traced at the time of the audit.

The Committee was informed that all reports that were not availed at the time of the audit were located. Going forward, a central depository for reports in the Department of Planning was created for ease of retrieval. Activity reports were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

iv. Irregular Issuance of Imprest-K116,250

In his response, the Controlling Officer submitted with regret that imprest in amounts totalling K116,250, was irregularly issued to officers. However, despite the irregularity, the funds were properly accounted for and paid to the intended beneficiaries and Government did not suffer any loss as evidenced by acquittal sheets and activity reports. Further, all the concerned officers had since been cautioned against the practice of issuing group imprest and re-oriented on the provisions of the cited Financial Circular, to mitigate the recurrence of the matter.

The Controlling Officer also submitted that the Ministry had some new officers who were not initiated in the IFMIS system at the time of issuing the imprest but had an activity to implement as a team. As a result, imprest was issued to an officer who accounted for the funds through acquittal sheets.

Secondly, officers could not be initiated into IFMIS because at that time the system was down, but activities had to be undertaken.

The Committee was informed that all officers were eventually initiated into the system and the officer, who paid the funds as imprest irregularly, was charged in order to prevent the recurrence of the irregularity.

Duly signed acquittal sheets as confirmation that the funds were subsequently paid to the intended beneficiaries, as well as activity reports, were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

v. Fuel Drawn by Vehicles not Part of the Institutions Fleet of Vehicles-K43,630

In his response, the Controlling Officer submitted that due to inadequate transport in the Ministry, partners and stakeholders aided with motor vehicles and not fuel. They mainly aided in emergency occurrences/operations such as animal/human conflict, poaching, trophy hunting cases, investigations, surveillance, court cases and other activities. However, out of all the vehicles cited, some were ineligible to draw Government fuel although they claimed official duties were conducted and authorised.

The Controlling Officer also submitted that the lack of transport in the Ministry resulted in such omissions. Further, there were internal weaknesses over the requisition process, as well as the management of fuel, for vehicles borrowed from partners and stakeholders.

In addition, officers did not adhere to the laid down procedures for drawing fuel when using personal vehicles to undertake government business.

The Committee was informed that management had since recovered an amount of K15,900.39 for fuel drawn by erring officers, out of the cited K43,629.59, while a sum of K27,729.20 was drawn by a combination of utility and project vehicles as per schedule verified by the auditors. In addition, internal controls had been enhanced over use of vehicles from partners and stakeholder, to ensure adherence to laid down procedure.

Thirdly, the officer who issued fuel was charged. Supporting documents were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern at the weak internal controls in the management of fuel and the effort by the Controlling Officer to justify the irregularity, notwithstanding the disciplinary action taken. In this regard, the Committee urges the Controlling Officer to strengthen the internal control measures on the management of fuel without delay. The Committee also urge the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

vi. Unaccounted for Stores -K219,711

In his response, the Controlling Officer submitted that at the time of the audit, the officer who was responsible for stores management had resigned and joined another organisation. As a result, it was difficult to trace the complete records. However, the officer was eventually found and helped to retrieve the documents.

The Controlling Officer also submitted that there was no proper record keeping after handing over process, when the officer resigned.

The Committee was informed that all stores management issues were since being managed by the Department of Finance, in line with the provisions of the *Public Finance Management Act, No.1 of 2018*.

Charge letters and disposal details were available for audit verification.

Committee's Observations and Recommendations

The Committee bemoans the poor record keeping at the Ministry and urges the Controlling Officer to put measures in place to avert this scenario. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

d. Infrastructure Development

i. Construction of Ablution Block at Mundawanga Zoo and Botanical Gardens in Chilanga District

• Failure to Submit Performance Guarantee/ Bond

In his response, the Controlling Officer submitted that the Performance Security Bond was not available at the time of the audit, because it had expired, but it was available at the time of signing the contract. The contractor was then requested to renew it.

The Committee was informed that the contractor was requested to renew the bond according to the requirements of the contract. Secondly, the responsible engineer was charged for substandard performance.

The Committee was further informed that the officers needed orientation in Government contract management. Charge letter was made available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

- **Questionable Variation-K168,926**

In his response, the Controlling Officer submitted that the variation intended to cater for the physically challenged persons but the right procedure was not followed. This was caused by failure to follow laid down procedure on variations by the responsible officer.

The Committee was informed that the officer responsible was charged for substandard performance. Secondly, the variation would be submitted for approval to the Attorney General's Office. The charge letter was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

- **Delayed Completion of the Project**

In his response, the Controlling Officer submitted that resulting from the variation order cited above, the completion period of the project was delayed.

The Controlling Officer also submitted that the Contractor moved out of the site pending approval of the variation order. Secondly, when the variation was cleared, the contractor was unable to immediately commence the works because of other personal commitments.

The Committee was informed that the Contractor resumed the works and completion of the project was awaiting the settlement of the Interim Payment Certificate.

Submission of claim was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to engage the Secretary to the Treasury on the payment of the issued IPC and ensure that the project is fully completed without delay. The Committee will await a progress report on the matter.

- e. **Management of Liabilities – Failure to Settle Outstanding Commitments-K593,201,082 and US\$601,306**

In his response, the Controlling Officer submitted that debt on personal emoluments related to former ZAWA employees, on statutory NAPSA Contributions. ZAWA was not remitting the funds to NAPSA. After the dissolution of ZAWA, the Ministry assumed all the debt. As a result, the Ministry wrote to Secretary to the Treasury, requesting to settle the debt, especially that the retired former ZAWA employees were not accessing their retirement packages.

Alternatively, the Ministry was guided to engage NAPSA to consider debt swap model since they had Tourism Concession Agreements with the Ministry.

The Controlling Officer also submitted that out of the cited K593,201,082, only K17,000,000 was the principal amount and the rest were accrued penalties and interest.

On international subscriptions, it had been difficult to liquidate the bills due to budgetary constraints especially that the bills were in United States Dollar.

The Committee was informed that the Ministry was reviewing the membership and relevance of the international bodies in view of reducing the cost of subscription and to remain only with the relevant ones that benefitted the Country. Supporting documents were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to engage the Secretary to the Treasury on the requisite funding. The Committee will await a progress report on the matter.

Management of the Tourism Development Fund

i. Failure to Reimburse Borrowed Funds-K1,101,111

In his response, the Controlling Officer submitted that the funds were borrowed in November 2018 on the understanding that the same concession agreements that were under consideration were going to generate revenue to pay back into the TDF Account. Direct reimbursement to the Account was not possible because all revenues generated were deposited direct into control 99, in line with Financial Regulations. In the process of finding the best way possible to reimburse the funds, the Controlling Officer did a recommendation to the Secretary to the Treasury suggesting that funds be transferred from control 99 to the Tourism Levy Account held at Accountant General 's Office. The recommendation was conditionally agreed to.

The Committee was informed that the cause was to find the best modality of refunding the borrowed funds since budgetary limitations and regulations governing revenue collection were restrictive. After the Ministry's recommendation was agreed to, the fund was to be reimbursed accordingly from control 99 to the Tourism Levy account held under the Accountant General's Office.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General as it resolves to await a progress report on the transfer of funds as submitted.

ii. Failure to Produce the Annual Report

The Committee was informed that at the time of the audit, the report was being prepared to cover the period from 1st January 2017 to 31st December, 2020, because no report was available for the previous periods. In the year 2016, there were no financial activities.

The Committee was also informed that there were no reports available for the financial years 2017, 2018 and 2019.

The internal auditors were unable to carry out the audit of the TDF projects because of travel restrictions due to COVID-19 pandemic.

The financial consolidated report was produced and available for audit verification as well as the TDF reports.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the Ministry abrogated Section 66 (1) of the *Tourism and Hospitality Act, No. 13 of 2015*, with impunity and for a seriously of financial years. The Committee, therefore, urges the Controlling Officer to take the provision seriously and ensure that consolidated financial reports are submitted timely and as provided without fail. The Committee, however, resolves to close the matter subject to audit verification.

MINISTRY OF YOUTH, SPORT AND CHILD DEVELOPMENT

PARAGRAPH: 30

30.1 Audit Findings

35. An examination of accounting and other records maintained at the Ministry Headquarters and selected stations for the Financial Year Ended 31st December, 2020 revealed the following:

a. Budget, Funding and Expenditure

In the estimates of revenue and expenditure for the Financial Year Ended 31st December 2020, a provision of K527,273,927 was made to cater for various activities against which amounts totalling K520,271,539 were released, resulting in an underfunding of K7,002,388. Although the Ministry was underfunded, as at 31st December, 2020, amounts totalling K232,197,887 had been spent leaving a balance of K288,073,651.

Management Response

In his response, the Controlling Officer submitted that funding was received in August, 2020. Therefore, the Ministry was unable to exhaust the K520,271,539 due to the following reasons;

- lengthy procurement procedures; and
- formation of structures for the identification and selection of youth beneficiaries and hence made it difficult to exhaust all funds.

The Controlling Officer also submitted that as at 31th December, 2020, the Ministry spent a total of K232,197,887 out of the K520,271,539. And that in December, 2020, the Ministry wrote to Secretary to the Treasury for authority to retain the funds in 2021 Financial Year, to which authority was granted on the 24th December, 2020.

Committee's Observations and Recommendations

The Committee expresses concern at the failure by the Ministry to utilise the funds as released by the Treasury. The Committee finds it unacceptable and urges the Controlling Officer to be proactive and ensure that funded activities are implemented whenever funds are available. However, the Committee recommends the matter for closure subject to audit verification.

a. Operational Matters

i. Review of Youth Empowerment Schemes - Non-Performing Loans

In his response the Controlling Officer submitted that the scheme was carried out seven years earlier and had accumulated over a period of time. As such the matters had remained outstanding and were active in the previous reports on the Public Accounts Committee on the outstanding issues arising from the Reports of the Auditor General on the Accounts of the Republic for the Financial Years Ended 31st December, 2014, 2015 and 2016.

The Controlling Officer also submitted that in the previous seven years, the Ministry had taken several measures to recover the funds as set out below.

- i. The Ministry had engaged the provincial youth officers to track and start recovering the loans from the youth beneficiaries.
- ii. The Ministry engaged Trans Union serving as a Credit Reference Bureau (CRB), to list all beneficiaries. This was to ensure that the beneficiary youths were unable to borrow from other institutions.
- iii. The Ministry engaged Zambia Institute for Policy Analysis and Research (ZIPAR) to review the programme from all the districts of the country.

The Committee was informed that the Ministry would also engage other financial institutions like the Citizen Empowerment Commission to manage the loans.

The Committee was also informed that going forward, and in order to secure the recovery of these youth empowerment loans, it was necessary that deliberate policies such as collaterals and insurance were introduced as a requirement for acquiring loans.

Supporting documents were available for audit verification.

Committee's Observations and Recommendations

The Committee bemoans the *laissez faire* attitude adopted by the Ministry with regard to loan recoveries and urges the Controlling Officer to put in place robust loan recovery mechanisms in the Ministry in order to avoid such wastage of public resources. The Committee also urges the Controlling Officer to ensure that all the pending recoveries are reviewed and all defaulting beneficiaries identified and have the loans recovered and report all defaulters to CRB for violation of loan conditions. The Committee will await a progress report on the matter.

Higer Buses Empowerment Scheme - Phase One

In his response, the Controlling Officer submitted as set out below;

i. Two buses were involved in road traffic accidents

The Ministry engaged Public and Private Bus Drivers Association of Zambia (PPBDAZ) to ensure that the two buses were replaced as it was the responsibility of PPBDAZ to ensure that the buses were insured comprehensively, in line with the Road Safety regulations.

At the time of the accident the buses were insured with Advantage Insurance Company, on credit. However, premiums were not remitted by the PPBDAZ as agreed with the Insurance Company. Therefore, PPBDAZ owed the insurance company huge amounts of money in unremitted premiums. To offset the claim, PPBDAZ entered into a private and unlawful debt swap arrangement with the Insurer, without the consent of the Ministry, therefore, the buses could not be replaced. The Ministry was following up with a view of taking up appropriate action, including a lawsuit. The agreement was available for audit verification.

The Committee was informed that the Ministry had written to PPBDAZ to ensure that through appropriate insurance procedures replaced the two buses involved in the road traffic accidents. The Committee was also informed that the Ministry had written to the Inspector General Police in order to resolve the matter.

Committee's Observations and Recommendations

The Committee bemoans the *laissez faire* attitude exhibited by the Ministry in the identification and monitoring and evaluation of the higher buses project. The Committee is of the strong view that due diligence was not undertaken to establish the suitability of the beneficiaries. However, with regard to the two buses reported to be involved in accidents, the Committee urges the Controlling Officer to escalate the matter to the relevant investigative agencies for further investigation. The Committee also urges the Controlling Officer to report all the PPBDAZ executive members to CRB for violation of loan conditions. The Committee will await a progress report on the matter.

ii. Eight stripped Buses

The Controlling Officer submitted that the eight stripped buses were securely parked at the Lusaka City Council, Central Stores. However, the buses were repossessed from PPBDAZ in their current state as non-runners, with parts missing such as engines.

The Ministry wrote to Zambia Police on the stolen parts of the engines of the buses.

The Committee was informed that the Ministry had also written to PPBDAZ to repair the eight buses and make them operational. However, the matter was still under investigation.

Committee's Observations and Recommendations

The Committee bemoans the *laissez faire* attitude exhibited by the Ministry in the identification and monitoring and evaluation of the higher buses project. The Committee also observes that the

Controlling Officer is acting after the audit process. In view of this, the Committee strongly warns the Controlling Officer to desist from the practice. The Committee also urges the Controlling Officer to escalate the matter to the relevant investigative agencies for further investigation. The Committee also urges the Controlling Officer to report all the PPBDAZ executive members to CRB for violation of loan conditions. The Committee will await a progress report on the matter.

iii. **Two missing Buses**

The Controlling Officer submitted that the two buses that were reportedly missing at the time of the audit, were involved in a road traffic accident and one higer bus, registration number BAD 3252, was sold by the insurance company. The said bus was physically inspected by internal audit and was reported to be in Kabwe.

The other bus, registration number BAD 2741, was also sold by the insurance company after they salvaged it. The physical status of the bus was yet to be established.

Committee's Observations and Recommendations

The Committee bemoans the *laissez faire* attitude exhibited by the Ministry in the identification, monitoring and evaluation of the higher buses project. The Committee is of the strong view that due diligence was not undertaken to establish the suitability of the beneficiaries. However, with regard to the two missing buses, the Committee urges the Controlling Officer to escalate the matter to the relevant investigative agencies for further investigation. The Committee also urges the Controlling Officer to report all the PPBDAZ executive members to CRB for violation of loan conditions. The Committee will await a progress report on the matter.

iv. **K29,655, 280 wasteful expenditure:**

The Controlling Officer submitted that the Ministry paid K29,655,280 from the principle amount of K33,000,000 (UDS\$ 3,272,200) to Higer Buses Limited as the final payment on behalf of PPBDAZ.

However, the MoU was tripartite in that it consisted of the Ministry, Higer Buses Limited and PPBDAZ. Since the Ministry had seized the buses from PPBDAZ, which owed Higer Bus Limited K29,655,280, the debt was inherited by the Ministry.

Therefore, the Ministry wrote to Ministry of Finance to liquidate the debt on behalf of the Ministry of Youth, Sport and Child Development, because the amount was attracting interest on a monthly basis.

The Controlling Officer submitted that it was regrettable that the matter was handled at a higher level.

The Committee was informed that going forward, the Ministry would ensure that it worked closely and diligently with the office of the Minister so that procedures would be followed and public funds would be prudently utilised.

Committee's Observations and Recommendations

The Committee bemoans the lack of due care by the Ministry in the administration of the Higer bus loan empowerment project. The Committee, therefore, urges the Controlling Officer to report the officers involved to relevant investigative wings for further investigations. The Committee also urges the Controlling Officer to be professional and ensure that all relevant procedures are followed and public resources prudently utilised, in line with the provisions of the *Public Finance Management Act, No. 1 of 2018*. The Committee will await a progress report on the matter.

Buses Empowerment Scheme – Phase Two

In his response, the Controlling Officer submitted that as a result of the COVID-19 pandemic, the Ministry of Health issued directives for buses to have limited number of passengers to board buses. As such, loan repayments by the cooperatives/ groups became unattainable.

However, the groups had been making repayments but not as per agreement due to the effect of the COVID-19 pandemic. Further, due to limited number of passengers, it could take a minimum of five days for a bus to make a trip. However, the Ministry had so far recovered K984,950.

The Controlling Officer also submitted that in line with the project guidelines, the Ministry had written to all the youth cooperatives, issuing demand notices informing the cooperatives to settle the outstanding amount and the list of members in each cooperative.

The Committee was informed that all the buses had been repossessed by the Ministry and would only be given to the cooperatives upon payment of the outstanding amount.

The Committee was also informed that the meeting was held between the Ministry and the cooperatives to resolve the repayments issue. The minutes of the meetings held with the cooperatives on the payment plan were available for audit verification.

The Committee was further informed that the Ministry had written letters to the Secretary to the Cabinet and Attorney General seeking guidance on the repossessed buses and the way forward which was provided was set out below.

- i. Auctioning of the repossessed buses; and
- ii. Reallocation of buses to other youth cooperatives

Committee's Observations and Recommendations

The Committee finds it unfortunate that the Ministry rushed into Phase II of the higher bus project when it demonstrated its inability to manage the first phase of the project. The Committee contends that the failure of the second phase is purely due to lack of due diligence on the identification of beneficiaries and lack of due care by the responsible officers. In this regard, the Committee urges the Controlling Officer to put measures in place to ensure that due diligence is undertaken on the identification of beneficiaries before the repossessed buses are distributed. The Committee also urges the Controlling Officer to ensure that the defaulting beneficiaries are not

allowed to benefit from the repossessed buses. The Committee will await a progress report on the matter.

The Youth Street Vendors Empowerment Scheme

In his response, the Controlling Officer submitted that the scheme was disbursed through ZAMPOST Micro-finance Limited. In 2017, after noticing low repayment rates from the beneficiaries, the Ministry engaged the United Street Vendors Cooperative Society (who were part of the MoU) to follow up with their members to encourage them to pay back their loans. This saw a small positive response by the beneficiaries.

In November, 2018, the Government banned street vending, through a Statutory Instrument Number 12 of 2018, hence this had a negative effect on the ability of the beneficiaries to pay back. This situation was further worsened by the liquidation of ZAMPOST Micro-finance Limited, in 2019, making it difficult to make repayments.

The Controlling Officer further submitted that the Ministry had since taken the following measures to date, to recover the money paid to the youth street vendors:

- i. the Ministry had written to the Bank of Zambia who were the liquidators of the ZAMPOST Micro-finance Limited, to be included on the list of creditors;
- ii. the engagement of ZAMPOST through an MOU to collect loan repayments on behalf of the Ministry;
- iii. the Ministry engaged Trans Union serving as a Credit Reference Bureau to list all beneficiaries;
- iv. the Ministry engaged Ministry of Justice seeking clearance on the agreements between the Ministry and CRB to list beneficiaries; and
- v. the Ministry engaged Zambia Institute for Policy Analysis and Research (ZIPAR) to review the programme.

Committee's Observations and Recommendations

The Committee bemoans the wastage of public resources due to lack of a robust recovery mechanisms in place at the Ministry. The Committee also observes that had needs assessment being undertaken before funds were committed on this project, wastage could have been avoided. In this regard, the Committee urges the Controlling Officer to put measures in place to ensure that needs assessments are conducted before disbursement of funds. The Committee also urges the Controlling Officer to put in place robust loan recovery measures, in order to safeguard public resources. The Committee will await a progress report on the measures so far put in to recover the funds.

Motorised Cargo Tricycles Empowerment Scheme

In his response, the Controlling Officer submitted that the Ministry gave 100 motorised tricycles to the youth groups. However, the Ministry distributed the eighty-two motorised tricycles to the

youth beneficiaries and that the eighteen motorised tricycles were not distributed due to the logistical challenges. New information from the youth beneficiaries was that the youths faced challenges in having the tricycles repaired as the spare parts were scarce due to the model. This had negatively affected the repayments. Even though this was so, the Ministry had recovered K115,600 from the motorised tricycles.

The Ministry had issued seizure notices to the defaulting youth groups of the eighty-two tricycles so as to repossess and give them to the deserving youths. It had also reported the matter to the Drug Enforcement Commission, Anti-Corruption Commission and the Zambia Police for them to investigate the matter. This was to establish whether or not the Ministry obtained value for the money.

The Committee was informed that, the internal audit of the Ministry was instructed to carry out a detailed audit on the procurement of the tricycles to establish whether or not the Ministry obtained value for the money in terms of price, quality and after-sale service.

Committee's Observations and Recommendations

The Committee bemoans the wastage of public resources due to lack of a robust recovery mechanisms in place at the Ministry and failure to undertake due diligence and feasibility study before procurement of cargo tricycles. The Committee observes that had a feasibility study been conducted, such wastage could have been avoided. In this regard, the Committee urges the Controlling Officer to put measures in place to ensure that feasibility study is conducted before equipment such as tricycles are procured. The Committee also urges the Controlling Officer to put in place robust loan recovery measures, in order to safeguard public resources. The Committee will await a progress report on the measures so far put in to recover the funds.

ICT Equipment Empowerment Scheme

In his response, the Controlling Officer submitted that the youth groups which were given the ICT equipment were unable to make repayments due to competition with the modern technology of use of mobile smart phones for internet access and other devices. The Ministry at the time of the preparation of the memorandum had recovered K321,777.

The Controlling Officer also submitted that the Ministry seized ICT equipment from the defaulting youth groups and distributed to the Youth Resource Centres, Provincial Administrations and Headquarters under the Ministry.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

The Graduates Trainee Empowerment Scheme

In his response, the Controlling Officer submitted that the Ministry could not implement the programme because Treasury did not fund the Ministry despite requesting for funding.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to review the project and enable the graduate youths to participate in other empowerment programmes already funded, to avoid further wastage of funds. The Committee will await a progress report on the matter.

Youth Resettlement Scheme

In his response, the Controlling Officer submitted that the situation was attributed to inadequate funding between 2013 and 2020.

The Controlling Officer also submitted that in 2021, the ministry disbursed K500,000 to Mwange and Lukanga Youth Resettlement Schemes, respectively, under the Presidential Multi-purpose Empowerment scheme.

The Committee was informed that going forward, the Ministry would mobilise some funds for the improvement of water reticulation and the opening up of access roads in Mpika and Mufumbwe Resource Centres.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to mobilise the requisite funding for the improvement of water reticulation and opening up of access roads in affected resources centres without fail. The Committee will await a progress report on the matter.

ii. Other Empowerment Programmes

In his response the Controlling Officer submitted as set out below.

i. Pave Zambia

The Ministry, working with the RDA Provincial Officers, conducted an assessment on the possible operationalisation of the PAVE Zambia equipment in question. It was discovered that the cost of operationalising the Pave Zambia equipment was too high.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to engage the Secretary to the Cabinet on the matter so that a clear policy direction is provided, with regard to PAVE Zambia project. The Committee will await a progress report on the matter.

ii. African Asia Rural Development Organisation

The Ministry had since remitted all the funds under this project to the Kafue Youth Resource centre.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification, subject to which, the matter must close.

iii. Review of the Action Plan for Youth Empowerment and Employment (APYEE)

The Ministry was in the process of integrating the outcome of the Action Plan for Youth and Employment. In this regard, the Ministry had been holding consultative meetings with stakeholders to develop the National Youth Policy with its Implementation Plan, in line with the New Dawn Government aspirations. This would guide the development of a robust implementation of the APYEE Plan and the monitoring and evaluation system.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to expedite the development of the National Youth Policy and its accompanying Implementation Plan, without any further delay, the Committee will await a progress report on the matter.

b. Accounting Irregularities

i. Wasteful Expenditure- Storage Charges -K72,384

In his response, the Controlling Officer submitted that the motor vehicle registration No. GRZ 858 CJ Toyota Hilux, was on 5th October, 2016, involved in road traffic accident. On 6th October, 2016, the Ministry wrote to General Alliance Insurance Zambia Limited notifying them of the accident. The insurance company delayed in issuing a repair order which was released on 31st January, 2018. Due to lack of funding, the vehicle accumulated storage charges amounting to K72,384, which were paid on 22nd October, 2020.

The Controlling officer also submitted that the Transport Officer was verbally warned and cautioned.

The Committee was informed that going forward, Management had put up measures to ensure that vehicles were only taken to the garage when funds were available.

Committee's Observations and Recommendations

The Committee bemoans the wastage of public resources by the Ministry officials, through acts of negligence. The Committee, therefore, urges the Controlling Officer to put measures in place that will ensure that such wastage is avoided without fail. The Committee will await a progress report on the matter.

ii. Asset Management - Questionable Expenditure on Repair of Bus-K183,666

In his response, the Controlling Officer submitted that the Ministry liaised with the Zambia Embassy in Namibia to have the bus repaired from there at a total cost of K183,666. A team of officers travelled to Namibia on 3rd December, 2020 to collect the bus. The bus was driven back to Lusaka and since then it had been operational and was available for any further verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents on this matter to the Office of the Auditor General for audit verification, subject to which the matter must close.

MINISTRY OF DEFENCE - HEADQUARTERS

PARAGRAPH 31

31.2 Audit Findings

36. An examination of accounting and other records maintained at the Ministry Headquarters and selected stations for the period under review revealed the following to which the Controlling Officer submitted as set out below.

a) Budget, Funding and Expenditure (Unspent funds - K44,386.924)

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2020, a provision of K412,866,225 was made to cater for various activities against which amounts totalling K303,167,289 were released resulting in an underfunding of K109,698,936. Although the Ministry was underfunded as at 31st December 2020, amounts totalling K258,780,365 had been spent leaving a balance of K44,386.924.

Management Response

In response, the Controlling Officer submitted that the Ministry did receive some funds for various programmes towards the end of the year and therefore could not utilise all the funds in the period under review. However, retention was sought and authority was granted to utilise the unspent balances in the 2021.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to endeavour to spend funds within the accounting period in accordance with the appropriation Act. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

b. Weaknesses in Procurement Management

i. Awarding of Contracts without Confirmation of Availability of Funds-K220,047,652

In response, the Committee was informed that to avoid further accumulation of bills, the Ministry obtained clearance from Ministry of Finance and National Planning before awarding any contract. Further the Ministry had applied for supplementary budget provision for outstanding bills in the 2021 financial year to enable them meet their financial obligations.

The Ministry was waiting to get feedback from the Ministry of Finance and National Planning.

Committees Observations and Recommendations

The Committee finds it unacceptable that the Ministry had over-committed the Government beyond what was appropriated which is a very serious commission. What disappoints the Committee is that the same was done with impunity. In this regard, the Controlling Officer is strongly urged to ensure that all outstanding amounts are paid without further delay and that disciplinary action is taken against erring officers as evidence is not sufficient to show how agent the undertakings were. In addition, the Committee sternly cautions the Controlling Officer to take keen interest on such matters by strengthening internal controls so as to monitor the systems periodically. The Committee will await a progress report on the matter.

ii. Supply and Delivery of various equipment for the Zambia Army

- **Poor Contract Management**

In his response, the Controlling Officer submitted that the Ministry had continued engaging the Ministry of Finance and National Planning for possible release of funds to meet all contractual obligations. Further a supplementary budget provision had been applied for to enable the Ministry pay the outstanding advance payments to the supplier. The Ministry had engaged the supplier to deliver the goods as stipulated in the scope of supply.

Committees Observations and Recommendations

The Committee expresses displeasure at the manner in which the Ministry of Defence was handling contracts. The Committee contends that it was not clear why the Ministry was freely over committing the Government in contractual obligations without proof of funding, an undertaking which the Committee finds unacceptable. The Committee also finds it unacceptable that these contracts were entered into without following the due process of obtaining clearance from the Secretary to the Treasury, on the availability of funds. The Committee, therefore, recommends as set out below.

- i) The Secretary to the Treasury is urged to take disciplinary action against the contracting agents (Procurement Committee and the officers involved).
- ii) The Secretary to the Treasury is urged to consider liquidating the balance expeditiously so as to curb further delay which may result in loss of public resources during litigation or otherwise consider renegotiating the Contract.
- iii) The Controlling Officer is urged to liaise with the contractor, as a matter of urgency, to address the short comings and ensure that all equipment is delivered and utilised for the intended purpose.

The Committee will await a progress report on the matter.

- **Questionable Extension of Contract**

In response, the Controlling Officer submitted that the Ministerial Procurement Committee extended the contract to 31st December, 2021 and the supplier was informed that the contract was valid up to 31st December, 2021.

Committees Observations and Recommendations

The Committee finds the submission unacceptable, especially that the Attorney General was not engaged for legal opinion on the matter of extending the Contract. The Committee observes with concern that the procurement team in the Ministry of Defence is in the habit of abrogating procedure at will which is a very serious concern by the Committee. The Committee, therefore, urges the Controlling Officer to consider capacitating the procurement team at the Ministry and, if found necessary, overhaul the whole system to curb similar irregularities. The Committee will await a progress report on the matter.

iii. Wasteful Expenditure – Payment of Interest

In his response, the Controlling Officer submitted that the interest payment was due to delayed payment to the supplier, for the certified works done. The delayed payment to the supplier was attributed to budgetary constraints for outstanding bills.

Committees Observations and Recommendations

The Committee expresses extreme displeasure and finds it hard to understand what urgency and motivation was there to commit the Government to a contract without getting clearance from the Treasury. The Committee is of the view that there is probably connivance between the contracting agent and the Contractor. The Committee recommends that the contracts be investigated further to establish why they were undertaken in such a hurried manner. The Committee will await a progress report on the matter.

iv. Contract for the Restoration and Upgrading of the Production Line - Mupepetwe Engineering and Contracting Corporation (MECCO)

Management Response

In his response, the Controlling Officer acknowledged the query regarding the lack of deliveries made against the additional payments and delayed contract. It was submitted that the delayed execution of the contract was due to delayed remittances of funds to the Contractor. However, the Committee was informed that the supplier had since delivered all the goods and the equipment was at Mupepetwe.

Committees Observations and Recommendations

The Committee expresses concern at the failure by the contractor to deliver the goods within the contract period and also the late payment by the Treasury. While it is appreciated that goods have been delivered on site, the Committee urges the Controlling Officer to ensure that the Plant is operationalised and avail supporting documents to the Office of the Auditor General for audit verification, without further delay. The Committee will await a progress report on the matter.

v. Contract for the Supply and Delivery of Specialised Marine Equipment

- **Poor Contract Management**

In his response, the Controlling Officer submitted that the Ministry had continued to engage the Treasury for possible release of funds to meet the contractual obligations and had further applied for supplementary budget provision and still waiting for feedback from Ministry of Finance and National Planning. Further, the Ministry had engaged the Supplier to deliver the goods as stipulated in the scope of supply.

Committees Observations and Recommendations

The Committee finds it questionable how the supplier was identified and engaged to supply specialised marine equipment. The Committee also finds it unacceptable that these contracts were entered into without following the due process of obtaining clearance from the Secretary to the Treasury on the availability of funds. The Committee, therefore, recommends as set out below.

- i) The Secretary to the Treasury is urged to take disciplinary action against the contracting agents (Procurement Committee and the officers involved).
- ii) The Secretary to the Treasury is urged to consider liquidating the balance expeditiously so as to curb further delay which may result in loss of public resources during litigation or otherwise consider renegotiating the Contract.
- iii) The Controlling Officer is urged to liaise with the contractor, as a matter of agency, to address the short comings and ensure that all equipment was delivered and utilised for the intended purpose.

The Committee will await a progress report on the matter.

- **Questionable Extension of Contract**

In his response, the Controlling Officer submitted that the observation regarding the questionable extension of contract was acknowledged. The Ministerial Procurement Committee extended the contract to 31st December, 2021 and the Ministry had since indicated to the supplier that the contract was valid up to 31st December, 2021.

Committees Observations and Recommendations

The Committee finds it highly irregular that the contract was extended without seeking for a legal opinion from the Attorney General. The Committee cautions the Controlling Officer against abrogating procedures and strongly urges that the matter be expeditiously resolved to its logical conclusion to avoid loss of funds in litigation. The Committee will await a progress report on the matter.

- vi. Contract with Marvel fairs Limited

- **Failure to Produce Records**

In his response, the Controlling Officer submitted that some years back, some documents for various suppliers including Marvel Fairs Limited were collected by the Ministry of Finance and National Planning and Drug Enforcement Commission for verification and clearance. Therefore, documents were split between Ministry of Defence, Ministry of Finance and National Planning and Drug Enforcement Commission. Further, the Committee was informed that the Ministry had written to the two institutions to provide the other documentation pertaining to the company so that they were availed for audit verification.

Committees Observations and Recommendations

The Committee finds it unacceptable that the Controlling Officer failed to produce documents during the audit process. It is the view of the Committee that the Controlling Officer did not respect the audit process as it was not clear why it took him so long to get the documents back from other Government institutions. The Committee, therefore, urges the Controlling Officer to ensure that all the documents are availed for audit verification, without fail. The Committee will await a progress report on the matter.

- **Inadequately Supported Payments**

In his response, the Controlling Officer acknowledged the query and responded that some years back some documents for various suppliers including Marvel Fairs Limited were collected by the Ministry of Finance and National Planning and Drug Enforcement Commission for verification and clearance. Therefore, documents are split between Ministry of Defence, Ministry of Finance and National Planning and Drug Enforcement Commission. Further, the Committee was informed that the Ministry had written to the two institutions to provide the other documentation pertaining to the company so that they were availed for audit verification.

Committees Observations and Recommendations

The Committee finds it unacceptable that the Controlling Officer failed to produce documents during the audit process. It is the view of the Committee that the Controlling Officer did not respect the audit process as it was not clear why it took him so long to get the documents back from other Government institutions. The Committee, therefore, urges the Controlling Officer to ensure that all the documents are availed for audit verification, without fail. The Committee will await a progress report on the matter.

- vii. **Construction of Chalala Barracks – Stalled Project**

In his response, the Controlling Officer submitted that the Ministry wrote to Ministry of Finance and National Planning to engage EXIM Bank on the release of funds for the Project to which the Ministry of Finance and National planning had responded to clarify its position on servicing of the debt and ongoing discussions with all creditors.

Committees Observations and Recommendations

The Committee is saddened by the huge loss of funds by the Government on the Chalala project and the consequential stalling of works resulting from non-release of funds by the Treasury. The

Committee also finds it highly irregular that the Secretary to the Treasury had not taken keen interest to resolve this matter despite losing such huge sums of money. The Committee recommends the following:

- i) the Secretary to the Treasury to take keen interest and investigate further, matters pertaining to this contract;
- ii) the Secretary to the Treasury is urged to consider liquidating the balance expeditiously so as to curb further delay which may result in loss of public resources during litigation or otherwise consider renegotiating the Contract;
- iii) the Controlling Officer is urged to liaise with the contractor and impress upon the Secretary to the Treasury, as a matter of agency, to address the short comings and ensure that no further loss of funds was incurred to its effect. The Controlling Officer is further urged to ensure that works are completed without further delay.

The Committee will await a progress report on the matter.

c. Accounting Irregularities

- i. Unaccounted for Funds

In his response, the Controlling Officer submitted that it was true that the funds in question were remitted to the Defence Attaché's Account in Tanzania for the purpose of clearance, escort and other costs related to the movement of equipment from Dar-es-salaam to Zambia.

However, not everything remitted to the Defence Attaché's Account was drawn by the Defence Attaché as there was some balance in the account. Further, the Committee was urged to note that the Zambian Embassy in Tanzania was the custodian to the payment vouchers relating to the expenditure in question. However, the Ministry requested for expenditure returns relating to the monies remitted and photocopies of the documents were available for verification. Therefore, the Committee was informed that all original payment vouchers and expenditure disposal details were available for audit verification at the Zambian embassy in Tanzania.

Committees Observations and Recommendations

In noting the submission, the Controlling Officer is sternly cautioned for failure to produce the said documents during audits and that the mentioned photocopies were only produced after the audit. The Committee also cautions the Controlling Officer for the failure to inform the auditors the whereabouts of these documents especially that the audit process was sufficient for this interaction. The Committee, therefore, urges the Controlling Officer to ensure that documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- ii. Mupepetwe Engineering and Contracting Company

- **Failure to Settle Outstanding Bills - K75,100,387 (K68,833,575 - statutory contributions and K6, 271,812 - PAYE and utility bills among others)**

In his response, the Controlling Officer submitted that the Ministry had continued to engage Ministry of Finance and National Planning to continue funding MECCO to clear the outstanding amounts.

Committees Observations and Recommendations

The Committee expresses concern at the failure by the Ministry to settle outstanding statutory and other obligations. The Controlling Officer is urged to ensure that he impresses upon the Secretary to the Treasury to ensure that a lasting solution is found to offset all outstanding obligations. The Committee will await a progress report on the matter.

- **Failure to collect debt - K297,904**

In his response, the Controlling Officer submitted that MECCO had continued to engage the debtors in an effort to collect the outstanding debt. The company had managed to collect debt amounting to K17,783 from twenty debtors leaving a balance of K122,121 from the remaining ten debtors. Further, the Ministry would ensure that the remaining debt was collected.

Committees Observations and Recommendations

The Committee notes the submission but urges the Controlling Officer to ensure that there is aggressiveness in collecting the much needed public funds, in debt, without further delay. The Committee will await a progress report on the matter.

MINISTRY OF DEFENCE – ZAMBIA ARMY

PARAGRAPH 32

Audit Findings

37. An examination of accounting and other records maintained at the Zambia Army Headquarters and selected stations for the period under review revealed the following to which the Controlling Officer submitted as set out below.

a) Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2020, a provision of K1,760,196,132 was made to cater for various programmes under the Zambia Army against which amounts totalling K1,754,431,976 were released resulting in an under funding of K5,764,160.

Management Response

In his response, the Controlling Officer submitted that the Ministry had continued to engage the Ministry of Finance and National Planning to consider funding subsequent budgets in full to facilitate attainment of set objectives.

Committees Observations and Recommendations

The Committee notes the submission but urges the Controlling Officer to ensure that he impresses upon the Secretary to the Treasury on timely and adequate release of funds so as to carry out the Ministry's full mandate. The Committee urges the Auditor General to keep the matter in view during future audits.

b) Contract Management - Irregular Splitting of Procurements

In his response, the Controlling Officer submitted that the Ministry had taken remedial measures to stop the vice of splitting payments by sensitising and building capacity in the procurement officers. In the case of the officer who caused the splitting of procurements, action had been taken by reprimanding and removing him from the Procurement Department and had been assigned other duties of lesser magnitude. The Ministry would ensure that adherence to Public Procurement Regulation No. 29 (3) of 2011, which required not to divide payments into lots was enforced.

Committees Observation and Recommendations

The Committee notes with concern that only one officer was sacrificed on this matter which was questionable. The Committee is of the view that procurement involves various players and ultimately members of the Procurement Committee should have also suffered the reprimand unlike putting all the blame on one individual which the Committee finds very unfair. It is the Committee's view that the same must be revisited and that all the relevant players are disciplined accordingly to avoid recurrence. The Committee will await a progress report on the matter.

c) Accounting Irregularities

- i. Unaccounted for Fuel - K190,070

In his response, the Controlling Officer submitted that the availing of documents delayed because of the delay in obtaining disposal documents from suppliers for fuel costing K190,070 procured during the period under review. The receipts and disposal details were available for audit verification. However, the Warrant Officers who were responsible for failing to obtain and secure receipts and disposal documents were interviewed, reprimanded and transferred to Zambia Combined Cadet Force (ZCCF) Lusaka Command and Military Training Establishment of Zambia (MILTEZ).

Committees Observations and Recommendations

While noting the submission, the Committee does not agree with the reprimand of transferring officers from one station to another. The Committee is of the view that such action is equivalent to transferring problems from one station to another. The Committee urges the Controlling

Officer to desist from instituting such type of punishments as the same may not offer lasting solutions to the problems being addressed. The Committee, however, resolves the matter for closure subject to audit verification.

ii. Outstanding Bills - K6,693,880,738

In his response, the Controlling Officer submitted that it was true that amounts totalling K6,693,880,738 had been outstanding. However, the Ministry had continued to engage Ministry of Finance and National Planning to release some funds to dismantle the accumulated arrears. The Ministry had gone further by applying for supplementary budget provision to enable the Ministry dismantle some of the outstanding bills.

Committees Observations and Recommendations

The Committee expresses concern at the huge debt owed by the Ministry in outstanding bills. The Committee urges the Controlling Officer to ensure that he liaises with the Secretary to the Treasury on finding a lasting solution to dismantle all the outstanding bills without further delay to avoid loss of public funds in possible litigations. The Committee will await a progress report on the matter.

MINISTRY OF DEFENCE – ZAMBIA AIR FORCE

PARAGRAPH 33

Audit Findings

38. An examination of accounting and other records maintained at Zambia Air Force Headquarters and selected stations for the period under review revealed the following to which the Controlling Officer submitted as set out below:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2020, a provision of K1,239,421,230 was made to cater for the operations of the Air Force against which amounts totalling K1,140,773,656 were released resulting in an underfunding of K98,647,574.

Although the Air Force was under funded, amounts totalling K1,120,374,601 had been spent as at 31st December 2020, leaving a balance of K20,399,055.

Management Response

In his response, the Controlling Officer submitted that the Zambia Air Force received some funds towards the end of the financial year and therefore could not utilise all the funds received. However the Ministry applied for retention and authority was granted to retain the said funds and to spend it in the preceding financial year.

Committees Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification.

b. Procurement of Goods and Services

- i. Consultancy Services for the Zambia Air Force History Book Project- Failure to Provide Performance Security

In acknowledging the observation regarding failure to provide performance security, the Controlling Officer submitted that the user relied on Regulation 127(i) of the Public Procurement Regulations of 2011.

The Committee was informed that the Ministry requested the Zambia Public Procurement Authority (ZPPA) to assist with the interpretation of the regulation 127 (i) in relation to the procurement. The ZPPA had guided that the requirement for performance security did not apply to consulting services.

Committee's Observations and Recommendations

The expresses concerns at the failure by the Ministry to include the performance security clause in the contract. The Committee also finds it strange as to why the Ministry made efforts to conveniently look for another procurement regulation, to support the move, which was not beneficial to the client in case of non performance by the contractor. Notwithstanding the purported advice from the ZPPA, the Committee urges the Controlling Officer to engage the Attorney General on the interpretation and that officers who violated the regulations must seriously be reprimanded to desist from the practice. The Committee will await a progress report on the matter.

ii. Supply and Delivery of 2021 Branded Zambia Air Force Diaries

- **Failure to Deliver**

In his response, the Controlling Officer acknowledged with regret the failure, by the supplier, to deliver 2021 Branded Zambia Air Force Diaries.

The Committee was informed that Zambia Air Force enforced G.C.C 35.1(1) on default to deliver and terminated the contract.

Committee's Observations and Recommendation

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

- **Failure to Recover Advance Payment-K112,000**

In his response, the Controlling Officer submitted that the advance payment totalling K112,000 had since been recovered.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

- **Failure to claim Liquidated Damages**

In his response, the Controlling Officer submitted that Zambia Air Force did not make payment beyond the 25 percent advance payment, hence could not deduct from the remaining contract sum as per GCC Clause 27.1.

The Committee was informed that the advance payment was fully recovered.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

iii. Supply and delivery of Ten (10) Branded Buses

- **Failure to commit funds**

In his response, the Controlling Officer submitted that the Ministry had continued to engage Ministry of Finance and National Planning to release funds for the Ministry to meet its contractual obligations.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure adherence to procurement regulations without exception. The Committee also urges the Controlling Officer to institute disciplinary action against officers who neglected to follow the laid down *procurement regulations subject to which the matter must close.

- **Failure to Pay 25 percent Advance Payment-K7,375,000**

In his response, the Controlling Officer submitted that the Ministry had continued to engage the Ministry of Finance and National Planning to release funds to enable the Ministry meet its contractual obligations.

The Committee was informed that the value of the two buses that had been delivered was standing at K5,900,000, which was more than the K3,369,541 paid to the supplier.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to re-engage the Secretary to the Treasury on the requisite funding. The Committee will await a progress report on the matter.

c. Accounting Irregularities - Unaccounted for Fuel - K165,261

In his response, the Controlling Officer submitted that the submission of documents delayed because of the delay in obtaining disposal documents from suppliers of fuel costing K165,261, procured during the period under review.

The officers who were responsible for failing to obtain and secure receipts and disposal documents were interviewed, reprimanded and transferred. All supporting documents were available for verification.

Committees Observation and Recommendations

The Committee expresses concern at the transfer on erring officers, contending that the move does not entirely address the problem. In this regard, the Committee urges the Controlling Officer to impress upon the officers to desist from the practice so that the matter does not recur. The Committee, however, resolves to close the matter subject to audit verification.

d. Failure to Secure Title Deeds

In his response, the Controlling Officer submitted that the due process to secure the twelve parcels of land in question had commenced with all the relevant institutions including the local authorities and Ministry of Lands and Natural Resources and the process was at various stages.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

MINISTRY OF DEFENCE – ZAMBIA NATIONAL SERVICE

PARAGRAPH 34

Audit Findings

39. An examination of accounting and other records maintained at the Zambia National Service Headquarters carried out for the financial year ended 31st December, 2020 revealed the following to which the Controlling Officer submitted as set out below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2020, a provision of K962,977,267 was made to cater for operations of Zambia National Service against which amounts totalling K953,103,892 were released resulting in an underfunding of K9,873,375.

As at 31st December 2020, amounts totalling K953,103,891 had been spent.

Management Response

In his response, the Controlling Officer submitted that the underfunding was as a result of Ministry of Finance and National Planning non release of funds as budgeted.

The Committee was informed that the Ministry would continue to engage the Ministry of Finance and National Planning to consider funding subsequent budget in full to facilitate attainment of set objectives.

Committee's Observations and Recommendations

The Committee notes the response and urges the Secretary to the Treasury to endeavour to release the funds as appropriated by Parliament.

b. Procurement of Goods and Services

i. Failure to Adhere to Procurement Regulations–Contract for Supply of Ambulances

In his response, the Controlling Officer submitted that the delay in the payment of AVIC International Limited was due to non-availability of funds. However, all efforts were being made for the supplier to be paid in full. A commitment letter to the Supplier was available for audit verification.

Committees Observation and Recommendations

The Committee urges the Controlling Officer to ensure adherence to procurement regulations without exception. The Committee also urges the Controlling Officer to institute disciplinary action against officers who neglected to follow the laid down procurement regulations. The Committee will await a progress report on the matter.

ii. Land Development Branch Projects

In his response, the Controlling Officer submitted that the projects delayed because the client councils being Luano, Chitambo and Chongwe were not consistent in releasing the logistical funds for the projects hence the delay to complete the projects. However, works in Chitambo had since been completed.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that all the paid for pending road works are completed without delay. The Committee also urges the Controlling Officer to desist from collecting funds from the clients when they were not ready to provide a service. The Committee will await a progress report on the matter.

2. Although, ZNS was paid 100 percent on five road works, physical progress ranged between 5 percent and 75 percent.

Management Response

In his response, the Controlling Officer submitted that out of five projects, four had been completed. The fifth road works for Nalolo road project were at 80 percent complete.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that all the paid for pending road works are completed without delay. The Committee also urges the Controlling Officer to desist from collecting funds from the clients when they were not ready to provide a service. The Committee will await a progress report on the matter.

3. ZNS was owed amounts totalling K9,989,000 in respect of six projects that had been completed ranging from six to twelve months.

Management Response

In his response, the Controlling Officer submitted that there was no money owed to Zambia National Service (ZNS) by any client. The Zambia National Service provided equipment and personnel while the clients (Council and NRFA) provided logistics (fuel, rations, materials and allowances) for the road done.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

c. Failure to Secure Title Deeds

In his response, the Controlling Officer submitted that the due process to secure the title deeds for the land in question had commenced, with all the relevant institutions including the local authorities and Ministry of Lands and Natural Resources.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

d. Failure to settle Outstanding Bills-K16,539,524

In his response, the Controlling Officer submitted that the outstanding bills had not been settled due to insufficient funds.

However, the Ministry had applied for supplementary budget provision to enable the Service clear some of its outstanding bills. Therefore, feedback was being awaited from the Ministry of Finance and National Planning.

Committees Observations and Recommendations

The Committee expresses concern at the huge debt owed by the Ministry in outstanding bills. The Committee urges the Controlling Officer to ensure that he liaises with the Secretary to the Treasury on finding a lasting solution to dismantle all the outstanding bills without further delay to avoid loss of public funds in possible litigations. The Committee will await a progress report on the matter.

MINISTRY OF GENERAL EDUCATION

PARAGRAPH 35

35.1 Mandate

40. Ministry of Education (MoE) is mandated to formulate and implement education and science policies, set and enforce standards and regulations, license, supervise and provide education and skills development as well as promote science, technology and innovation education.

35.2 Audit Findings

An examination of accounting and other records for the Financial Year Ended 31st December, 2020 maintained at the Ministry Headquarters and selected stations revealed the following to which the Controlling Officer submitted as set out below.

e. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December 2020, a provision of K10,742,405,414 was made to cater for various activities against which amounts totalling K9,442,194,105 were released resulting in underfunding of K1,300,211,309. See table 35.1 below

Table 35.1 – Budget, Funding and Expenditure

Activity	Source	Budget	Funding	Variance
GRZ Grants	Ministry of Finance	10,314,837,435	9,117,574,144	1,197,263,291
Sub -Total		10,314,837,435	9,117,574,144	1,197,263,291
Grants for KGS	World Bank	81,000,000	55,444,373	25,555,627
Grants for ZEEP	World Bank	346,567,979	269,175,588	77,392,391
Sub -Total		427,567,979	324,619,961	102,948,018
Grand - Total		10,742,405,414	9,442,194,105	1,300,211,309

Although the Ministry was underfunded, as at 31st December, 2020, amounts totalling K9,116,112,675 were spent, leaving a balance of K326,081,430.

Management Response

In response, the Controlling Officer submitted that the underfunding affected certain operations such as delivery of learning materials and service delivery to departments under the Ministry.

The Committee was informed that the balance of K326,081,430 was as a result of funding received just a few days before closure of accounts for 2020 and the Ministry had limited time to utilise the funds.

Committee's Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification.

f. Procurement of Goods and Services

i. Wasteful Expenditure on Interest Payment- K1,635,746

In response, the Controlling Officer submitted that the accrued interest was due to the delay in the completion of the full delivery of the contractual agreements by suppliers. The contracts were for distribution of both local languages and English materials in all the ten provinces. According to Implementation Letter (IL), United States Agency for International Development (USAID) partnered with the Ministry through Curriculum Development Centre (CDC), to support the development, printing and distribution by the contracted suppliers.

The Committee was informed that USAID payment condition was to pay when suppliers for all the lots had delivered. However, some suppliers did not meet the target on time except, Grey Matter (Zambia) Limited.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Wasteful Expenditure- Supply of Musical Equipment - K30,680,000

In response, the Controlling Officer submitted that the Ministry delayed to pay the supplier due to inadequate funding.

The Committee was informed that according to the records available, the Ministry paid Muleka Investments Limited a total of K70,620,237.44, inclusive of the consent court judgement fees. The contract was also terminated by the court due to a misunderstanding on wrong specification and excess delivery of equipment by the supplier.

Committee's Observations and Recommendations

The Committee bemoans the wastage of public resources through a contract it describes exploitative and, therefore, urges the Controlling Officer to put measures in place which will

prevent the Ministry from entering into contracts that lead to wastage of public resources. The Committee, however, urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

g. Unsupported Payments - Personal Emolument related Payments

In response, the Controlling Officer submitted that all the supporting documents amounting to K139,434 had since been retrieved.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place which will enhance records management systems in place in order to prevent the recurrence of this query. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

d. Management of Payroll Staff related Matters

i. Unknown Officer Drawing Salary

In response, the Controlling Officer submitted that the officer was identified and was at Ministry of Gender, acting as Senior Accountant.

The Committee was informed that the Ministry wrote to Ministry of Gender on the need for the officer to be transferred to their payroll. The Ministry of Gender responded to normalise the position.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Irregular Payment of Acting Allowance

In response, the Controlling Officer submitted that the officer was transferred on promotion to act as Assistant Accountant in the Ministry of National Development Planning.

The Committee was informed that the payment of acting allowances to the Officer, beyond the period provided for in the Terms and Conditions of Service for the Public Service was as a result of delays in confirming the officer on the higher position by the Ministry of National Development Planning.

The Committee was also informed that the Ministry wrote to Ministry of National Development Planning on the need to have the officer transferred to their payroll. The officer has since been removed from the Ministry of Education payroll.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

e. Infrastructure Development

(i) Delayed Completion of Works

In response, the Controlling Officer submitted that the main cause of delay to complete the projects had been the budgetary constraints, resulting into less funds being released for the projects. However, the Treasury had been engaged.

Committee's Observations and Recommendations

The Committee will await a progress report on the funding request from the Treasury.

ii. Use of Incomplete Structures

In response, the Controlling Officer submitted that the works on the projects were substantially complete to facilitate partial or full operation of the schools in order to alleviate shortage of classroom space and demand for education that was eminent in most parts of the Country.

The Committee was informed that the Ministry had embarked on phased approach as a cheaper way of completing abandoned projects due to inadequate funding for infrastructure and these became operational as day schools in the initial stages. The opening of these schools had helped in safeguarding the infrastructure against vandalism and the communities had benefitted by not covering long distances for educational services.

The Committee was also informed that the Ministry would ensure that before a school was opened, the local authority was engaged for certification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that relevant local authorities are engaged for certification without any further delay. The Committee will await a progress report on the matter.

iii. Failure to Pay Contractors

In response, the Controlling Officer submitted that the failure to pay contractors was due to inadequate funding. However, the Treasury had been engaged.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to prioritise the funding of the incomplete projects without any further delay, in order to avoid wastage of public resources. The Committee will await a progress report on the matter.

MINISTRY OF GENERAL EDUCATION

PARAGRAPH 36

Audit Findings

41. An examination of accounting and other records maintained at Provincial Education Offices (PEOs) and selected District Education Offices (DEOs) revealed the following.

c. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year 1st January to 31st December, 2020, a total provision of K10,742,405,414 was made to cater for various activities against which amounts totalling K9,442,194,105 were released resulting in an underfunding of K1,300,211,309.

As at 31st December, 2020, the Ministry had spent amounts totalling. K9,116,112,675.

Management Response

In response, the Controlling Officer submitted that the Ministry was under funded, according to the budget. The underfunding affected full implementation of programmes under the Ministry.

Committee's Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification.

d. Management of Payroll and Staff Related Matters

i. Introductions on Payroll without Authority – Lusaka Province-K1,737,345

In response, the Controlling Officer submitted as set out below.

Lusaka Province

Chongwe District

The Committee was informed that out of the sixty-four officers cited under Chongwe District, four officers introduced on payroll had appointment letters on first appointment while fourteen officers were placed on payroll following their transfer from various districts to Chongwe District.

Following the reported fraud in Chongwe District, eight officers who had been working in Chongwe District for a long time; some of whom had since retired from the Public Service, were placed on default positions and later re-introduced on the payroll.

The Committee was also informed that thirty-eight officers were discovered to have been fraudulently appointed and placed on the payroll. The matter was reported to the investigative

wings and investigations were still going on. Administratively, the officer responsible was suspended, to pave way for investigations.

Chilanga District

The Committee was informed that the Officer in question was transferred from Copperbelt Province to Lusaka Province in 2016 under Chilanga District. Before the issuance of Cabinet Circular No. 14 of 2020, transfers at that time were effected by the Ministry through delegation by practice and using the authority letters of transfer from the Ministry, Districts and Provinces would effect payroll changes.

The Provincial Education Officer was charged for the above cited audit query.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place which will ensure that staff reconciliations are conducted regularly in order to avert such situations. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Questionable Payment of Salaries-K13,429,447

In response, the Controlling Officer submitted as set out below.

Luapula Province

Mansa District

The Committee was informed that of the fifty-four officers who were reported to have been unknown, fifty-two had been identified and were working in various districts.

Further, two officers were still unknown and their whereabouts had not yet been established. The Provincial Education office wrote to Director PMEC who had since locked their salaries to determine their whereabouts.

Kawambwa District

The Committee was informed that five officers were found to have been unknown. However, three officers were known and two were still unknown and their whereabouts had not yet been established. The Provincial Education Office wrote to the Director, PMEC who had since locked their salaries to determine their whereabouts.

North-Western Province

Solwezi District

The Committee was informed that the officer cited in the audit report was identified as Mr. Justin Mupila, a Teacher at Jiwundu Day Secondary and deserted. The Ministry had commenced disciplinary action.

Southern Province

Livingstone DEBS

The Committee was informed that the officer in question was identified and was working at Kaole Primary School in Mansa District of Luapula Province.

Kazungula DEBS

The Committee was informed that the officer in question had resigned from the Public Service in October, 2020 and was terminated from the payroll.

Muchinga Province

Nakonde DEBS

The Committee was informed that out of forty- three cited officers, forty- one officers had since been identified while two officers remained unknown. The Ministry had since locked their salaries.

Isoka DEBS

The Committee was informed that out of sixty- eight cited officers, fifty-six officers had since been identified while twelve officers remained unknown. The Ministry had since locked their salaries.

Chinsali DEBS

The Committee was informed that all the five officers had since been identified.

Mafinga DEBS

The Controlling Officer submitted that the three Officers remained unknown. The Ministry had since locked their salaries.

Further the Provincial Education Officers were charged for the above cited audit queries.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to put measures in place which will ensure that staff reconciliations are conducted regularly in order to avert such situations. The Committee further urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iii. Misplacement of Payroll Area-K674,680,385

In response, the Controlling Officer submitted that the Government through the Ministry had over the years built and upgraded primary schools into secondary schools in an effort to increase access to secondary education without matching resources, to operationalise the payroll structures. These schools were operational and, in an effort, to ensure provision of quality education in these schools, the Ministry had been identifying and moving teachers from other existing schools, where their payroll area was, to the new schools.

The Committee was informed that, the Ministry had been engaging Ministry of Finance for Treasury Authority to fund the structures for the new and upgraded schools. In 2020, a request was made to Ministry of Finance for funds to operationalise the establishments and out of 1097 schools; only 70 schools were granted partial establishments which were used to recruit teachers in 2021.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to continue engaging the Treasury on the funding to operationalise the remaining 1027 establishments in upgraded schools without any further delay. The Committee will await a progress report on the matter.

Irregular Payment of Allowances-K636,692

- **Housing Allowance – Muchinga Province**

In response, the Controlling Officer submitted that the sixty-seven officers cited to have been paid housing allowances irregularly in Chinsali, Mafinga, Isoka and Nakonde had the payment of housing allowances stopped and recoveries effected.

The Committee was informed that the Provincial Education Officer was charged for the above cited audit query.

Committee's Observations and Recommendations

The Committee finds the action to pay housing allowance irregularly, unfortunate, and urges the Controlling Officer to strengthen the payroll management system in the Ministry, in order to avert such situations. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

- **Rural and Remote Hardship Allowances-K1,075,247**

In response, the Controlling Officer submitted that the 207 officers cited to have been irregularly paid Rural and Remote Hardship allowances in Northern and Muchinga Provinces, had the payments recovered.

The Controlling Officer further submitted that one of the officers at Provincial Education Office was retired and had been moved to the separate's payroll. The Ministry would recover the money from his terminal benefits.

The Provincial Education Officer was charged for the above cited audit query.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to put measures in place which will ensure that staff reconciliations are conducted regularly in order to avert such situations. The Committee further urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Overpayment of Rural Hardship Allowance.**

In acknowledging the Auditor General's observation regarding overpayment of Rural and Remote Hardship Allowances, the Controlling Officer submitted that seventy-seven officers cited to have been overpaid Rural Hardship allowances in Northern and Muchinga Provinces had the payments recovered.

The Committee was informed that the Provincial Education Officer was charged for the above cited audit query.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to put measures in place which will ensure that staff reconciliations are conducted regularly in order to avert such situations. The Committee further urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Acting Allowance -Mafinga DEBS-K31,099**

In response, the Controlling Officer submitted that out of the four officers cited, three officers had authority from the Teaching Service Commission to act in higher positions. One officer had no authority and recoveries had been effected.

The Committee was further informed that the Provincial Education Officer was charged for the above cited audit query.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Payment of Responsibility Allowances to Ineligible Officers - Muchinga Province-K100,879**

In response, the Controlling Officer submitted that the officers cited under Chinsali district had recoveries effected.

The Committee was informed that out of the five officers cited for Isoka District, four officers had authority while recoveries were effected for one officer without authority.

The Provincial Education Officer was charged for the above cited audit query.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place which will ensure that payroll and staff reconciliations are conducted regularly in order to avert such situations. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- iv. **Payment of Salaries to Seconded Officers -K126,506**

In response, the Controlling Officer submitted that these were the two officers cited under Luapula and Eastern Provinces who were seconded to Seychelles when the two Countries entered into a bilateral agreement to send teachers to Seychelles.

The Controlling Officer also submitted that the delay to terminate the officers from the payroll was regrettable and the two Officers had since been terminated from the payroll. The Officers were engaged and had since started paying back. In an event that the two officers defaulted on their commitment, the monies would be recovered from their salaries when they resumed duty.

The Committee was informed that the Provincial Education Officers were charged for the above cited query.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- v. **Over Payment of Salaries - Chongwe DEBS-K139,599**

In response, the Controlling Officer submitted that the officer in question proceeded on unpaid leave and the officer had since been terminated from the payroll. Further, the officer committed himself to paying the monies he owed the Government through a commitment letter. However, in an event that the officer defaulted on his commitment, the monies would be recovered from his salaries when he resumed duties.

The Committee was informed that the Provincial Education Officer was charged for failure to supervise.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to put measures in place which will ensure that payroll and staff reconciliations are conducted regularly in order to avert such situations. The Committee further urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

vi. Payment of Salaries to Officers Absent from Duty Without Leave-K1,322,280

In response, the Controlling Officer submitted as set out below.

Eastern Province

The Controlling Officer submitted that out of the five officers cited to have absconded from duty, one officer was dismissed and terminated from the payroll. However, four cases were submitted to the Teaching Service Commission for dismissal.

Western Province

The Controlling Officer submitted that out of ten officers cited, nine had since been dismissed and terminated from the payroll. Further, one case was submitted to Public Service Management Division (PSMD) and the Ministry was yet to receive feedback.

Southern Province

The Controlling Officer submitted that the two officers cited had since been dismissed and terminated from the payroll.

Muchinga Province

The Controlling Officer submitted that the Province had commenced disciplinary process against the four officers cited.

The Controlling Officer further submitted that the Provincial Education Officers had since been charged for the above cited query.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to put measures in place which will ensure that payroll and staff reconciliations are conducted regularly in order to avert such situations. The Committee further urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Table 3: Payment to officers with prolonged illnesses

No.	Province	Station	No. of Officers	Days delayed	Amount K
1	Western	Mongu DEO	1	1,935	64,728
		Sikongo DEO	1	475	77,176
2	Muchinga	Chinsali DEO	1	1,917	254,878
	Total		3		396,782

In response, the Controlling Officer submitted as set out below.

Western Province

The Committee was informed that the two officers cited under Mongu and Sikongo Districts, respectively, were recommended to Ministry of Health, through Western Provincial Administration, for assessment under a Medical Board, to determine whether or not they were fit to carry out their duties. The Ministry through Provincial Education Office had not received feedback on the matter.

Muchinga Province

The Controlling Officer submitted that the officer's family had reported to management of his illness of suspected mental instability. When requested for a medical report, the family informed the district office that they did not have any medical report as the officer was taken to a traditional healer. This situation made it difficult for the Ministry to initiate convening a medical board in the absence of a medical report and the officer's whereabouts was unknown.

The Controlling Officer further submitted that, the officer could not be granted an initial ninety days sick leave on full pay and a subsequent ninety days sick leave on half pay due to the absence of a medical report. In this regard, the Province was guided to treat the case as absenteeism.

The Committee was informed that the Provincial Education Officer was charged for delaying to deal with the case.

Committee's Observations and Recommendations

The Committee finds it unfortunate and urges the Controlling Officer to expeditiously dispose off the case of absenteeism in Muchinga Province and re-engage the Ministry of Health to constitute a medical board and resolve the issue in Sikongo and Mongu Districts. The Committee will await a progress report on the matter.

Delays to Remove Separated Officers from Payroll

In response, the Controlling Officer submitted that the provinces cited did not provide valid reasons for delaying to terminate separated officers from the payroll at the time of the audit despite having the necessary documents to terminate the officers who resigned, died and dismissed from the payroll. Further, the Provincial Education Officers had since been charged for delaying to terminate the separated officers from the payroll.

The Controlling Officer further submitted that, all the Officers cited had since been terminated from the payroll and the monies paid to them were to be recovered from their terminal benefits.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to put measures in place which will ensure that payroll and staff reconciliations are conducted regularly in order to avert such situations. The Committee further urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the fully recovery of the funds.

vii. Failure to Conclude Staff Disciplinary Cases

In response, the Controlling Officer submitted as set out below.

Eastern Province

The Committee was informed that out of the seven cases, five cases had since been concluded and two cases were still being processed.

Lusaka Province

The Controlling Officer submitted that out of the sixteen cases cited under Lusaka District, five officers were dismissed and terminated from the payroll. One case was yet to be decided by the Courts of Law while two other cases were at ministerial level for consideration and one case was submitted to PSMD for consideration.

The Committee was informed that four cases were concluded and disposed off at provincial and district levels, respectively. One officer was erroneously cited to have absconded at district level and further investigations revealed that the officer had requested to be retired on medical grounds. The Ministry wrote to the Ministry of Health to convene a Medical Board and was yet to receive feedback. The other officer was recommended for dismissal to the Teaching Service Commission.

The Committee was further informed that out of the five cases cited under Chongwe District, one officer had since been dismissed, two cases were submitted to Public Service Management Division for consideration, one case was at ministerial level for consideration and the other case was yet to be tabled at district level.

Luapula Province

The Committee was informed that the six cases cited under Kawambwa and Mansa Districts were being processed for onward submission to the Teaching Service Commission.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place which will ensure that all disciplinary matters are expeditiously addressed without fail. The Committee will await a progress report on the matter.

viii. Casualisation of Workers

In response, the Controlling Officer submitted that the officers cited to have been engaged on casual basis in Luapula and Copperbelt Provinces, were appointed under the Parents Teachers Association (PTA), due to a shortage of Classified Daily Employees (CDEs) in the schools.

The Committee was informed that the appointments had since been terminated and the Provinces had been advised to engage the Provincial Labour Officer for guidance when engaging officers on contract basis.

Further, the Provincial Education Officers had been charged for failure to supervise.

Committee's Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

e. Accounting Irregularities

i. Delayed Banking -K46,727

In response, the Controlling Officer submitted that for Mongu Collage of Education, the query arose due to lapses on the responsible officer who had since been charged. However, to avoid the recurrence of such a query, management had introduced a system where students were depositing directly into the college bank account.

It was further submitted that the Provincial Education Officer (PEO) for North Western Province was charged for failing to provide close supervision to the Principal at Solwezi College of Education.

The Committee was informed that the officer had since been oriented on the procedures to deposit the money within the stipulated timeframe and to encourage the students to be depositing money directly into the college bank account.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that the non handling of cash policy is implemented to the letter without fail. The Committee will await a progress report on the matter.

ii. Misapplication of Funds-K152,931

• Southern Province

In response, the Controlling Officer submitted that the misapplication was due to budgetary constraints. The Committee was informed that management was committed to ensuring funds were utilised for their designated purposes. The PEO and the DEBS were charged for misapplication of funds.

Committee's Observations and Recommendations

The Committee expresses concern at the effort by the Controlling Officer to justify the misapplication of funds. The Committee finds it unacceptable and urges the Controlling Officer to desist from violating the provisions of the *Public Finance Management Act, No.1 of 2018*, with impunity. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

• School Grants- K275,063

In response, the Controlling Officer that the funds were used on distribution of examination materials and other office requirements due to insufficient funding at Kawambwa DEBS. The DEBS was charged for misapplication of funds.

Furthermore, the Committee was informed that at Mazabuka DEBS funds, were misapplied due to budgetary constraints. The DEBS was charged for misapplication of funds.

Committee's Observations and Recommendations

The Committee expresses concern at the effort by the Controlling Officer to justify the misapplication of funds. The Committee finds it unacceptable and urges the Controlling Officer to desist from violating the provisions of the *Public Finance Management Act, No.1 of 2018*, with impunity. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iii. Unauthorised Transfer of Funds between Accounts-K678,753

In response, the Controlling Officer submitted that due to none availability of cheque books on the Recurrent Departmental Charge account, the funds were transferred to National Implementation Framework (NIF) III account for execution, at Kawambwa DEBS.

The Committee was also informed that parents paid block fees at Musonda Secondary School and the school separated funds to the appropriate account. Management had since oriented the schools on the use of ledger system to separate school boarding fees and PTA funds. Further North-Western Province staff had been reprimanded and charged for the financial misconduct observed.

Committee's Observations and Recommendations

The Committee expresses concern at the effort by the Controlling Officer to justify the irregular transfer of funds. The Committee finds it unacceptable and urges the Controlling Officer to desist from violating the provisions of the *Public Finance Management Act, No.1 of 2018*. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iv. Failure to Collect School Fees-K9,766,146

In response, the Controlling Officer submitted that during the year 2020, there were closures of schools due to COVID-19 pandemic. Schools were closed for six months hence there was no need for learners to pay school fees. This affected the collection of school fees.

However, parents had been engaged through Parent and Teachers Association (PTA) meetings and reminders to individual parents to settle the outstanding amounts.

Committee's Observations and Recommendations

The Committee will await a progress report on the matter.

v. Use of Revenue at Source – Kambule Secondary School – Western Province-K13,139

In response, the Controlling Officer submitted that the school head teacher had been cautioned to desist from use of funds at source as this was against financial regulations. The officer in charge of the accounts section was not a qualified accounting officer. The school head teacher was charged for allowing a non-accounting staff to be in-charge of collecting school fees.

The Committee was further informed that the school was further guided that all funds must be deposited into the appropriate accounts before expenditure was incurred.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

vi. Delayed Distribution of Education Materials – Chipata PEO

In response, the Controlling Officer submitted that the materials had been distributed. However, the PEO was charged for delayed distribution.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

vii. Unsupported Payments-K69,656

In response, the Controlling Officer submitted that the unsupported payments under Chunga secondary were misfiled and had since been provided. The erring officer had been charged.

As for Luapula Province, the unsupported payments were due to misfiling and had since been supported. Management instituted disciplinary action against erring officers for failure to resolve this irregularity.

Copies of charge and exculpatory letters were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to come up with measures which will enhance record keeping in all schools without fail. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

viii. Unretired Accountable Imprest - Mushindamo Girls Technical School– North Western Province-K15,235

In response, the Controlling Officer submitted that the imprest had since been retired and the head teacher had been charged.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

ix. Wasteful Expenditure – Masaiti Boarding School – Copperbelt Province-K20,000

In response, the Controlling Officer submitted the officers were charged and had since paid back.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to appropriately charge the erring officers without delay. The Committee will await a progress report on the matter.

x. Failure to Disburse Grants to Schools-K863,700

In response, the Controlling Officer submitted that out of the outstanding amount for Limulunga District, K90,731.14 had been disbursed. The DEBS had been charged for the delay.

The Committee was informed that the Mbala - DEBS had also disbursed the school grants to all the schools. The delay in remitting grants was mostly due to wrong account details that the schools availed to the districts.

The officers had been cautioned against delays in remitting school grants. The Ministry had been granted authority to start remitting grants directly to schools.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

xi. Closing of Bank Accounts without Authority - Mongu College of Education

In response, the Controlling Officer submitted that the three bank accounts were closed due to the closure of Standard Chartered Bank- Mongu Branch.

The Committee was informed that the College Principal was charged for delay in depositing back the funds into an appropriate bank account.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

xii. Failure to Submit Expenditure Returns - School Grants-K606,552

In response, the Controlling Officer submitted as set out below.

Lusaka Province

The Committee was informed that expenditure returns for amounts totalling K2,295 had since been submitted. The PEO had since been charged.

Western Province

The Committee was informed that expenditure returns for Kalabo DEBS amounting to K53,002 had since been submitted. The PEO had since been charged.

Muchinga Province

The Committee was informed that out of K52,325 unretired Expenditure Returns, K38,651.8 had since been submitted leaving a balance of K13,673.48.

Mafinga DEBS

The Committee was informed that out of K276,901 unretired Expenditure Returns, K68,236 had since been submitted, leaving the balance of K208,665.40. The PEO had since been charged.

Nakonde DEBS

The Committee was informed that out of K56,440 unretired Expenditure Returns, K37,269.23 had since been retired, leaving the balance of K19,170.77. The PEO had since been charged.

Northern Province

The Committee was informed that out of K19,644 unretired expenditure returns for Kasama DEBS, K17,722 had since been submitted, leaving a balance of K1,921.45. The PEO had since been charged.

The Committee was further informed that, out of K86,556 unretired expenditure returns at Mbala DEBS, K85,556 had been retired leaving a balance of K1,000.

Central Province

The Committee was informed that expenditure returns from forty-four schools amounting to K28,563 had since been retired.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that expenditure returns from all the affected District Educational Board Secretaries offices are submitted without fail. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

f. Management of Stores - Unaccounted for Stores-K15,520

In response, the Controlling Officer submitted that stores disposal details had since been retrieved. The erring officers had since been charged.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

g. Management of Assets

i. Failure to Secure Title Deeds

In response, the Controlling Officer submitted that the institutions had engaged the local authorities, traditional leaders and the Ministry of Lands over the matter. The process for acquisition of title deeds for the various properties in seven Provinces was underway.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Failure to Maintain Asset Register - Ndola Girls National Stem School – Copperbelt Province

In response, the Controlling Officer submitted that at the time of the audit, the asset register was not maintained but had since been maintained. The PEO had been charged.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

iii. Failure to Insure Motor Vehicles

In response, the Controlling Officer submitted that the two motor vehicles for Luapula were non-runners. At the time, only one vehicle had been repaired and had a running insurance policy while the other vehicle (Iveco truck) was still a non-runner.

The Committee was informed that all the motor vehicles cited were to be insured as soon as funds were made available.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

iv. Failure to Inscribe Government Assets

In response, the Controlling Officer submitted that in Eastern Province, the Ministry responsible for asset management had been written to, requesting them to inscribe the assets.

The Committee was informed that assets at PEO and Chipata DEBS, as well as Central Province had been inscribed.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to ensure that all assets are inscribed without any further delay. The Committee will await a progress report on the matter.

h. Management of Liabilities

i. Failure to withhold Value Added Tax (VAT)-K215,023

In response, the Controlling Officer submitted that this had been due to technical challenges that the process of withholding VAT posed, such as lack of understanding on the application of VAT and Tax Payer Identification Number (TPIN’s), linking of bank accounts with that of ZRA bank account online, among others.

The provinces had been directed to contact the suppliers to retrieve the returns that were used to pay ZRA.

The Committee was informed that Zambia Revenue Authority and Ministry of Finance conducted training for the Ministry to ensure the process of withholding VAT and remitting to ZRA was enhanced. In particular, all regional accountants were trained in VAT management.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that the said unpaid VAT by the suppliers is remitted to the ZRA without fail. The Committee will await a progress report on the matter.

ii. Failure to Settle Outstanding Bills-K535,479,576

In response, the Controlling Officer submitted as set out below.

Copperbelt Province

The Committee was informed that out of the cited amount of K15,470,080, a total amount of K3,388,198.55 had since been paid by Ministry of Finance and National Planning, leaving a balance K12,081,881.45.

The Committee was informed that the non-payment was due to inadequate funds at the Ministry to cater for outstanding bills.

Lusaka Province

The Committee was informed that failure to settle outstanding bills was due to inadequate funding which had been low for the past years.

Luapula Province

The Committee was informed that failure to settle outstanding bills was due to inadequate funding which had been low for the past years.

Western Province

The Committee was informed that failure to settle outstanding bills was due to inadequate funding which had been low for the past years.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to engage the Secretary to the Treasury for requisite funding to clear the outstanding bills. The Committee will await a progress report on the matter.

MINISTRY OF GENERAL EDUCATION – ZAMBIA EDUCATION ENHANCEMENT PROJECT

PARAGRAPH 37

Background

42. On 1st October, 2017, the Government of the Republic of Zambia signed a Credit Financing agreement with the International Development Association (IDA) of US\$204,000,000 (US\$60,000,000 from IDA and US\$144,000,000 from the Government) for the Zambia Education Enhancement Project (ZEEP) with an implementation period of five (5) years ending on 31st October, 2022.

The objective of the Project was to improve the quality of teaching and learning in Mathematics and Science and targeted 382 schools across the Country. The project has three (3) components namely:

- Component 1 - Improving the quality of teaching and learning through strengthening the teacher training system and improving text book availability;
- Component 2 - Increasing equitable access to secondary education; and
- Component 3 - Enhancing planning, management, monitoring and evaluation capacity and project coordination.

a. Governance – Project Implementation Steering Committee

The Project is coordinated by a Steering Committee (PSC) comprising the following members:

- Permanent Secretary- Ministry of General Education;
- Permanent Secretary- Ministry of Higher Education;
- Permanent Secretary- Ministry of Finance;
- Permanent Secretary- Ministry of National Development and Planning;
- Permanent Secretary- Ministry of Local Government;
- Permanent Secretary- Ministry of Housing and Infrastructure Development;
- Directors and Heads of Units concerned;
- Representative of Provincial Education Offices involved in the project;
- Representative of District Education Boards involved in the project;
- Component Coordinators; and
- Project Coordinator – Secretary.

Audit Findings

An examination of accounting and other records maintained at Ministry Headquarters, Provincial Education Offices and selected District Education Offices for the Financial Year Ended 31st December, 2020 revealed the following to which the Controlling Officer submitted as set out below.

b. Budget, Funding and Expenditure

During the period under review, the Project had a budget of K399,205,534 (US\$28,232,357) against which amounts totalling K220,583,359. (US\$11,976,754.02) were released by the IDA.

In addition, the Project had an opening balance of K50,874,869 (US\$3,628,285.31), bringing the total available funds to K271,458,228 (US\$15,605,039.33).

As at 31st December, 2020, amounts totalling K159,994,168 (US\$9,555,835.09) had been spent leaving a balance of K112,975,408 (US\$6,049,204.24).

Management Responses

In response, the Controlling Officer submitted that the balance in the budget was due to the World Bank's objection to disburse funds under component II (Infrastructure), because of the change in the funding modality proposed in the additional financing.

Further, the unspent balance of K112,975,408 was as a result of the funding received just before the closure of accounts for the 2020 Financial Year, for other components.

Committees Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification.

c. Procurement Matters - Manufacturing and Supply of School Furniture

In response, the Controlling Officer submitted that furniture under Phase I had been delivered to all the eighty-two Schools at the time of the audit. It was submitted that at the time of the audit, the undelivered furniture was for Phase II whose delivery deadline was 31st December, 2021.

The Committee was further informed that 80 percent of Phase II furniture had been delivered.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

d. Accounting Irregularities

i. Unaccounted for Stores-K1,874,982

In response, the Controlling Officer submitted that Central and Lusaka Provinces had their documents retrieved. The erring officers were charged for breaching Financial Regulations.

The Committee was informed that, Eastern Province had documents verified by the auditor, with value amounting to K368,053 and the balance of K40,800 documents were traced and submitted. The erring Officers were charged for breaching Financial Regulations.

Southern Province unaccounted for stores for K29,997 had been refunded by the supplier. The officer had since been charged for failing to follow procurement procedures.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

ii. Failure to Sign Labour Contracts

In response, the Controlling Officer submitted that the two head teachers were charged by their respective District Education Board Secretary for payment without signed labour Contracts.

The Committee was informed that the Labour Contract documents had been submitted.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

iii. Unsupported Payments-K108,782

In response, the Controlling Officer submitted that the documents in question had been retrieved. The erring officers had since been charged.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

iv. Failure to Withhold Value Added Tax-K226,486

In response, the Controlling Officer submitted that suppliers for Luapula and Southern Provinces remitted VAT directly to ZRA.

The Committee was informed that officers for Muchinga and Central Provinces had since been charged for failure to withhold VAT. For Central Province, out of K31,520 not remitted, K9,474.17 was for suppliers registered for Turnover Tax, while the balance of K22,045.83 represented amounts not remitted, of VAT. Furthermore, the regional accountants were recently trained in matters relating to withholding of Value Added Tax and its remittance to the Zambia Revenue Authority. The training would further be rolled out to cover districts and schools so that officers were equipped with the specific skills to be able to handle VAT issues.

Committees Observations and Recommendations

The Committee expresses concern at the failure by the Ministry to withhold tax, in line with the *Value Added Tax (VAT) Amendment Act, No.12 of 2017* and the Treasury and Financial Management Circular No. 6 of 2017. The Committee finds this unacceptable and urges the Controlling Officer to desist from violating the laid down regulations. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

v. Misapplication of Funds-K73,235

In response, the Controlling Officer submitted that the erring head teachers for the two cited schools had been charged for failure to seek authority to vary funds.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

vi. Unacquitted Payments – Central Province-K50,843

In response, the Controlling Officer submitted that the signed acquittal sheets had since been retrieved and the erring officers had been charged for negligence of duty.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

vii. Unauthorised Transfer of Funds – Luapula Province-K29,386

In response, the Controlling Officer submitted that the head teacher had been charged for failure to seek authority to transfer funds from the project Account to the RDC Account.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

viii. Undelivered Building Materials-K23,500

In response, the Controlling Officer submitted that the officers who were involved in the transaction of paying before receipt of materials had been charged.

The Committee was informed that 200 pockets of cement amounting to K23,500 had not yet been delivered and the supplier committed suicide due to liquidity problems.

In order to recover funds for the unsupplied cement, recoveries had been effected on the erring officers.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

d. Infrastructure Development

i. Phase I Project

• Delayed Completion of Phase I of the Project

In response, the Controlling Officer submitted that the delays in completing Phase I targets was due to the change in financing modality for Component 2, from Disbursement Linked Indicator to Pure Investment Project Financing by the World Bank in May of 2020 when its Board approved additional financing to ZEEP.

Further, disbursement of funds to the Project was halted by the World Bank, pending approval of additional financing by the Government. Approval was done on 5th October, 2021. Consequently, funds to complete outstanding works had been disbursed.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Collapsed Borehole - Chanida Day Secondary School – Chadiza District

In response, the Controlling Officer submitted that the contractor had redone the works on the borehole at own cost.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

Failure to Procure 10,000 litres Water Tank – Chanyalubwe Day Secondary School – Lumezi District

In response, the Controlling Officer submitted that the water tank had since been procured. Further, the head teacher was charged for late procurement of the tank.

Committees Observations and Recommendations

The Committee expresses concern at the delay to procure the tank and therefore, urges the Controlling Officer to put measures in place that would enhance procurement processes, especially when funds are readily available. The Committee also urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

ii. Implementation of Phase II Projects

- **Undisbursed Funds to Complete Schools-K51,049,766**

In response, the Controlling Officer submitted that the Project did not have sufficient funds to disburse to all the eight-two projects, due to change in financing modality for component 2, from Disbursement linked Indicator (DLI) to Pure Investment Project Financing. This meant that the component could not access funds from either DLI or IPF due to non-signing of the ZEEP additional financing by the Government.

The Committee was also informed that additional financing had been approved. The Ministry had disbursed funds amounting K70,221,079.47 for the completion of the twenty-eight schools. Further, the Ministry had written to the Bank to Finance the completion of the twenty-three remaining schools.

The funds were being disbursed in batches as they were received from the funding agencies.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Delayed Completion of Works**

In response, the Controlling Officer submitted that the ZEEP project was merged with ZEEP additional financing upon approval by the World Bank Board and the Government had not approved the additional financing, hence the disbursement of funds to component II was halted awaiting approval.

Non-release of funds to component II therefore affected completion of works; also the approval of the additional financing had been effected.

Committees Observations and Recommendations

The Committee will await a progress report on the completion of works.

- **Physical Status**

In response, the Controlling Officer submitted that eleven projects had been funded for completion, except four schools which would be funded by 2022 and these were: Kangómba Secondary School in Kabwe District, Matemba Secondary School in Vubwi District, Chikani Secondary School in Chikankata District and Chanida Day in Chadiza District.

Due to delay in funding by the World Bank, for achievement of DLI 3.5, which the project achieved in September 2021, approval had not yet been granted by the Bank.

Committees Observations and Recommendations

The Committee expresses concern at the delayed completion of works of schools infrastructure and therefore, urges the Controlling Officer to engage the Secretary to the Treasury for the lasting solution and ensure that construction works are completed without delay. The Committee will await a progress report on the matter.

MINISTRY OF LANDS AND NATURAL RESOURCES

PARAGRAPH 38

Mandate

43. The Ministry is mandated to administer land and manage resources by promoting sustainable land use and climate resilient low emission systems.

Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and selected district offices for the Financial Year Ended 31st December, 2020, revealed the following.

b. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a total provision of K178,300,667, was made to cater for operations of the Ministry against which amounts totalling K89,693,871 were released, resulting in an underfunding of K88,606,796.

In addition, the Ministry had a balance brought forward figure of K9,318,820 and generated revenue in amounts totalling K17,582,994, from survey fees bringing the total available funds to K116,595,684.

As at 31st December, 2020, amounts totalling K102,432,814 had been spent, leaving a balance of K14,162,871.

Management Response

In his response, the Controlling Officer submitted that the Ministry would continue to engage the Treasury to ensure that releases were commensurate with budget provisions.

The Committee was informed that the balances at the end of the financial year under review, were project funds, third party payments, client funds for survey of properties and other planned activities that could not be executed due to COVID-19 restrictions.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and ensure that all supporting documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

c. Operational Matters

In his response, the Controlling Officer submitted that in 2017, the Government of the Republic of Zambia produced the Seventh, National Development Plan (SNDP), for the period from 2017 to 2021, which had the National Land Titling Programme (NLTP), as one of its flagship programmes, with the aim of delivering five million certificates of title by 2021.

In that same year, the first pilot was conducted in Madido and Kamwala South but did not deliver as expected, as less than 500 land owners were able to pay titling fee, and the Ministry did not have a system to process certificates of title *en mass*.

The Controlling Officer also submitted that at a stakeholders' retreat on the NLTP, held between 21st and 27th July, 2018 at the World Bank offices, MLG was introduced by the World Bank team as a company involved in systematic land titling with financial resources to assist the Ministry establish, test, implement and document a process for a systematic titling program for free. The final retreat report was prepared and presented to the National Development Plan Enabler Cluster Steering Committee for the National Systematic Land Titling, which was held on 27th July and chaired by the Permanent Secretary in charge of Development Planning and Administration. The retreat report was available for audit verification.

The Controlling Officer also submitted that MLG agreed to finance a new pilot project, with the aim of collecting and processing 50,000 parcels for titling in Lusaka City and the World Bank was to conduct research using data collected during the pilot project. At the same time, the Ministry of Lands and Natural Resources started looking for various options for funding and financing of the programme.

The Controlling Officer also submitted that Management signed the MoU with the service provider on the recommendation of the World Bank and was looking to try new technologies. As the project was short-term and at no cost to the Government, it paused a low risk to the Ministry. The service provider, a United States based public benefit corporation, was interested to validate its technology approach to systematic land titling in accordance with its stated mission of

‘promoting economic development and full financial inclusion by helping individuals establish formal ownership of their homes and land, and to establish its reputation.’

The Controlling Officer further submitted that the programme was just being piloted. However, the Ministry regretted that authority was not sought from the ZPPA before the signing of an MoU with Medici Land Governance Limited. However, the Ministry had sought for clearance of an MoU from the Attorney General.

Committee’s Observations and Recommendations

The Committee expresses concern that the Ministry entered into a contract with Medici Land Governance Limited, without authority from the ZPPA. The Committee finds this unacceptable and urges the Controlling Officer to review the contract and ensure adherence to its provisions by Medici Land Governance Limited. The Committee also urges that should there be any inadequacies demonstrated by Medici Land Governance Limited, the said contract must be terminated. The Committee will await a progress report on the matter.

- **Irregular Direct Bidding**

In his response, the Controlling Officer submitted that the Ministry had been engaged in sporadic land titling, which meant that those who needed certificates of title for their properties approached the Ministry. This was a long standing procedure that relied on property owners' goodwill and desire to get their properties registered with the Ministry in order to obtain certificates of title.

The Controlling Officer also submitted that the Ministry, as a result of the NLTP, decided to produce the certificates of title in bulk. In view of this, the Ministry proceeded to issuing a Public Private Partnership (PPP) tender. This process yielded one viable bid, which was pursued all the way to the final step of the Council of Ministers. The proceedings were terminated during a meeting of the Council of Ministers in September, 2018.

The negotiated financing approach was judged by, the PPP Council, to be an Engineering Procurement and Construction Plus Financing (EPC+F) rather than a PPP programme.

The Controlling Officer also submitted that it was at that point, that the consortium, which was made up of Sivan Design (D.S) Limited, Finnish Development Group (FCG) Limited, and FCG Swedish Development Group Limited, submitted proposals. The contract number MLNR/EPC+F/01/2019, which was financing and production of Certificates of title, under the NLTP, was signed between the Ministry and the consortium, at a sum of €195,000,000.

During the process, it was noticed that the following conditions were not favourable to the Government:

- i. borrowing at a negotiated rate by a private firm but then the Government was to assume the financial risk and award sovereign Guarantee to the sum of €195,000,000;
- ii. repayment of the loan was to commence eleven months after the contractor had started implementation of the titling programme, while production of the first certificates of title

was to be done in one year, six months, meaning that the Government would have to find money for the initial payments; and

- iii. loan interest was set at 5.012 percent and this would be due in year three. At this time, there was neither guarantee that the contractor would have produced the required certificates of title nor would the property owners have paid for the certificates of title.

The Controlling Officer also submitted that the contract failed to take off because the Government had made it clear that no ministry or government agency would incur any additional debt. In view of this, the Council of Ministers decided that the EPC+F process be undertaken. The process was undertaken and Sivan Design proposed to the Government that this time they would obtain a loan but to be paid for by its partners (Sivan Design D.S Limited, FCG Limited and FCG Swedish Development Group Limited), who would then recover the costs from the proceeds of the implemented land titling project. This process was undertaken and the EPC+F contract was signed but again failed to take off because some of Sivan Design's Consortium partners withdrew and the proposed project missed its effective conditionality.

The Controlling Officer also submitted that the pilot undertaken by Medici Land Governance (MLG) Limited was a success as it resulted in the production of 56,000 offer letters that were ready for collection. However, the land owners were unable to pay the required 20 percent statutory fees, resulting in only 877 certificates of title issued, as of December, 2020.

The Controlling Officer also submitted that the Ministry decided to undertake a direct bidding process with MLG Limited, who had demonstrated a unique and innovative concept, as it fulfilled the requirements for data gathering and analysis, and validation and execution, in an expeditious manner as a single source provider. Having had the pilot project done by MLG, which was introduced to the Ministry by the World Bank, and after further consultation with Cabinet Office and the Treasury, the Ministry sought for authority for a "No Objection" from the ZPPA to direct bid MLG Limited for the production and delivery of certificates of title, under the NLTP with a reduced floatation period of two weeks, which was granted by the Authority.

MLG Limited was funding the project with its own resources, as opposed to revenue sharing as in the case of PPP model and further, the contractor would only be paid a charge of 30 percent of the title fee. Hence the Government had no obligations of raising funds or administering the operations of batch production of titles, making it one of the most efficient ways of revenue generation for the Government. It was anticipated that based on revenue projections, the Government was destined to earn at least USD428,798,887, which was equivalent to K7,289,581,075, at the dollar rate of the date of contract signing, with an initial contract investment of USD22,954,112.

The Controlling Officer also submitted that a proposal was invited for the creation of 1,500,000 certificates of title. This tender was a fee-based contract, with a contractor's fee and was self-financed by the contractor, MLG Limited.

The Controlling Officer also submitted that during negotiations, the contractor requested that because of Economics of Scale and financial ability, the quantities be upgraded to 4,000,000 and the request was agreed to. The Ministry sought for an increase to the number of certificates of title to bring down the cost per title to the Ministry, which without the increase would have been

closer to K3,000, as MLG costs included significant upfront investment to be amortized over a larger title base.

The Controlling Officer further submitted that in Direct Bidding, it was permitted to negotiate the price and all other parameters with the bidder, as provided under section 51 of the *Public Procurement Act No. 12 of 2008*. The process of negotiations should be as outlined in the Public Procurement Regulations, SI No. 63 of 2011, Part IX, Sections III-115. The negotiating team made sure that the contractor provided evidence that it would be able to finance production of the requested additional certificates of title.

Committee's Observations and Recommendations

The Committee expresses concern that the Ministry did not undertake due diligence before seeking for a 'No Objection' to direct bid Medici Land Governance Limited, from the ZPPA. The Committee also expresses concern that the ZPPA proceeded to award an authority to direct bid under such circumstances. In this regard, the Committee finds it unacceptable and urges the Controlling Officer to review the contract and ensure adherence to its provisions by Medici Land Governance Limited. The Committee also urges that should there be any inadequacies demonstrated by Medici Land Governance Limited, the said contract must be terminated. The Committee further cautions the ZPPA to desist from the practice of granting 'No Objection' authority, without establishing the facts. The Committee will await a progress report on the matter.

- **Contract Management on Proposed Investment**

In his response, the Controlling Officer submitted that this was a self-financing project which had its own evaluation criteria and audit management. The Controlling Officer also submitted that there was no requirement in the contract that mandated Medici Land Governance Limited to provide evidence of their investment in the project, as the contract was performance based.

Committee's Observations and Recommendations

The Committee expresses disappointment that the Ministry entered into a contract without validating the contractor's proposed investment into the project. The Committee observes that this has a potential to affect the execution of the contract in an event that the said proposed investment by the contractor was nonexistent and not tenable. In view of this, the Committee urges the Controlling Officer to follow up on the proposed investment with the Contractor and ensure that it is realised, without fail. The Committee will await a progress report on the matter.

- **Slow Rate of Issuance of Titles**

In his response, the Controlling Officer submitted that the contractor, on submission of the inception report, proposed to issue 500,000 certificates of title, on the assumption that collection of data could be done quickly by deploying more enumerators and data collectors in the field. However, during the execution of the project, a number of challenges emerged which hindered the expected progress, despite collecting sufficient information on the ground. The challenges which were impacting on the titling programme required the contractor and the Ministry to agree on a revised target. These challenges included the following:

- i. encumbrances due to pre-existing certificates of title and surveys on land occupied by informal settlers;
- ii. Councils issuing occupancy licenses;
- iii. failure on the part of clients to pay the minimum statutory fees; and
- iv. effects of COVID-19 restrictions which affected enumeration and sensitisation activities.

The Controlling Officer also submitted that the following actions were taken:

- i. the project team had set up an Encumbrance Committee to work on lifting those encumbrances within the legal limit of the law. Management was further considering making proposals to amend relevant pieces of legislation to allow for quicker cancellation of legacy titles, where necessary;
- ii. the Ministry of Local Government and Rural Development had guided that Councils should stop the issuance of occupancy licenses and had been asked to engage with the Ministry on the matter;
- iii. on the issue of affordability, Management had proposed a staggered payment to ease the payment burden. Since most of the areas targeted were informal and low income, consideration was also being made to see how the identified vulnerable members of the communities could be supported through waivers; and
- iv. to address the challenge brought about by the pandemic, the project had devised ways to reach out to the public through public announcements, using megaphones, fliers and Short Messages Sent (SMS). In order to distribute offer letters and certificates of title and allow for social distancing, the project had to divide property owners into smaller groups to come at specific times, at designated sites.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that the issuance of Certificates of title is expedited without any further delay. The Committee will await a progress report on the outcome of the actions taken as stipulated.

ii. Land Development Fund (LDF)

In his response, the Controlling Officer submitted that the funds were released in December, 2020. Hence it was difficult to immediately start the works, as it was during the rainy season. The Committee was informed that the Ministry engaged the service provider, Zambia National Service (ZNS), who had commenced the works, with 18.6 percent works done, as at 19th October, 2021. The works were expected to be completed by 14th December, 2021.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that road works in Kawambwa District are completed without any further delay. The Committee will await a progress report on the matter.

c. Accounting Irregularities - Irregular Use of Letters of Transfer to Process Payments

In his response, the Controlling Officer submitted that the practice was regretted and the Ministry took note of the findings and stopped the practice immediately.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to institute disciplinary action against officers who approved the payments based on letters of transfer, subject to which the matter must close.

d. Staff Related Matters - Irregular Payment of Rural Hardship Allowances

In his response, the Controlling Officer submitted that the Ministry had devolved the management of human resources, including payroll management. All payroll inputs for provincial staff were done by respective Provincial Permanent Secretary's offices. Therefore, the Ministry Headquarters had no access to the provincial payrolls.

The Controlling Officer also submitted that in view of this, all the affected provinces were written to, on 29th March, 2021, to correct the anomaly. Unfortunately, there had been no response. Consequently, the Ministry wrote to Payroll Management and Establishment Control (PEMC), under Public Service Management Division (PSMD), to stop the payments and effect recoveries on what had been paid so far, in the absence of responses.

The Controlling Officer further submitted that a discussion was held with the senior Management at the Office of the Auditor General, at which it was agreed that since payroll management had been devolved to provinces, the queries would be raised with respective provinces so that responsible officers could account for their irregularities.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that recoveries are effected on the affected officers, without fail. The Committee will await a progress report on the matter.

MINISTRY OF FISHERIES AND LIVESTOCK

PARAGRAPH 39

39.1 Mandate

44. The Ministry of Fisheries and Livestock (MFL) is mandated to formulate policies and oversee the development of Fisheries and Livestock sectors in the country.

39.2 Audit Findings

An examination of financial and other records maintained at the Ministry Headquarters, Provincial Fisheries and Livestock Coordinating Offices (PFLCOs) and selected District Fisheries and Livestock Coordinating Offices (DFLCOs) revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2020, a provision of K816,465,363, was made to cater for the operations of the Ministry against which amounts totalling K610,488,295 were released resulting in an underfunding of K205,977,068. Although the Ministry was under funded, as at 31st December, 2020, the Ministry had spent amounts totalling K598,809,886, leaving a balance of K11,678,409.

Management Response

In response, the Controlling Officer submitted that the funds were released late in December, 2020 and were donor funds for the Enhanced Smallholder Livestock Investment Programme (E-SLIP), the Zambia Aquaculture Development Enterprise Project (ZAEDP) and the Climate Resilient Livestock Management Project (CRLMP).

Included in the retained funds, were funds meant for the 2020/2021 Fish-Ban exercise. The Committee was informed that the Ministry sought authority from the Secretary to the Treasury and was authorised to retain the funds from 2020 to 2021 Financial Year. The funds had since been utilised for the intended purpose.

Committee's Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification.

b. Procurement of Goods and Services

i. CK Scientific Group Zambia Limited

- **Failure to Pay 25 percent Advance Payment to CK Scientific Group-K11,970,000 (US\$798,000)**

In response, the Controlling Officer submitted that the Ministry of Fisheries and Livestock paid only 18 percent of the 25 percent advance payment to CK Scientific Group to enable the Contractor starts the aerial spraying exercise and that the exercise had not been undertaken.

The Controlling Officer also submitted that the reason why the Ministry had failed to pay the balance was because the Treasury had not funded the 7 percent to enable the Ministry meets the required 25 percent advance payment to the Contractor.

The Controlling Officer also submitted that efforts, letters and follow-ups had been made with the Secretary to the Treasury, requesting funds so that the 25 percent obligation could be met for the Contractor to commence the exercise.

It was submitted that the previous Committee recommendation that the Controlling Officer prioritises the aerial spraying activity and ensure that the exercise was completed in the 2021 Financial Year was appreciated. The Controlling Officer had also noted the previous Committee's directive that the Controlling Officer was to seek for authority to vary the funds to accommodate the aerial spraying activity.

The Committee was however informed that the 2021 budget ceiling actually reduced by 62 percent as compared to that of 2020. Therefore, could not accommodate the variations as directed by the Committee. Further, to adhere to the directives of the Committee, the Ministry in February, 2021 requested for special funding of K75,562,979 from the Treasury so that the aerial spray activity could be undertaken in 2021. To date the Treasury had not funded the activity.

Committee's Observations and Recommendations

The Committee bemoans the failure by the Treasury to pay the remaining 7 percent of the 25 percent advance to the contractor, on the aerial spraying activity. The Committee, therefore, urges the Secretary to the Treasury to take keen interest and ensure that requisite funding is mobilised in order to have an activity fully implemented. The Committee will await a progress report on the matter.

- **Delayed Implementation of the Activity**

In response, the Controlling Officer submitted that the delay was caused by the Ministry of Fisheries and Livestock not receiving funding from the Treasury despite several requests made to the Treasury for funding. To date, the Ministry had not received funding from the Treasury to undertake the exercise.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to take keen interest and ensure that requisite funding is mobilised in order to have an activity fully implemented. The Committee will await a progress report on the matter.

- ii. **Contract for the Supply of Vaccines with Botswana Vaccine Institute (BVI) – Accrued Interest-US\$445,593 and Euro1,520,085**

The Controlling Officer submitted that the supplier of the Vaccines, Botswana Vaccine Institute (BVI), in the above stated letter, had indicated that it would invoke the penalty clause on the overdue invoices based on the continued breach of contract.

The Controlling Officer also submitted that the Ministry of Fisheries and Livestock engaged the supplier on the matter, through a letter dated 22nd November, 2020. After a reconciliation of the suppliers account, it was deduced that the funds that BVI were claiming were in fact paid by the Ministry but the Bank had not remitted the funds to the supplier's account in Botswana.

The Controlling Officer further submitted that the Ministry of Finance committed to pay 50 percent towards the outstanding invoices and had since funded the Ministry K20,000,000 towards the debt. Therefore, the supplier did not invoke the penalty clause owing to the fact that

the supplier was assured that all outstanding invoices upon receiving funding from Ministry of Finance would be paid.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iii. Supply and Delivery of Deltamethrin by Share Mix Limited

Wasteful Expenditure on Storage Fees-K885,000

In response, the Controlling Officer submitted that the claim by the supplier for storage of the chemicals at various facilities were higher than the K885,000 that was paid. The K885,000 was paid after the Ministry negotiated with the supplier prior to the Ministerial Procurement Committee approving the request for payment of the storage charges by the supplier.

The Controlling Officer also submitted that the decision to sign the addendum was questionable indeed.

The Committee was informed that the Ministry had to sign an addendum to the main contract because it was right that the additional payment of K885,000 be added to the total cost of the existing contract.

Committee's Observations and Recommendations

The Committee finds the wastage of funds unfortunate and urges the Controlling Officer to engage the relevant investigative wings for further investigations. The Committee will await a progress report on the matter.

• Wasteful Expenditure on Procured Deltamethrin-K7,748,902 (US\$810,554.64)

In response, the Controlling Officer submitted that the chemicals had not been rejuvenated as observed by the Auditor General.

The Controlling Officer also submitted that the chemicals would only be rejuvenated by the supplier when the Ministry was ready to undertake the aerial spray activity considering that it was not known when the exercise would take place.

The Controlling Officer further submitted that the Ministry of Fisheries and Livestock was engaging the Manufacturer to have a sample tested for the current status on the potency of the Chemicals.

The Committee was informed that the Ministry would undertake its own independent tests on the potency of the chemicals at CVRI and Mount Makuru Research when the Ministry was ready to undertake the aerial spray exercise. Regarding the two containers stored at CVRI that were leaking, the spillage had since been attended to. The Ministry had bought two flow bins to replace the damaged containers.

The Committee was further informed that the Ministry had put side covers around the storage shade to protect the chemicals from the sun.

Committee's Observations and Recommendations

The Committee bemoans the delay in actualising the aerial spraying activity and the wastage of resources on the procured chemicals. The Committee finds this unfortunate and unacceptable and urges the Controlling Officer to secure the said chemicals and ensure that the aerial spraying activity is undertaken without any further delay. The Committee will await a progress report on the matter.

iv. Construction of a Nitrogen Plant - Delayed Completion of Works

In his response, the Controlling Officer submitted that IPC valued at K2,384,219, which was issued for the completion of the construction of the housing structure had since been paid. The Controlling Officer also submitted that the contract was not availed to the auditors because the Ministry was in the process of signing the new contract with the Contractor.

The Controlling Officer further submitted that, a new contract had since been signed and what was remaining was the supply, delivery, installation and commissioning of the Nitrogen Plant.

Committee's Observations and Recommendations

The Committee expresses concern at the delay to complete the works and subsequent commissioning of the Nitrogen plant. The Committee also observes, with concern, that the Contractor was onsite and continued working beyond the initial contract period. In this regard, the Committee urges the Controlling Officer to engage the Office of the Attorney General for guidance on the expired contract and its effect on the works done and payments made by the Contractor and the Ministry, respectively. The Committee also urges the Controlling Officer to engage the Secretary to the Treasury on the funding modalities so that the project is commissioned without delay. The Committee will await a progress report on the matter.

MINISTRY OF FISHERIES AND LIVESTOCK- PROVINCIAL FISHERIES AND LIVESTOCK COORDINATING OFFICES

PARAGRAPH 40

40.1 Mandate

45. The Mandate of the Ministry of Fisheries and Livestock was anchored on Government Gazette Notice No. 183 of 2012. It facilitated and supported the development of sustainable, diversified and competitive fisheries and livestock sectors that assured food and nutrition security, contribute to job creation and maximise profits and the sectors' contribution to Gross Domestic Product.

40.2 Audit Findings

An examination of financial and other records maintained at the Provincial Fisheries and Livestock Coordinating Offices (PFLCOs) and selected District Fisheries and Livestock Coordinating Offices (DFLCOs) for the period under review revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December, 2020, a provision of K150,019,527, was made to cater for operations of the Provincial and District Fisheries and Livestock Offices, out of which a total amount of K142,385,154 was released, resulting in an underfunding of K7,634,373.

As at 31st December, 2020, amounts totalling K138,019,661 had been spent, leaving a balance of K4,366,073.

Management Response

In response, the Controlling Officer submitted that the Provincial and District Fisheries and Livestock Coordinating Offices (P&DFLCOs) of the Ministry of Fisheries and Livestock, were underfunded by K7,634,373 and had a balance of K4,366,073, in the financial year ended 31st December, 2020. The Ministry sought authority and was granted by the Treasury to retain the funds from 2020 to the 2021 financial year and the funds had since been used.

The Committee was informed that these were funds meant for the Fish-Ban exercise, that was to be undertaken between 1st December, 2020 and 1st March, 2021.

Committee's Observations and Recommendations

The Committee notes the response on the matter and urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification.

b. Management of Payroll and Staff Related Matters

i. Irregular Payment of Rural and Remote Hardship Allowances-K77,100

In response, the Controlling Officer submitted that allowances in amounts totalling K77,100 were paid in respect of Rural (K70,876) and Remote (K6224) hardship to seven officers who were not eligible for the allowances.

The Controlling Officer submitted that letters had been written to the Payroll Management and Establishment Control Department (PMEC) requesting that the irregularly paid allowances be stopped and recoveries effected from the officers.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to re-engage Payroll Management and Establishment Control on the matter and ensure that funds are fully recovered without fail. The Committee will await a progress report on the matter.

ii. Irregular Payment of Housing Allowances - K159,978

In response, the Controlling Officer submitted that amounts totalling K159,978 in respect to housing allowances were irregularly paid in respect of sixteen officers.

The Controlling Officer also submitted that letters had been written to the Payroll Management and Establishment Control Department (PMEC), requesting that the irregularly paid housing allowances be stopped and recoveries effected from the officers.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to re-engage Payroll Management and Establishment Control on the matter and ensure that funds are fully recovered without fail. The Committee will await a progress report on the matter.

iii. Misplacement of Officers on the Payroll

In response, the Controlling Officer submitted that the misplacements were caused by the relocation or transfer of officers on administrative grounds to fill vacancies where the services were needed.

The Controlling Officer also submitted that some movements had since been normalised. And as for officers on the Provincial Administration Payroll, the Ministry was working with PMEC to move the payrolls for officers on Provincial Administration to that of Ministry of Fisheries and Livestock payroll.

Committee's Observations and Recommendations

The Committee urges the Payroll Management and Establishment Control (PMEC) to put measures in place to ensure that transfers of officers are updated timely and PMEC vacancies created accordingly, especially that the officers are already on the Government payroll. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

c. Accounting Irregularities

i. Delayed Banking - Choma PFLCO-K33,280

In response, the Controlling Officer submitted that the delays in banking were caused by the Office of the Provincial Coordinator, by using the funds to pay for water, electricity and other services, before banking the money and could only reimburse the revenue when the Choma office was funded by the Treasury.

The Controlling Officer also submitted that the Provincial Fisheries and Livestock Coordinator for Southern Province at the time was reprimanded for delaying the banking of the revenue collected.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put non-handling of cash measures in place so that clients deposit cash directly into a designated account. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Unaccounted for Funds – Southern Province-K40,950

In response, the Controlling Officer submitted that revenue in amounts totalling K17,790 collected for livestock slaughtered at Ilobezi Limited at Mazabuka DFLO had not been accounted for.

The Controlling Officer also submitted that the status surrounding this matter was that the erring officer had since been arrested and was appearing before the courts of law. Supporting documentation in relation to this matter was available for audit verification.

As for Vet Parlor Guest House in Choma, the Coordinator at the time was charged and warned in writing for the omissions.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put non-handling of cash measures in place so that clients deposit cash directly into a designated account. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the outcome of the court case.

iii. Failure to Report Damaged Receipt Books - Mazabuka DFLO

In response, the Controlling Officer submitted that the Provincial Fisheries and Livestock Officer for Southern Province, at the time the receipts were soaked, had been charged for the failure to report the soaked receipts to the Controlling Officer.

The Committee was informed that the matter had since been reported to the Controlling Officer and was being investigated by the law enforcement agencies.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put non-handling of cash measures in place so that clients deposit cash directly into a designated account. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await the outcome of the investigations.

iv. Failure to Collect Revenue – Lusaka PFLCO-K20,250

In response, the Controlling Officer submitted that Management had since surcharged the erring officers K20,250. Recoveries would be affected in December, 2021.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place to prevent the recurrence of the omission to collect the fees. The Committee will await a progress report on the matter.

v. Unsupported Payments – Western Province-K28,118

In response, the Controlling Officer submitted that documents were not availed to the auditors because they were misplaced at the time of the audit. The nine payments had since been supported with the relevant documentations in accordance with the financial regulations.

Committee's Observations and Recommendations

The Committee finds the misplacement of documents unacceptable and urges the Controlling Officer to enhance records management in the Ministry, in order to avert the recurrence of such queries. The Committee, however, resolves to close the matter subject to audit verification.

vi. Irregular Use of Imprest – Mansa PLCO-K73,800

In response, the Controlling Officer submitted that the officer in Luapula Province who authorised the use of imprest to purchase goods and services whose value could be ascertained had been charged and reprimanded. The documents to support this were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

vii. Irregular Payment of Subsistence and Meal Allowances – Western Province-K32,720

In response, the Controlling Officer submitted that the irregular payments made to officers, amounting to K32,720 had since been recovered.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification, subject to which the matter must close.

viii. Failure to Produce Activity Reports – Masaiti DFLCO

In response, the Controlling Officer submitted that an activity report could not be availed to the auditors because it was misplaced but had since been found.

Committee's Observations and Recommendations

The Committee finds the misplacement of an activity report unacceptable and urges the Controlling Officer to enhance records management in the Ministry, in order to avert the

recurrence of such queries. The Committee, however, resolves to close the matter, subject to audit verification.

d. Management of Assets

i. Failure to Secure Title Deeds

In response, the Controlling Officer submitted that the Ministry wrote to Ministry of Lands on the matter and the Surveyor General had indicated willingness to survey the properties as a step towards acquiring the title deeds for the property owned by the Ministry. A letter from the Surveyor General was available for audit verification.

Committee's Observations and Recommendations

The Committee prods the Controlling Officer to take the matter of acquisition of title deeds seriously and ensure that it is finalised without fail. The Committee will await a progress report on the matter.

ii. Failure to Insure Motor Vehicles and Motor Bikes

In response, the Controlling officer submitted that the motor vehicles and cycles were not insured in the year under review because of inadequate funding received from the Treasury. The Committee was informed that the assets in question had since been insured.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

iii. Management of Breeding Centres

• Katopola Breeding Centre – Chipata PFLCO

In response, the Controlling Officer submitted that the facility was not rehabilitated because the Ministry had no provisions for infrastructure rehabilitation in the budget since 2017. This had paused a challenge in conducting routine maintenance and rehabilitation of infrastructure, coupled with inadequate funding received from the Treasury in the period under review.

Committee's Observations and Recommendations

The Committee bemoans the state of infrastructure and urges the Controlling Officer to mobilise requisite funding for rehabilitation of the Breeding Centre. The Committee will await a progress report on the matter.

• Staff House - Chishinga Breeding Centre – Kawambwa District

In response, the Controlling Officer submitted that the house was not rehabilitated because of inadequate budget provisions and funding received from the Treasury in the period under review.

Committee's Observations and Recommendations

The Committee bemoans the state of infrastructure and urges the Controlling Officer to mobilise requisite funding for rehabilitation of the staff house. The Committee will await a progress report on the matter.

- **Casualisation of Workers at Breeding Centres**

In response, the Controlling Officer submitted that the Ministry wrote to Cabinet office and the Secretary to the Treasury seeking authority to employ permanent workers at the Breeding Centres.

The Controlling Officer also submitted that treasury authority had been granted to employ the casual workers on a permanent basis at Mbesuma Breeding Centre, who had since been employed on a permanent basis.

The Committee was informed that the Ministry had continued engaging Management Development Division (MDD) at Cabinet to approve structures for other Breeding Centres.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to desist from engaging casual workers on a continuous basis to avoid the violation of the relevant provisions of the *Employment Act, Chapter 268* of the Laws of Zambia. The Committee also urges the Controlling Officer to re-engage MDD on the matter. The Committee will await a progress report.

- iv. Unaccounted for Fuel – Western Province-K81,450**

In response, the Controlling Officer submitted that the documents were misplaced at the time of the audit. However, the documents had been found and the fuel had been accounted for accordingly.

Committee's Observations and Recommendations

The Committee finds the misplacement of documents unacceptable and urges the Controlling Officer to enhance records management in the Ministry, in order to avert the recurrence of such queries. The Committee, however, resolves to close the matter, subject to audit verification.

MINISTRY OF FISHERIES AND LIVESTOCK - ZAMBIA AQUACULTURE ENTERPRISE DEVELOPMENT PROJECT

PARAGRAPH 41

41.1 Background

a. Establishment

46. On 17th February, 2017, the Government of the Republic of Zambia signed a financing agreement with the African Development Bank (AfDB), of US\$50,891,780, comprising an AfDB loan of US\$45,395,470 and GRZ contribution of US\$5,496,310, to fund the Zambia Aquaculture Development Project. The project implementation period was five (5) years commencing on 17th February, 2017 and ending 31st December, 2021.

The project was being implemented in the following districts; Kasama; Solwezi; Mansa; Chipata; Kaoma; Siavonga; Chipepo; Bangweulu; Kasempa; Rufunsa; and Mungwi.

The Project was divided in three (3) main components as follows:

- i. Support to Aquaculture Entrepreneurs – US\$30,583,290;
- ii. Support to growth Enabling Infrastructure – US\$15,192,840; and
- iii. Project Management and Institutional Capacity Building – US\$1,981,020.

41.2 Audit Findings

An examination of accounting and other records maintained at the Project Headquarters and selected project sites for the financial year ended 31st December, 2020, revealed the following.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial year 31st December 2020, a total provision of K367,937,432 (US\$24,529,162), was made to cater for various activities against which amounts totalling K274,954,509 (US\$15,543,675), were released, resulting in an underfunding of K70,051,796 (US\$7,266,484).

Although the Project was underfunded, as at 31st December, 2020 amounts totalling K270,437,676 (US\$15,432,814) had been spent leaving a balance of K4,516,833 (US\$110,861).

Management Response

In response, the Committee was informed that these were donor funds meant for the various project activities. The COVID-19 outbreak led to the delay in implementation of the activities, thus the balance at the end of 2020. Therefore, the funds were retained to the 2021 financial year and the funds had since been used.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

b. Operational Matters

i. Failure to Revise the Aquaculture Seed Fund Implementation Agreement Manual

In response, the Controlling officer submitted that the manual had not been revised because it was difficult for the officers at the Ministry Fisheries and Livestock and CEEC to sit and revise the manual because of the COVID-19 outbreak restrictions.

The Controlling Officer further submitted that the manual had since been revise and was in effect.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Aquaculture Seed Fund – Managed by CEEC

• Failure to Fully Disburse Loans

In response, the Controlling Officer submitted that the delay in the disbursement of the funds was caused by the beneficiaries not fulfilling some conditions of the loans. For example, the beneficiaries were supposed to complete the construction of the ponds and install the cages before the balance of the loan could be given. Therefore, there were some instances where the beneficiary's loan was not fully disbursed depending on the stage of their activities on the farm.

The Controlling Officer further submitted that as at 31st October, 2021, an additional total of 927 loans valued at K29,737,166.49 were disbursed, bringing the total number of loans disbursed to 1208 valued at K149,692,093.49, leaving a balance of K31,683,716.51 undisbursed.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to impress upon the Project Implementing Unit to devise monitoring and evaluation strategies, which will enhance preparedness and capacities of targeted beneficiaries in order for the project to achieve the intended impact. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Slow Performing Loans - Hatcheries and Nurseries

In response, the Controlling Officer submitted that the loans given were performing slowly, considering that 64 percent recoveries had been recovered by 30th June, 2021, amounting to K1,898,836.55 out of K 2,986,872.27.

The Controlling Officer also submitted that the latest position as at 31st October, 2021, was that the recovery rate had gone to 69 percent. According to the beneficiaries, they had difficulties to repay the loans because of the COVID-19 outbreak. In addition, the recovery demand notices had been issued to clients that had slow performing loans.

Committee's Observations and Recommendations

The Committee expresses concern at the slow recovery rate of the loans and urges the Controlling Officer to be proactive and ensure that any beneficiary found in violation loan conditions has the loan recalled and all the disbursed funds recovered without exception. The Committee will await a progress report on the full recovery of the loans.

41.1 Current Loan Performance

Failure to Terminate Projects

In response, the Controlling Officer submitted that indeed CEEC had not terminated the loans of beneficiaries despite them not being operational and recoveries not made. The agreements could not be terminated with the beneficiaries that defaulted because it was considered that the beneficiaries first be given technical support before action could be taken according to the obligation of the agreement.

The Committee was informed that the Commission had since issued demand notices to the beneficiaries.

Committee's Observations and Recommendations

The Committee expresses dismay that the Ministry was rendering technical support to beneficiaries after the funds were already utilised. In this regard, the Committee urges the Controlling Officer to ensure that technical support is rendered to beneficiaries before they engage in spending the project funds. The Committee also urges the Controlling Officer to ensure that beneficiaries violating the loan conditions have their loans recalled and all the funds given to them recovered without delay. The Committee will await a progress report on the matter.

Failure to Restock Fishponds

In response, the Controlling Officer submitted that the 378 beneficiaries had not received the fingerings because the beneficiaries had not yet completed the construction of the ponds while some completed ponds were not yet certified as complete. Therefore, the suppliers could not supply the fingerings on time. However, when the ponds were completed, suppliers were called upon to supply the fingerings. The suppliers also failed to supply the fingerings because during the cold season it was not ideal for fingering breeding. The above reasons led to the non-stocking of the said ponds.

The Committee was informed that some suppliers had since supplied the fingerings and some ponds had since been restocked, while some defaulting suppliers had since been sued for refund of the money paid while others had been given demand notices.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to impress upon the Project Implementing Unit to devise monitoring and evaluation strategies, which will enhance preparedness and capacities of targeted beneficiaries in order for the project to achieve the intended impact. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Delays in producing Fingerlings - Chikunto Fish Hatchery and Farm Limited, Chipata District**

In response, the Controlling Officer submitted that the commercial Hatcher, Chikunto Hatchery, although given a full loan to commence operations, had not commenced. This was so because the Hatcher had refused to produce the agreed specie as in the agreement with CEEC.

The Controlling Officer also submitted that CEEC had issued a demand notice against the Hatcher, to recover the funds. On the other side, the Hatcher had sued the government and the matter was in the courts of law.

The Committee was informed that the Ministry was waiting for the conclusion of the matter in court.

Committee's Observations and Recommendations

The Committee will await a progress report on the outcome of the Court case.

Failure to comply with the Terms of the Loan

The Controlling Officer submitted that the Hatcher had since sued the government on the matter and CEEC had since issued a demand notice against the Hatcher to recover the funds for failing to comply with the loan agreement.

Committee's Observations and Recommendations

The Committee will await a progress report on the outcome of the Court case.

c. Infrastructure Development

- i. **Contract for the Rehabilitation of the Embankment of a Dam LOT 3 Misamfu Kasama -**

Delayed Completion of Works

In response, the Controlling officer submitted that the Contractor actually completed the works as agreed in the contract and was issued with the completion certificate. The embankment was only damaged in the liability period following heavy rains in the area. The damage was communicated to the Contractor who mobilised to the site in July 2021.

The Controlling officer also submitted that the Contractor had since completed the remedial works and the engineers had since issued a report to confirm the works completion.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iii. Contract for the Rehabilitation and Alteration of Feed Workshop at Fiyongoli in Mansa

• Failure to Renew the Performance Bond

The controlling Officer submitted that the performance bond had not been issued by the Contractor, according to the company representative, because the director, who had the Power of Attorney, was terminally ill and could not acquire a bond with the bank or insurance company. The following year in July 2021, the director died and hence the performance bond could not be renewed on time after his death. The Company had since renewed the performance bond which was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Delayed Completion of Works

The Controlling Officer submitted that the delay in completion was caused by the illness of the key director of the company who later died. The works were on schedule and were about 98 percent complete and the funds paid to the contractor were secured with a performance bond issued.

Committee's Observations and Recommendations

While the Committee finds it unfortunate that the said company director had died, the Committee urges the Controlling Officer to ensure that the project is completed without any further delay. The Committee will await a progress report on the matter.

MINISTRY OF FISHERIES AND LIVESTOCK- CLIMATE RESILIENT LIVESTOCK MANAGEMENT PROJECT

PARAGRAPH 42

42.1 Background

a. Establishment

47. On 28th November, 2017, the Government of the Republic of Zambia signed a grant financing agreement with the African Development Bank (AfDB) of US\$6,210,000 commencing on 1st January, 2018 with a closing date of 30th June, 2021.

The Project objectives were to strengthen the adaptive capacity of Zambia's Livestock farmers to the impacts of climate change and help increase resilience of the natural environment.

The Project was being implemented in Kasama; Mbala; Mporokoso; Mungwi; Chinsali; Mpika; Isoka; Nakonde; and Mafinga Districts in Northern and Muchinga Provinces.

The project comprised of three (3) components namely;

- i. promoting Climate Resilient Livestock investments and increasing climate change adaptive capacity of livestock farmers at a grant amount of \$4,665,000;
- ii. Capacity Building on climate change Adaptation for stakeholders at a grant amount of \$1,000,000; and
- iii. Knowledge, Monitoring and Evaluation at a grant amount of \$250,000

42.2 Audit Findings

An examination of accounting and other records maintained at the Project Headquarters and selected Project sites for the financial year ended 31st December, 2020, revealed the following to which the Controlling Officer submitted as set out below.

a. Budget, Funding and Expenditure

According to the Annual Work Plan and Budgets for the financial year ended 31st December 2020, a total provision of K28,561,563 was made to cater for various activities against which amounts totalling K26,575,891, were disbursed, resulting in an underfunding of K1,985,672.

In addition, the project had a balance brought forward of K2,830,083 bringing the total available funds to K29,405,974.

Although the Project was underfunded, as at 31st December, 2020, amounts totalling K29,285,146 had been spent leaving a balance of K120,828.

Management Response

In response, the Controlling Officer submitted that these were donor funds meant for the farmer's capacity building in Livestock Early Warning Information Systems. The implementation of the activity was delayed in the 2020 financial year due to the COVID-19 outbreak in the Country leading to the suspension of the activity and the funds could not be used for any other purposes.

The Committee was informed that the funds for the project, although in the annual budget, were only released by the donors upon the project management team submitting invoices and claims from contractors. Therefore, the funds were retained to the 2021 financial year. These activities had since been executed and the funds exhausted.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

b. Infrastructure Development

i. Failure to Utilise Constructed Infrastructure and Equipment

In response, the Controlling Officer submitted as set out below.

Item No. 1. Milk Collection Centre at Musa in Kasama District

The centre was operational but not to full capacity due to low levels of milk supplied to the facility. However, the Centre produced ice creams and undertook bulk milk chilling. In addition, the Ministry was in the process of restocking area to increase productivity. To that end, the Ministry had signed contracts for the supply of 750 dairy heifers to enable it operate on a daily basis.

Item No. 2. Quarantine and Checkpoint Stations- Mbala

The Committee was informed that quarantine facilities only operated on need-arising-basis. The presence of animals in quarantine facilities was dependent on the illegal movement of livestock. At the time of the visit by the auditors, there were no animals under quarantine, as there were no illegal movements detected in the area. Therefore, the two facilities were manned and fully operational.

Item No. 3. The Regional Veterinary Laboratory-Kasama

The Committee was informed that the contract for the construction of the laboratory did not include the installation of work benches on which the equipment could be fitted on and this led to the non-utilisation of the laboratory. The Committee was informed that the office space for the laboratory had since been occupied. Further, the Government had acquired a loan from the African Development Bank (AfDB), whose primary objective was to fully operationalise all infrastructure constructed under Livestock Infrastructure Support Programme (LISP).

Item No. 4. Veterinary Quarantine Station and Veterinary Check Point in Nakonde and Mpika Districts

The Controlling officer submitted that the building was only used for office space while the lab as indicated by the auditors was not operational because the facility had no work benches. The process of procurement of benches had commenced and ZPPA had since given clearance.

Item No. 5. Slaughter Facilities in Kasama and Nakonde districts

The two Slaughter facilities were not operational because the facilities were not connected to electricity, which was needed for the cold chain to operate. ZESCO had been paid to provide electricity and ZESCO had started the process of connecting electricity to the two facilities.

Item No. 6. Livestock Market Centre in -Nakonde District

The facility was not operational because the cooperatives to which the facility was handed over had in house conflicts on how to utilise the facility. The Ministry, through the District office engaged the cooperatives to resolve the conflicts and an MOU had been signed by the cooperatives on how to use the facility.

Item No. 7. Milk Collection Centre at Malashi in Mpika District of Zambia

The centre was operational but not to full capacity. The Centre produced ice creams and undertook bulk milk chilling. However, the Ministry was in the process of restocking more animals in the area to increase productivity. To that end the ministry had signed Contracts for the supply of 200 dairy heifers to the facility to enable it operate on a daily basis.

Committee's Observations and Recommendations

The Committee bemoans the abandonment of infrastructure projects and urges the Controlling Officer to ensure that all the completed projects are occupied to avoid wastage of limited resources. The Committee will await a progress report on the matter.

The veterinary laboratory equipment was delivered on 27th December, 2019 and was stored at the main laboratory in Kasama. At the time of inspection, the equipment was found unpacked in carton boxes fourteen months after delivery. The reason for failure to utilise the equipment was due to lack of specialist staff that had not been deployed to Kasama at the time of verification.

The Controlling Officer submitted that equipment had not been utilised because the work benches for the labs had not yet been fitted. The main contract for the construction of the laboratory did not include the installation of work benches for the facilities. However, the Ministry, through the SLIMP project will soon procure the work benches which will enable the facility to be fully operational. In addition, the Ministry had applied to the Treasury for authority to employ specialist (Lab technicians) to work at the labs.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit requisite funding to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

The milk processing equipment was delivered on 1st June, 2018 and had been installed and tested. However, as at 30th June, 2021, the equipment remained unutilised, thirty six months after installation.

In response, the Controlling Officer submitted that the centre was operational but not to full capacity. The centre produced ice creams and undertook bulk milk chilling.

The Committee was informed that the Ministry was in the process of restocking more animals in the area to increase productivity. To that end the ministry had signed Contracts for the supply of 200 dairy heifers to the facility to enable it operate on a daily basis.

Committee's Observations and Recommendations

The Committee will await a progress report on the outcome of the measures as stipulated. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Construction of Livestock Slaughter Facilities - Kasama Delayed Completion of Works

In response, the Controlling Officer submitted that the contractor could not be paid on time because the Controlling Officer wanted the works verified for completion before payment could be made. The verification process delayed the completion of works.

The Controlling Officer further submitted that the contractor was on site and completion progress of the works was at 98 percent. It had been agreed with the contractor that final payment would only be made to the contractor once works were fully completed and handed over to the Ministry. There was no variation or extension to the contracts. However, the contractor had issued a contract security bond valid up to May 2022 to secure any payments made to the Contractor.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the office of the auditor General for audit verification. The Committee will await a progress report on the matter.

Failure to Claim Delay Damages

In response, the Controlling Officer submitted that the Ministry had not claimed delayed damages considering that the contractor had issued a performance bond valid up to May, 2022. As alluded to above, the contract was now at 98 percent completion.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

Failure to Renew the Performance Security.

In response, the Controlling Officer submitted that the Ministry engaged the contractor who had since issued a performance bond valid until May 2022.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from acting after the audit process. The Committee also urges the Controlling Officer to ensure that performance bonds are valid during the whole contract period. The Committee will await a progress report on the matter.

iii. Rehabilitation of a Milk Collection Centre – Failure to Complete Work

In response, the Controlling Officer submitted that a claim for payment of K78,486 had since been submitted to the insurance company. In addition, the Committee could not engage a new contractor to complete the works, but engaged Ministry of Public Infrastructure to complete the works considering that the former contractor at the time of terminating the contract had left material on site which had already been paid for. The works had since been completed and the facility was now operational.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

OFFICE OF THE PRESIDENT- MUCHINGA PROVINCE PARAGRAPH 43

a Budget, Funding and Expenditure

48. In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December 2020, a total budget provision of K58,896,033, was made to cater for the operations of the Provincial Administration against which an amount totalling K46,990,407, was released by the Treasury resulting in an under funding of K11,905,626.

As at 31st December, 2020 amounts totalling K46,882,687.43 had been spent, leaving a balance of K107,720.

Management response

In his response, the Controlling Officer submitted that, Muchinga Provincial Administration had a total budget of K58,896,033, of which K46,990,407 was funded, resulting in K11,905,626, as underfunding.

The Controlling Officer also submitted that the underfunding affected a number of activities which were not implemented as planned in the province. The balance of K107,720 that was not spent, was the accumulated balance for the twenty-five departments under control.

The Committee was informed that the provincial administration would continue engaging the office of the Secretary to the Treasury on the need to improve funding to Muchinga Province, to avoid underfunding.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification.

b Payroll Management and Staff Related Matters

i. Misplacement of Officers on the Payroll-K520,317

In his response, the Controlling Officer submitted that, the misplacement of staff on payroll was mainly caused by staff transfers done by line Ministries; however, their payroll end-user delayed moving these staff to their physical work stations.

The Committee was informed that Management had since engaged Controlling Officers of respective Ministries and Director PMEC to have these officers moved to their physical stations. Copies of correspondence between the office, Director PMEC and Other Controlling Officers were available for audit verification.

Committee's Observations and Recommendations

The Committee will await a progress report on the matter.

ii. Irregular Payment of Hardship Allowances-K29,867

In his response, the Controlling Officer submitted that, the irregular payment of rural hardship allowances was caused by officers being misplaced on the payroll.

The Controlling Officer also submitted that, recoveries for amounts totalling K29,867 for the officers in question were effected on the payroll in the month of June 2021 and were still running.

The Committee was informed that the officers in question were moved to their correct work stations.

The Committee was also informed that Management had started conducting payroll review on a quarterly basis to enable easy identification of any anomalies. The payslips for the officers in question were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to submit all supporting documents to the office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iii. Failure to Recover the Funds from Separated Officers from Payroll-K73,855

In his response, the Controlling Officer submitted that the delay in removing separated officers from payroll was due to delays in receiving the authority letters from the Public Service Management Division. It was also due to delay by end-user to remove the officers from payroll. The Committee was informed that the irregularly paid salaries in amount totalling Seventy-Three Thousand Eight Hundred Fifty-Five (73,855) were recovered from the officers' Terminal Benefits, through casualty forms. All the necessary documents pertaining to the irregularly paid salaries were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to submit all supporting documents to the office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iv. Unknown Officer Drawing Salaries-K83,779

In his response, the Controlling Officer submitted that the officer in question was a known officer working under Provincial Education Office, as Senior Education Officer, under Open and Distance Learning, up to 16th August, 2020, when he was retired from the service and thereafter moved to a separate payroll.

The Controlling Officer further submitted that, Management had started conducting payroll reviews on a quarterly basis to enable easy identification of any anomalies. Supporting documents were available for audit verification.

Committee's Observations and Recommendations

The Committee notes that this information should have been availed to the Auditors at the time of the audit. In this regard, the Committee urges the Controlling Officer to ensure that supporting documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

c General Deposit Account -Failure to Distribute Agriculture Inputs

In his response, the Controlling Officer submitted that at the time of the audit, inputs amounting to Nineteen Thousand Four Hundred Sixty Kwacha (K19,460) were not distributed to beneficiaries in Isoka and Nakonde Districts. The stocks that had remained were balances left after distributing to the selected beneficiaries in the Districts in question which then acted as the opening stock for the 2021/2022 farming season for youth empowerment as this was an on-going programme.

The Committee was informed that the distribution had since been done and acquittal sheets to support the distribution were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from taking action after the audit process. The Committee also urges the Controlling Officer to submit all supporting documents to the office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

MINISTRY OF AGRICULTURE

PARAGRAPH 44

a) Budget, Funding and Expenditure

49. In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a provision of K5,314,630,517 was made to cater for operations of the Ministry, against which amounts totalling K2,951,304,707 were released resulting in an under funding of K2,363,352,810. Although the Ministry was underfunded, as at 31st December, 2020, amounts totalling K2,566,050,943 had been spent leaving a balance of K385,253,764.

Management Response

In his response, the Controlling Officer submitted that the Ministry made a number of follow ups to ensure that the Ministry was funded in full. The underfunding affected the operation of programmes, which resulted in most of the activities not being implemented. The amount of K385,253,764 reported to have been unspent was incorrect, as stated in Statement "C" for the Financial Year Ended 2020.

In the Estimates of Revenue and Expenditure for 2020, the ministerial provision was K5,314,630,517 of which K2,951,304,707 was released. The Ministry had total expenditure of K2,950,375,972.34 leaving a balance of K928,735.08 unspent. The unspent funds was as a result of funding which was released on 29th December, 2020, amounting to K16,000,000, which was required to be dismantled before 31st December, 2020. Due to limited time factor, the Ministry could not expense the whole amount, thereby remaining with a balance unspent. The funds were mopped at the end of the year.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Secretary to the Treasury, particularly, to consider releasing funds timely to all MPSAs so as to avoid recurrence. The Committee also urges the Controlling Officer to ensure that the Treasury is engaged for timely funding to carry out all planned activities in each fiscal year.

b) Farmer Input Support Programme

i. Failure to Constitute a National Steering Committee

In his response, the Controlling Officer submitted that there was no National Steering Committee meeting during the 2020/2021 season as guided by the 2020/2021 FISP manual; all activities

were carried out under the overall guidance of the Permanent Secretary. The Committee was informed that the Ministry would in future endeavour to hold the National Steering Committee meetings. A copy of an extract of the Manual was available for audit verification.

Committee's Observations and Recommendations

The Committee observes with concern that the Controlling Officer wilfully chose to usurp powers of the National Steering Committee by making decisions alone contrary to the FISP Manual. The Committee notes also that the same was done with impunity. In this regard, the Committee strongly urges the Secretary to the Treasury to caution the Controlling Officer sternly and ensure that penalties are stiffened with regard to violation of guidelines, in order to deter others. The Committee will await a progress report on the matter.

ii. Lack of Budget Provision - Direct Input Supply Modality

In his response, the Controlling Officer submitted that the ceiling that the Ministry was given by the Ministry of Finance was not enough to cater for the policy change of the Direct Input Supply (DIS) modality, which was increased to 84 percent, resulting in contracts amounting to US\$430,336,620.

The Committee was informed that arising from the cause, the budget for the DIS was covered by Ministry of Finance, as per response from the Secretary to Treasury and budget core circular of 2020.

Committee's Observations and Recommendations

The Committee finds it highly irregular that the Controlling Officer overcommitted the Government with contracts before Treasury authority was sought from the Secretary to the Treasury. Although it is appreciated that the increase in DIS meant that more farmers are to be serviced, it displeases the Committee that the right procedure was not followed. The Committee therefore, sternly cautions the Controlling Officer to desist from abrogating procedure and also that all contractual obligations must be backed by Treasury Authority to avoid over committing the Government in future. The Committee resolves to close the matter subject to audit verification.

iii. Questionable Implementation of Programme Modality

In his response, the Controlling Officer submitted that the Ministry implemented 100 percent electronic Voucher (e-Voucher) modality during the 2017/2018 season. However, programme implementation during this season faced the following challenges:

- a. delayed funding from the Treasury for agro dealers' invoices. This resulted in many agro dealers not getting paid on time after issuing inputs to farmers;
- b. inadequate capacities by some agro dealers to stock adequate quantities of the demanded inputs by beneficiary farmers;
- c. connectivity challenges which resulted in delayed redeeming by farmers; and

- d. malpractices by some agro dealers such as redeeming with farmers but not issuing them with inputs.

The Ministry obtained authority from the Treasury to be able to retain the farmer contribution funds and use them to settle part of the agro dealers' invoices. The Ministry further reduced the number of beneficiaries under the e-Voucher programme, so that the total budget required could be managed using the retained farmer contributions. To address the connectivity challenges, the Ministry migrated completely from using VISA cards to transact, to using the ZIAMIS which was accessible in all districts.

Committee's Observations and Recommendations

The Committee observes with concern that there were malpractices by Agro dealers who were contracted to supply inputs to farmers. It was also worrisome to hear that some had inadequate capacity to stock adequate quantities demanded by farmers. The Committee questions the selection process and concludes that due diligence was not done from the onset and hence the unfavourable outcome. The Controlling Officer is urged to put measures in place to prevent the recurrence of the matter. The Committee also urge the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

Questionable Selection of Fertiliser and Seed Suppliers

In his response, the Controlling Officer submitted that the Ministry requested the Zambia Public Procurement Authority (ZPPA) for a "No Objection" to direct bid the fertilizer suppliers due to time constraints. The fertiliser companies were identified after an extensive check on the market, of which companies had the fertiliser readily available in large quantities and which companies the Ministry had worked with in the past, with satisfactory performance in terms of deliveries and distribution. Minutes were available for verification. The ZPPA granted a "No Objection" after considering the justification provided, subject to obtaining approval from the Ministerial Procurement Committee.

Further, the inclusion of Alpha Commodities in 2019 was based on a market survey on the availability of stock which was supported by the communication from Alpha Commodities to the Ministry. The Ministry had noted the advice from ZPPA as per the No Objection letter and would in future endeavour to identify new potential suppliers in the market. At the time ZPPA gave a "No Objection", the Ministry did not have adequate time to identify new suppliers as it meant restarting the procurement process and seeking clearances.

Committee's Observations and Recommendations

The Committee finds the reason given by the Controlling Officer for the failure to follow, Section 39(4), of the Public Procurement Regulations of 2011, unacceptable. The Committee also finds it highly irregular that a particular supplier was given priority without clear reasons. The Committee contends that it was evident that officers tasked with the responsibility were weakening the systems by conniving with suppliers. In this regard, the Committee urges the Controlling Officer to consider probing this matter to its logical conclusion by engaging the relevant law enforcement agencies. The Committee will await a progress report on the matter.

v. Farmers who benefited More than Once in 2020/2021 Season - K4,480,000

In his response, the Controlling Officer submitted that the Camp Extension Officers edited ZIAMIS farmer NRCs, creating double beneficiaries; and inputs were redeemed on both names.

However, he clarified that the number of farmers who benefited more than once was 1,408 as indicated in the Draft Audit Report Paragraph (DARP) and not 2,240 farmers as indicated. The PACOs and all other officers found wanting, were charged. Recoveries from both farmers and officers had been effected and was still ongoing.

Committee's Observations and Recommendations

The Committee observes with concern how officers were taking advantage of the weaknesses in the supply system of FISP. The Committee urges the Controlling Officer to consider strengthening internal controls so as to avoid the recurrence. The Committee resolves to await a progress report on the full recovery of the funds in question.

vi. Questionable Acquitted Authority to Collect - Petauke

In his response, the Controlling Officer submitted that the acquittal sheets availed were duly acquitted by representatives of the cooperatives. These two individuals were the duly registered cooperatives contact persons who duly represent the cooperatives and acquitted at the time of collecting inputs from the warehouse managers at the district. However, at the cooperative level, the inputs had been acquitted by the beneficiaries confirming receipt of inputs. He informed the Committee that all the farmers had since signed the ATCs to collect the farming inputs.

Committee's Observations and Recommendations

The Committee notes with concern that the Controlling Officer is contending with auditors on a clear matter of omission. The Committee observes that there is no clause in the guidelines which stipulates that a cooperative representative is allowed to sign on behalf of farmers. The Committee, therefore, urges the Controlling Officer to popularise the guidelines so that cooperatives representatives are capacitated of the guidelines without delay. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

vii. Questionable Debt Swap

In his response, the Controlling Officer submitted that in April 2017, the Ministry of Agriculture signed a contract for the procurement of 80,000 metric tonnes of fertilizer from Rockcliff Trading FZC, which was meant for Direct Input Supply to the districts for the 2017/2018 farming season.

At the time of the year, the Ministry had planned to implement the Farmer Input Support Programme (FISP) using both the Electronic Voucher System and the Direct Input Supply System.

However, the Ministry received a Cabinet communication dated 7th June, 2017, indicating that at its sitting on 6th June 2017, Cabinet directed the Ministry of Agriculture to implement the

Electronic Voucher System with all targeted FISP beneficiaries. As a result of this, the Ministry, after obtaining authority from the Ministry of Finance proceeded to utilise the procured 80,000 metric tonnes in a Debt Swap agreement with two fertilizer suppliers that were being owed from previous seasons. Therefore, the 48,000 metric tonnes was from this fertilizer and was handed over to the two fertilizer suppliers namely Neria Investments Limited and Nyiombo Investments Limited from different locations in the Country.

This implied that all farmers that were originally planned to access fertilizer and seed under the Direct Input Supply System, during the 2017/2018 season were serviced under the Electronic Voucher system as per Cabinet directive. The Ministry held a number of discussions on the matter.

The purchased fertilizer was meant to be given to farmers under highly subsidised terms, and farmers were only expected to contribute K400 to be recipients of the fertilizer. However, when the fertilizer was designated to be used under the e-Voucher, farmers were expected to pay for the inputs at the prevailing market price. The value at which the debt swap was executed, was arrived at to make sure that the fertilizer was affordable to farmers after a debt swap; and a lower price than the then prevailing market price was set which also meant a lower price at which the fertilizer had to be debt swapped. The suppliers were however expected to bear the costs of transportation and warehousing until the time when farmers collected the fertilizer. In order to ensure that a farmer accessed the fertilizer at affordable price, the price at which the fertilizer supplier and agro dealers were expected to sell the fertilizer was indicated in the debt swap agreement.

Further the proposed debt swap agreement, including debt swap amounts were submitted to Ministry of Finance for review and authority since the mandate of disposal of stores lied with the Treasury, in line with the law. The Treasury granted authority to the Ministry to execute the agreement with the two suppliers namely Neria Investments and Nyiombo Investments according to the amounts stated in the agreement.

In the Minute MOA/71/27/3, dated 2nd October, 2020, Item IV, the Ministry explained that the omission was an error and submitted all the documents for Nyiombo Investment debt swap. The Controlling Officer again rendered an apology that the omission was an error. The only claim on Nyiombo Investment Contract was interest which was not yet resolved and agreed by NCZ and Nyiombo Investments in Liquidation. Demand letter from Nyiombo Investment in Liquidation by its lawyers KBF Legal Practitioners, was available for verification.

Committee's Observations and Recommendations

The Committee finds the transaction highly questionable as it was not clear as to how the figures were arrived at. The absence of clear explanation on the debt swap and the fact that the same involved payment of interest, made it even more difficult for the Committee to appreciate how transparent the transaction was. In this regard, the Committee urges the Controlling Officer to report the matter to the relevant investigative agencies for further investigations. The Committee will await a progress report on the matter.

viii. Management of Weather Insurance

In his response, the Controlling Officer submitted that insurance products for small scale farmers were relatively new on the market and the players were limited.

In 2019/2020 farming season PULA Consortium (a group of 5 insurance companies) emerged on the market and the Ministry engaged both companies through direct bidding so as to bring on board all insurance companies that had interest in offering weather insurance services to the Ministry. Further a no objection was sort from ZPPA and was available for audit verification. Going forward, the Ministry would use open bidding process to engage insurance service providers to the small-scale farmers.

Committee's Observations and Recommendations

The Committee finds it highly irregular that only two insurance firms, namely; Mayfair and PULA Consortium, were identified to provide insurance cover when other well-known insurance companies were available to compete on the tender. What the Committee finds shocking is that among the members of the Consortium are the same insurance companies locally present in the Country. The Committee is of the view that the matter needs to be probed further by the investigative agencies in order to understand why the two companies were arrived at. The Committee will await a progress report on the matter.

- **Irregular Signing of Contract - Mayfair Insurance**

In his response, the Controlling Officer submitted that the contract with Mayfair Insurance was signed on a three-year framework agreement. The addendum to the contract to activate the second part of the contract was erroneously signed after the redrafted copy was shared with the Insurance Company to take note of the changes. The redrafted addendum was resubmitted to the Attorney General and was cleared on the 21st May, 2021 and the addendum was signed thereafter.

Committee's Observations and Recommendations

The Committee finds the reasons given by the Controlling Officer unacceptable and therefore, cautions the Controlling Officer to desist from misleading it. The Committee contends that the fact that the Controlling Officer signed an addendum before approval by the Attorney General renders the contract null and void, in accordance with the *Public Procurement Act, No. 12 of 2008*, Section 58 (1). The Committee finds it difficult to appreciate the rush into signing an addendum when there was no crisis. The Committee, therefore, urges the Controlling Officer to ensure that the matter is probed further and that all erring officers are disciplined accordingly to curb recurrence. The Committee will await a progress report on the matter.

Undisbursed Pay-outs

In acknowledging the query, the Controlling Officer informed the Committee that the Ministry was only mandated to remit pay-outs to the farmers or agro dealers who presented the redeemed schedule of inputs by the farmers. The Ministry had not set a fixed time frame for farmers to use their insurance pay-outs. This was because farmers were free to buy inputs of their choice from any agro dealer throughout the year. The Ministry had allowed farmers to continue redeeming

their insurance pay-outs. As at 10th November, a total of K5,688,888.33 had been paid leaving a balance of K5,177,326. The redeeming exercise by farmers was ongoing throughout the year.

Committee's Observations and Recommendations

The Committee notes the submission but urges the Controlling Officer to ensure that all farmers redeem the remaining pay-outs without further delay to avoid losses due to pilferage. The Committee is of the view that a specific timeframe be attached to this exercise, to expedite the process. The Committee will await a progress report on the matter until all funds are paid to the intended beneficiaries.

- **Questionable Allocation of Farmers - Insurance Providers**

In his response, the Controlling Officer submitted that Mayfair Insurance was the pioneer of the Weather Index Insurance in Zambia for small scale farmers, which started in 2017/2018 farming season. In that year, all the farmers were insured by Mayfair Insurance. However, in 2019/2020 farming season, another competitor, PULA Consortium, emerged on the market and the Ministry therefore decided to allocate 874,519 farmers to Mayfair Insurance, which had the experience in the industry and 149,914 farmers to PULA Consortium although the later was offering a better sum assured of K2,000 compared to the former which was at K1,700. The reasoning behind this was that PULA Consortium was just emerging on the market and carried a high risk of not meeting the expectation of the Ministry in awarding on an equal basis with Mayfair Insurance which had performed well during the previous season.

The Committee was also informed that in 2020/2021 the number of farmers was increased to 404,126 for PULA and 620,317 for Mayfair Insurance. Based on the performance of the two companies and also the coverage of a wider range of risks, Mayfair Insurance, in the farming season 2021/2022, had also increased the sum assured from K1,700 to K2,000, equivalent to PULA Consortium.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that there is equity in the distribution of farmers to would-be players in the insurance industry. The Committee, however, resolves to close the matter subject to audit verification.

c. Staff Related Matters

- i. Unknown Individual Drawing Salaries - K44,118**

In his response, the Controlling Officer submitted that an officer who was paid salaries totalling to K44,118 was a general worker who served under Ministry of Fisheries and Livestock. Following the separation of the two Ministries, some employees who were moved to Ministry of Fisheries and Livestock remained on the Agriculture payroll because the other Ministry did not have sufficient Classified Daily Employees (CDEs) positions for all the staff. He also stated that the officer had since passed on. However, the officer's appointment letter and a letter from Ministry of Fisheries and Livestock to confirm that he served under the Ministry, prior to his demise, were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses displeasure that the Controlling Officer did not detect the anomaly early enough until external auditors unveiled it. It is the Committee's considered view that internal audits on human resource related issues are not carried out periodically and hence this state of affairs. The Controlling Officer is urged to ensure that officers tasked with the responsibility, carry out internal audits quarterly, to avoid recurrence. He is also urged to ensure that the matter is regularised without any further delay. The Committee will await a progress report on the matter.

ii. Irregular Payment of Salaries to Officer that Resigned from the Civil Service - K27,309

In his response, the Controlling Officer submitted that it was regrettable that an officer remained on the payroll for nine months despite resigning from the civil service thereby being paid irregular salaries amounting to K33,309. He also informed the Committee that the officer was ordered to pay back the salaries irregularly paid to her. She had since paid back the whole amount and deposit slips were available for audit verification.

Committee's Observations and Recommendations

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

MINISTRY OF AGRICULTURE

PARAGRAPH 45

a. Budget, Funding and Expenditure

50. In the Estimates of Revenue and Expenditure for the financial year ended 31st December, 2020, a provision of K394,220,901 was made to cater for operations of Provincial and Districts Agriculture Coordinating Offices out of which a total amount of K269,608,777 was released resulting in an underfunding of K124,612,124.

As at 31st December, 2020, amounts totalling K269,532,083 were spent leaving a balance of K76,694.

Management Response

In his response, the Controlling Officer submitted that the Ministry made a number of follow ups to ensure that the Ministry was funded in full. The underfunding affected the operation of programmes which resulted in most of the activities not being implemented.

The Ministry continued to engage the Treasury for improved funding and releases. As for the K76,694 which was unspent, was as a result of balances that were mopped to the Treasury at the end of the year. These balances were from ten Provincial Agriculture Coordinating Officers, 116

District Agriculture Coordinating Officers, Ten Agriculture Research Stations and six Agriculture training Colleges.

Committees Observations and Recommendations

The Committee notes the response and urges the Secretary to the Treasury to take keen interest and ensure that funds are released as appropriated by Parliament. The Committee, however, resolves to close the matter.

b. Management of Payroll and Staff Related Matters

i. Misplacement of Officers on the Payroll

In his response, the Controlling Officer submitted that, for the two cases under Luapula Province, one officer, was appointed to act as Senior Marketing Development Officer. By the time authority was granted, the position got frozen and that is how a PMEC ID was found under Luapula, which apparently had two similar positions instead of only one. The officer continued to serve and was still serving under Copperbelt, because his services were required there. The other officer, upon transfer from Luapula to Copperbelt could not be placed on the Luanshya Post ID as District Agricultural Coordinator, because the position was occupied by another officer, who was already a substantive holder of the DACO position under Luanshya District.

The Controlling Officer further submitted that as for Southern Province, the officers were transferred from other provinces but there were no position IDs.

The Committee was informed that recommendations were raised for two officers under Luapula Province who were paid salaries from pay points that were different from their physical stations, using Treasury Authority No. 2 of 2021. Due to Cabinet Office Circular Minute of 2021 in which all appointments, transfers, secondments and promotions were suspended, the Ministry was yet to receive the conveyance from Public Service Management Division with directives for their payroll placements on their new positions.

The 2021 Treasury Authority, the recommendation to PSMD and the Cabinet Office Circular Minute of 2021 were available for verification.

The two officers under Southern Province were migrated to their rightful pay points.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to ensure that the misplacement of officers is urgently addressed by re-engaging PSMD of the matter. The Committee will await a progress report.

ii. Questionable Payment of Salaries – Muchinga- K68,463

In his response, the Controlling Officer submitted that it was true that the individual was not an established officer at Muchinga Provincial Agriculture Coordinators Office and that at the time of the audit, he was unknown. The officer who was an Accounts Assistant who was transferred from Ministry of Agriculture to Ministry of Education, where there was no position ID.

The Controlling Officer further submitted that the individual had his salary blocked. However, it had since been established that he was serving under Ministry of Education, Mkushi District in Central Province.

The Committee was informed that, his letter of transfer to Ministry of Education, Arrival Advice and a letter from the Ministry of Education to confirm his existence were available for verification.

The Ministry of Education was making efforts to find a position for the officer.

Committees Observations and Recommendations

The Committee expresses concern on the matter and urges the Controlling Officer to periodically conduct staff and payroll reconciliation audits in order to avoid the recurrence. The Committee also urges that this matter be addressed without any further delay. The Committee will await a progress report on the matter.

iii. Irregular Payment of Salaries to Employees on Unpaid Leave - Southern Province- K46,953

In his response, the Controlling Officer submitted that it was true that the two officers who went on unpaid leave received irregular salaries amounting to a total of K46,953, due to delayed removal from payroll.

Letters to the two officers had been written on the recovery of the money they irregularly received.

Commitment letters from the officers and Casualty forms from the Province were available for verification.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to ensure that K46,953 is fully recovered from the officers without any further delay. The Committee will await a progress report on the matter.

c. Unaccounted for Stores – Lusaka PACO- K11,692

In his response, the Controlling Officer submitted that the outstanding amount of K11,692 was as a result of some fuel coupons being replicated on the audit query sheet.

The Controlling Officer also submitted that the Ministry had reconciled the amounts and attached the disposal details for the K11,692 and a query sheet reflecting fuel coupons that were repeated was available for verification.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

d. Management of Assets

i. Failure to Insure Motor Vehicles – Southern Province

In his response, the Controlling Officer submitted with regret, that motor vehicles and bikes for Southern Province were not insured due to lack of funding at the time of the audit.

The motor vehicles and bikes had since been insured. Details were available for verification.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which the matter must close.

ii. Failure to Secure Title Deeds

In his response, the Controlling Officer submitted with regret that public properties under the Ministry were not secured with Title Deeds thereby failure to ascertain their values.

Titling of properties under the Ministry was still ongoing. The Ministry constituted a Ministerial Title Deeds Committee to look at all issues pertaining to Title Deeds for all properties within the Ministry.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to expedite the acquisition of Title Deeds for the Ministry Properties without any further delay. The Committee will await a progress report on the matter.

e. Management of Liabilities - Outstanding Obligations- K23,758,302

In his response, the Controlling Officer submitted with regret that the Ministry had outstanding obligations amounting to K23,758,302. This had been due to lack of funding from the Treasury.

The Committee was informed that the Ministry of Finance had paid a total of K7,480,000 towards dismantling of outstanding obligations.

Copies of correspondence from Ministry of Finance were available for verification.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to engage the Secretary to the Treasury on the requisite funding to dismantle the outstanding obligations without delay. The Committee will await a progress report on the matter.

f. Maintenance of Infrastructure - Poor Maintenance of Buildings

i. Deplorable Camp Houses - Chongwe, Rufunsa and Luangwa DACOs

In his response, the Controlling Officer submitted that the failure to maintain the camp houses had been due to inadequate resources.

The Committee was informed that a provision had been made in the budget estimates for the year 2022 for maintenance of buildings as per guidance in the Call Circular from the Treasury.

Committees Observations and Recommendations

The Committee expresses concern at the state of the structure and therefore, urges the Controlling Officer to prioritise the funding of the renovation works without delay. The Committee will await a progress report on the matter.

ii. Katete DACO Office Block

In response, the Controlling Officer submitted that indeed the ceiling for the office block was in a deplorable state and was falling off due to lack of regular maintenance.

The Committee was informed that a provision had been made in the budget estimates for the year 2022, for maintenance of buildings as per guidance in the Call Circular from the Treasury.

Committees Observations and Recommendations

The Committee expresses concern at the state of the building and therefore, urges the Controlling Officer to prioritise the funding of the renovation works without delay. The Committee will await a progress report on the matter.

OFFICE OF THE PRESIDENT-LUSAKA PROVINCE

PARAGRAPH 46

46 Head: 90 Office of the President - Lusaka Province

46.1 Mandate

51. The Provincial Administration is mandated to coordinate and implement national programmes and policies at the provincial level.

46.2 Audit Findings

An examination of accounting and other records maintained at the Provincial Administration Headquarters and three selected district offices for the period under review revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a total provision of K78,264,724 was made to cater for operations of the Provincial Administration against which, amounts totalling K65,089,133 were released by the Treasury, resulting in an under funding of K13,175,591.

As at 31st December, 2020, the Province had spent amounts totalling K65,064,978, leaving a balance of K24,155.

Management Response

In his response, the Controlling Officer submitted that the unspent balances totalling K24,155, as at 31st December, 2020, consisted of small balances from the 2020 budget releases on various fund centres or departments, which could not be used to procure goods or services by individual departments. Any attempt to pool funds and use them on one department would have resulted into misapplication of funds.

The Controlling Officer also submitted that it would be difficult to void insignificant balances sprayed over twenty-three departments in the course of spending.

Committee's Observations and Recommendations

The Committee notes the response on the matter and urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification.

b. Misplacement of Officers on the Payroll-K871, 221

In his response, the Controlling Officer submitted that the misplacement of the fourteen officers cited in the query, was caused by dual reporting and delayed restructuring of Lusaka Provincial Administration. The Committee was informed that the parent ministries had the authority to employ and allocate duty stations within the province without involvement of a controlling officer in charge of a province. This was because the proposed restructuring process of aligning the functions of the Province and those of line Ministries was yet to be concluded by Management Development Division. The challenges of dual reporting and misplacement of staff would be addressed only when the restructuring process was concluded.

The Committee was informed that as an interim measure, Lusaka Provincial Administration had requested the Public Service Management Division to migrate departments in question to their parent ministries payroll areas in order to assist resolve the challenge of staff misplacement since they were responsible for the allocation of duty stations.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to engage the Secretary to the Cabinet on the matter. The Committee will await a progress report on the outcome of the engagement with the Public Service Management Division.

c. Employment of Officer with Questionable Qualification

In his response, the Controlling Officer submitted that the Officer was appointed into the Civil Service by Ministry of Community Development and Social Services, through Public Service Management Division, as Assistant Community Development Officer, on minute number MCDSS/52/2/32, dated 28th February, 2006.

On 19th July, 2017, Public Service Management Division transferred the officer to Lusaka Provincial Administration and appointed her to Act as District Administrative Officer, with a view for substantive promotion under Shibuyunji District Administration.

The Controlling Officer further submitted that, immediately the issue of the officer's falsified Grade 12 School Certificate was brought to the attention of Management, on 18th August, 2020, a letter was written to Public Service Management Division to rescind the officer's acting appointment as procedure was not followed.

On 18th September, 2020, Public Service Management Division responded and guided that Provincial Administration should institute disciplinary action against the officer for forgery. The Committee was informed that the Provincial Disciplinary Committee sat and recommended that the officer should be dismissed for falsifying her grade 12 School Certificate and absenteeism. The officer had since been dismissed from the Civil Service.

The Committee was further informed that, salaries paid to the officer, from September 2017 to 31st December, 2020 would be recovered from her leave terminal benefits and the officer was informed, accordingly.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to report the matter to Police for further action. The Committee will await a progress report on the recovery of the funds.

OFFICE OF THE PRESIDENT- COPPERBELT PROVINCE

PARAGRAPH 47

a. Budget, Funding and Expenditure

52. In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December 2020, a total provision of K81,003,391, which included a supplementary provision of K1,781,517, was made to cater for operations of the Provincial Administration against which amounts totalling K73,790,885 were released resulting in an under funding of K7,212,506.

As at 31st December, 2020, the Province had spent amounts totalling K73,746,682, leaving a balance of K44,203.

Management Response

In his response, the Controlling Officer submitted that as a result of the underfunding, operations at the Provincial Administration were affected in that some activities were not implemented or executed as depicted in the table below:

Table of Affected Programmes:

Programme Affected	Department	Budget	Funding	Underfunding
Rehabilitation of Minister's and Permanent Secretary's Residences	Head Quarters	35,000	5,000	30,000
Traditional Ceremonies	Chiefs Affairs Department	45,000	5,000	40,000
Personnel Related Arrears	Buildings Department	70,000	0	70,000
Maintenance of Presidential Lodges	Buildings Department	35,000	9,000	26,000
Inspection of Projects	Buildings Department	39,298	18,000	21,298
Personnel Related Arrears	Various	474,860	66,250	408,610
Land Development Inspection	Lands Department	104,080	35,000	69,080
Generation of Leases	Lands Department	148,000	10,000	138,000
Exploratory Borehole Drilling	Water Affairs Department	77,850	0	77,850
Labour Inspections	Labour Department	50,000	8,700	41,300
Sensitisation of Labour Laws	Labour Department	32,000	0	32,000
Promotion of Arts and Culture	Cultural Affairs Department	30,000	2,000	28,000
Promotion of Cultural Industries	Cultural Affairs Department	29,750	2,000	27,750
Infrastructure Development – Maintenance of Masala Culture Village	Cultural Affairs Department	47,588	0	47,588
Inspections	Community Development	47,194	10,000	37,194
Support for Youths at Lukanga Resettlement Scheme	Youth Development	15,840	0	15,840

Plot Demarcations Survey and Mapping in Kambilobilo	Land Resettlement	54,000	16,000	38,000
Drilling of Boreholes in Lukanga Resettlement Scheme	Land Resettlement	45,000	0	45,000
Decentralisation, Implementation Plan and Sensitisation	Local Government Department	41,500	4,000	37,500
Inspection of Factories	Factories Department	39,000	13,000	26,000
Layout Plans Preparation	Physical Planning and Housing Department	22,656	0	22,656
Board of Survey	Controller of Government Transport	30,000	5,000	25,000
Sports Festivals	Sports Department	15,000	0	15,000
Provincial Development Coordinating Committee - Sub Committee Meetings	Provincial Planning Unit	80,000	37,000	43,000
Office Administration-	District Administration	1,329,748	541,788	787,960
Tender Board Meetings	Procurement Unit	37,500	0	37,500
Tendering Process	Procurement Unit	22,500	2,500	20,000
		2,854,066	763,238	2,090,828

The Committee was informed that, in trying to address the effects of the underfunding, Management had to take the following measures:

- i. continued to engage the Treasury for possible additional funding;
- ii. combined funded programmes with those not funded and executed them simultaneously; and
- iii. pushed forward some of the non-funded activities to the year 2021.

Committee Observations and Recommendations

The Committee notes the submission and urges the Secretary to the Treasury to take keen interest and ensure that funds are released as appropriated, so that the implementation of planned activities is not hampered.

b. Weaknesses in Managing Payroll and Staff Related Matters

1. Misplacement of Officers on the Payroll

In response, the Controlling Officer submitted that the following were the causes:

- i. hurriedly acting on the PSMD directive that was given in February, 2017 to all Controlling Officers to transfer officers who had overstayed at one station so as to enhance performance;
- ii. the 2018 direct recruitment of sixty-seven Agriculture Assistants by the Ministry of Agriculture at Headquarters, with letters to the officers indicating Position IDs on which the officers were to be placed but only to find that the situation on the ground was different in that most of the camps had staff already serving; and
- iii. the payroll for staff under the Department of Chiefs and Traditional Affairs, which was maintained centrally under their line Ministry in Lusaka but deployed under Office of the President, Copperbelt Province.

The Controlling Officer also submitted with regret that the following, out of the 139 cited, were misplaced cases:

- i. thirteen cases related to officers under the Ministry of Chiefs and Traditional Affairs whose payrolls were maintained and accounted for under their parent Ministry in Lusaka, hence outside Management's control;
- ii. fifty-four cases related to the Agriculture Assistants who were recruited centrally by Ministry of Agriculture and deployed under Provincial Administration – Copperbelt Province;
- iii. thirteen cases related to Ministry of Livestock and Fisheries, where three veterinary officers were captured under Provincial Administration – Ndola but serving in locations different from their pay points. Furthermore, the remaining officers related to eight Veterinary Assistants, one Livestock Technician and one Fisheries Officer who were serving in locations different from their pay points.
- iv. one case related to a watchman whose payroll was under Ministry of Education but serving under Provincial Administration.
- v. fifty-eight cases related to Provincial Administration in which officers were serving in areas different from where their payroll areas were.

The Committee was informed that Management, in trying to address the misplacement of officers, did the following:

- i. under the Ministry of Agriculture, a letter was written by the Provincial Agriculture Coordinator (PACO) to the Ministry of Agriculture Permanent Secretary, seeking authority to move some of the Post IDs to camps that would remain unmanned after the redirection of staff;

- ii. under the Ministry of Livestock and Fisheries, a letter was written by the Provincial Permanent Secretary to the Permanent Secretary - Public Service Management Division requesting for P MEC payroll restructuring so that the payroll was aligned with the Ministry of Fisheries and Livestock's establishment Register;
- iii. The Committee was informed that, Management had been engaging Ministry of Finance, through Secretary to the Treasury, to facilitate for Treasury Authority to unfreeze the 452 positions under Copperbelt Provincial Administration, which were frozen between the years 2014 and 2021. Treasury Authority could not however, be granted to the Provincial Administration. The fifty-eight misplaced cases under the Provincial Administration were being looked into on a case by case basis for possible swapping so as not have a situation where some stations remain unmanned.

Committee's Observations and Recommendations

The Committee expresses concern at the misplacement of officers and urges the Public Service Management Division, in collaboration with Management Development Division, to develop a policy which will ensure coordination of transfers, recruitments and promotions of officers in MPSAs. The Committee also urges the Controlling Officer to conduct routine payroll audits in order to prevent the recurrence of such queries. The Committee also urges the Controlling Officer to avail supporting documents on this matter to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

i. Payment of Salaries to Officers Absent from Duty-K123, 553

In his response, the Controlling Officer submitted that the officers who failed to adhere to the Terms and Conditions of the Public Service had been charged.

The Controlling Officer further submitted that Management wrote a letter to the Permanent Secretary at Ministry of Health, requesting for the convening of the Medical Board.

Committee's Observation and Recommendations

The Committee bemoans the *laissez faire* attitude adopted by the provincial administration on the matter, especially that the Controlling Officer was only taking action after the audit process. In this regard, the Committee urges the Controlling Officer to be proactive and ensure that salaries erroneously paid to the affected officers are recovered without fail. The Committee also urges the Controlling Officer to re-engage the Ministry of Health on the constitution of a Medical Board and ensure that supporting documents on this matter are submitted to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

c. Management of Assets

i. Department of Preventive Maintenance

• Under Collection of Rental Income-K221,220

In his response, the Controlling Officer submitted that the root cause was non-compliance by the tenants who defaulted in paying rentals despite repeated reminders.

The Ministry of Justice had been engaged to help with recovering the rental arrears. The process was to be carried out in two phases in Mufulira and so far, eleven out of the eighteen tenants under phase one (Mufulira Town), had paid amounts totalling K34,746, through the Debt Collector's office and only remained with the tenants under phase two (Mufulira Top Shops area). The tenants at Luanshya Buildings were being handled under phase three by the State Advocate, under Civil Litigation, Debt Collection and Prerogative of Mercy Department in Kitwe and supporting documents were available for audit verification.

The Controlling Officer also submitted that as of 30th August, 2021, fifteen tenants had paid to Provincial Administration K18,240 to liquidate their 2020 arrears. For 2021, all the tenants were current in paying rentals.

The Committee was informed that Management in trying to address the query had engaged the Civil Litigation and Debt Collection Department under the Ministry of Justice to help with debt Collection. The Department phased the process in that the Mufulira Town Centre tenants were placed under phase one, while phase two would cover tenants at Mufulira Top Shops and lastly Luanshya tenants would be covered under phase three.

In avoiding the swelling up of the debt, Management had continued to monitor the revenue collection at Buildings Department, which had resulted in the tenants being current with their payments, as at close of third quarter of 2021.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and desist from reacting to the audit process. The Committee also urges the Controlling Officer to put stringent measures in place to ensure that rental arrears do not accumulate to such levels. The Committee also urges the Controlling Officer to avail supporting documents on this matter to the Office of the Auditor General for audit verification. The Committee will await a progress report on the full recovery of funds.

• Failure to Avail Lease Agreements - Mufulira

In his response, the Controlling Officer submitted that misfiling of documents at Preventive Maintenance Offices was the root cause for failure to avail tenancy agreements at the time of the audit.

The Controlling Officer also submitted that Management, in trying to address the query, had cautioned the officers and the cited Lease Forms were retrieved, photocopied and available for audit verification.

Committee's Observations and Recommendations

The Committee expresses displeasure at the poor record keeping, exhibited by the Provincial administration on this matter. In this regard, the Committee urges the Controlling Officer to reorganise Preventive Maintenance Office and ensure that appropriate measures are put in place to enhance record keeping at the said office without fail. The Committee will await a progress report on the matter.

ii. Masala Cultural Village - Poor Maintenance of Office Building

In his response, the Controlling Officer submitted that, due to the non-release of funds by the Treasury, no works could be carried out during the period under review.

The Controlling Officer also submitted that in trying to correct the defects and address the query, Management had so far procured all necessary materials and works were in progress.

Budgetary allocations were made in the 2021 budget and the Treasury had since funded K50,000 which was used to procure the materials to replace the rotten poles.

Committee's Observations and Recommendations

The Committee expresses concern at the abandonment of Masala Cultural Village by the Provincial Administration, notwithstanding the delayed release of funds by the Treasury. The Committee contends that the maintenance of the surrounding can still be done by the provincial administration. In this regard, the Committee prods the Controlling Officer to ensure constant maintenance of the environment at the cultural village and also ensure that all the defects are rectified in light of the funding. The Committee will await a progress report on the matter.

OFFICE THE PRESIDENT - CENTRAL PROVINCE

PARAGRAPH 48

a. Budget, Funding and Expenditure

53. In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December 2020, a provision of K81,264,723 was made to cater for operations of the Provincial Administration against which amounts of K76,536,374, were released by the Treasury resulting in an under funding of K4,727,749. As at 31st December, 2020, amounts totalling K76,166,720 were spent leaving a balance K369,654.

Management Response

In his response, the Controlling Officer submitted that the Ministry had been and would continue to engage the Ministry of Finance through the Office of the Secretary to the Treasury, to ensure the release of the total budgeted funds.

The Committee was informed that the provincial administration first engaged the Ministry of Finance on 19th April, 2021 and a follow up letter was written on 28th October, 2021.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Secretary to the Treasury, particularly, to ensure that funding is released timely to enable ministries, provinces and other spending agencies to implement all planned activities within their planned schedule. The Committee resolves to await a progress report on full implementation of the planned activities.

b) Irregular Payment of Salaries to an Officer Absent from Duty without Leave- K29,878

In his response, the Controlling Officer submitted that Provincial Administration delayed to remove an officer from the payroll because there was delay by the immediate supervisor to report the matter.

The Committee was informed that the supervising officer was charged for the failure to report the matter in time. The officer had since been removed from the payroll and the full amount of K29,877.61 was recovered.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification subject to which, the matter must close.

OFFICE THE PRESIDENT- CENTRAL PROVINCE

PARAGRAPH 49

54. In August, 2020, the Ministry of Youth, Sport and Child Development developed a Multi-sectoral Development Strategy to empower the youth with various empowerment strategies in the agriculture sector. The programme was aimed at providing agricultural input loans to targeted youths in rural areas with demonstrated capacity to engage in agricultural related activities for the 2020/2021 farming season. The targeted youths were those that did not benefit from the Food Security Pack Programme, the Farmer Input Support Programme (FISP) or any related Government support programme. In this regard, the Ministry released a total amount of K3,262,550 to Provincial Administration, through the General Deposit Account for subsequent disbursement of farming input loans to youth groups in twelve districts. See table 49.1 below.

Table 49.4: Funds for Youth Empowerment

No.	Institution	Empowerment Fund K	Administration Funds K	Total K
1	Provincial Administration	-	185,390	185,390
2	Chibombo	227,180	2,000	229,180
3	Chisamba	227,180	2,000	229,180
4	Chitambo	281,680	2,000	283,680
5	Itezhi-tezhi	227,180	2,000	229,180
6	Kabwe	281,680	2,000	283,680
7	Kapiri-Mposhi	227,180	2,000	229,180
8	Luano	281,680	2,000	283,680
9	Mkushi	281,680	2,000	283,680
10	Mumbwa	227,180	2,000	229,180
11	Ngabwe	281,680	2,000	283,680
12	Serenje	227,180	2,000	229,180
13	Shibuyunji	281,680	2,000	283,680
	Total	3,053,160	209,390	3,262,550

Audit Findings

An examination of accounting and other records maintained at the Provincial Administration Headquarters and selected district offices visited revealed the following:

a) Unaccounted for Inputs - Mumbwa District - K184,020

Public Stores Regulation No. 16 required that every stores officer or any other officer having in his charge any public stores or other articles of public property, should keep and maintain record of the receipt and issue of such public stores. Contrary to the regulation, out of the K229,180 allocated to Mumbwa District for the procurement and distribution of farming inputs to approved beneficiary youth groups, farming inputs costing K184,020, were not accounted for in that there were no receipt and disposal details. Consequently, it could not be established whether the intended beneficiaries received the inputs.

Management Response

In his response, the Controlling Officer submitted that at the time of the audit, Mumbwa District Administration availed receipt and disposal details to the Auditors for verification but the documents were rejected because the Auditors found the receipt and disposal details insufficient, in that the intended youth beneficiary group representatives had not signed to acknowledge receipt of the inputs. The intended youth groups signed later and documents were available for audit verification.

The Controlling Officer also submitted that the challenge of handling stores items arose because Mumbwa District Administration did not have a qualified stores officer responsible for the management of store matters hence no segregation of duties. Receipt and disposal details which were signed by the intended youth group representatives were available for audit verification.

The Committee was informed that this was made possible after a team of accountants, procurement officers and stores officers from the Provincial Administration Headquarters was

sent to provide support and sensitisation for capacity building, to ensure there was segregation of duties.

The Committee was also informed that to avoid a recurrence, there were proposals for restructuring of Provincial Administration, by recruiting the procurement and stores officers at district administration level.

Committees Observations and Recommendations

The Committee observes, with concern, that the Controlling Officer is taking action after the audit process. In this regard, the Committee sternly cautions the Controlling Officer to desist from the practice and directs that the said available supporting documents are submitted to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

b) Failure to Distribute Farming Inputs costing K8,165.86 in Serenje District

In his response, the Controlling Officer submitted that two youth groups that had applied did not turn up to collect the inputs despite having been informed by the Office of the District Commissioner.

The Controlling Officer also submitted that the undistributed inputs would be distributed during the 2021/2022 farming season.

The Committee was however, informed, with regret, that the said inputs were reportedly stolen on 16th August, 2021 and the matter was before the Police and a report had been issued. Progress report was being awaited on the matter.

Committee's Observations and Recommendations

The Committee finds it questionable and unacceptable that inputs were reported to have been stolen after the audit process. The Committee is of the view that the purported stolen inputs are actually shortages and the purported bags shown to auditors at the time of the audit were merely presented for cover up. In this regard, the Committee is of the strong view that the matter be further investigated and urges the Controlling Officer to take keen interest. The Committee resolves to await a progress report on the matter.

c) Failure to Implement Funded Programmes – Shibuyunji District Administration

In his response, the Controlling Officer submitted that only Shibuyunji District did not implement the funded programme for the K283,680 youth funds, whereas two District Administration offices, namely; Chisamba and Luano implemented the projects on time in that delivery of inputs was done on time and payment to suppliers was paid later accordingly.

Shibuyunji District could not fully implement the programme because it was out of season, for the selected crop, soya beans. By the time the youth identification and selection process were done, the farming season for Soya beans was coming to an end and so the funded programme could not be implemented fully. The time to complete all the other necessary steps and rain patterns in the District were also taken into consideration. Hence, it was viewed prudently to

complete implementation in the next farming season to avoid losses. The decision was taken from a business perspective as the loans were required to be paid back by the various youth groups.

The Controlling Officer also submitted that with regard to retention of funds, the Controlling Officer sought for Treasury Authority to retain the funds on 7th January, 2021 and provisional authority was granted on 3rd February, 2021. The final authority was granted in Excess Expenditure No. 1 of 2021 and funds were uploaded in the IFMIS as noncash funding on 16th June, 2021. Supporting documents were available for audit verification.

The Committee was informed that the K283,680 funds under Shibuyunji District would be used to issue inputs to the youth groups in the 2021/2022 farming season.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that all the funds are used timely on the intended beneficiaries. The Committee resolves to await a progress report on the matter.

OFFICE OF THE PRESIDENT – NORTHERN PROVINCE

PARAGRAPH 50

50.1 Audit Findings

55. An examination of accounting and other records maintained at the Provincial Administration Headquarters and four selected district offices for the period under, review revealed the following to which the Controlling Officer submitted as set out below:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December 2020, a provision of K69,384,541 was made to cater for operations of the Provincial Administration against which a total amount of K64,470,964 was released by the Treasury resulting in an under funding of K4,913,576.

As at 31st December, 2020, amounts totalling K64,522,874 were spent leaving a balance of K51,910.

Management Response

In his response, the Controlling Officer submitted that it was indeed true that the 2020 budget provision had an estimated figure of K69,384,541 of which K64,470,964 was released for the operations, leaving the balance of K4,913,576.

The Controlling Officer further submitted that the underfunding could be attributed to the slowdown in economic growth the Country experienced, mainly due to the effects of the

COVID-19 pandemic which affected the implementation of planned activities, during the period under review.

Committee's Observations and Recommendations

The Committee notes the response on the matter.

b. Payroll Management and Staff Related Matters

i. Misplacement of Officers on the Payroll

In his response, the Controlling Officer submitted that the pay points for the ten officers cited in the report had been identified and responses provided according to each individual officer, as set out below.

- a. With regard to Lunda Kashimba, an Office Orderly of Mporokoso District, who was paid K3,676.51, the Controlling officer submitted that this occurred as a result of the establishment of Senga Hills District, which had no Treasury Authority since 2016, with the exception of the position of District Commissioner.
- b. The Controlling Officer also submitted that the officer was based in Senga Hills at the District Social Welfare Office and not Mporokoso which was her pay point. In order to ensure that Government presence was felt in the District, in terms of bringing service delivery as close to the people as possible, provincial administration had attached officers to Senga Hills from different departments, in an effort to operationalise the District, pending the granting of Treasury Authority. The Committee was informed that the request for Treasury Authority for 2021 was deferred to 2022. Supporting documents were available for audit verification.
- c. With regard to Kasonde Bupe, a Registry Clerk from the Ministry of Works and Supply, who was paid K4,268.23, the Controlling Officer submitted that this occurred as a result of the delay to remove the officer from the Provincial Administration Payroll to the Ministry of Fisheries and Livestock Payroll. The Controlling Officer also submitted that the Officer was first appointed as a Civil Servant under the Ministry of Works and Supply - Provincial Administration, in February 2014. In June 2016, the officer was again appointed under the Ministry of Fisheries and Livestock, as a Fisheries Assistant was delayed to be removed from the Northern Provincial Administration payroll until August 2020. The Officer had since been removed from the Provincial Administration payroll and replaced with Ms. Martha Nakaona. Supporting documents were available for audit verification.
- d. With regard to Mr. Keston Sinkala a watch man under the Ministry of Works and Supply, who was paid K3,676.51, the Controlling Officer submitted that this occurred as a result of inconclusive payroll separation following the creation of Muchinga Provincial Administration. The Controlling Officer also submitted that the officer had been serving in Muchinga Province since the Province was separated from Northern Province. Provincial Administration - Northern Province had since engaged Muchinga Province to formally transfer the officer to their payroll. Supporting documents were available for verification.

- e. with regard to Mr. Richard Nkonde, an Office Orderly of the Muchinga Provincial Administration, who was paid K3,676.51. The Controlling Officer submitted that this occurred as a result of PMEC system malfunctioning. The Controlling Officer also submitted that the officer was serving in Muchinga. However, at the time he was introduced on payroll, the workstation was not properly defined which resulted in the pay slip showing two provinces but was getting the salary in Muchinga. The status at the time was that the situation had been normalised and the officer was no longer appearing on the Northern Provincial Administration Payroll but the Muchinga Provincial Administration payroll. Supporting documents were available for audit verification.
- f. with regard to Mr Zizwani Phiri Kenwood Kapindi, a Senior Engineer from the Northern Provincial Administration, who was paid K21,599.15, the Controlling Officer submitted that this occurred as a result of the delay to remove the officer from Provincial Administration - Northern Province Payroll to the Ministry of Transport and Communications Payroll. The Controlling Officer also submitted that the officer was transferred to Lusaka under the Ministry of Transport and Communications in 2018 but delayed to be transferred from the Provincial Administration - Northern Province payroll because an officer he was replacing in Lusaka on the Ministry of Transport and Communications payroll, was retired but was not moved to separate payroll. The officer had since been removed from the Provincial Administration - Northern Province payroll and supporting documents were available for audit verification.
- g. with regard to Mr. Makhosini Nkunika, an Assistant Registration Officer at the Mungwi National Registration Office, who was paid K6,421, the Controlling Officer submitted that this occurred as a result of an administrative transfer from the Provincial Administration- Northern Province to the Lusaka Province - Department of National Registration, Passports and Citizenship. The Controlling Officer also submitted that the officer was administratively transferred to Lusaka Province by the Registrar of National Registration, Passports and Citizenship under the Ministry of Home Affairs and no formal letter was availed to the Provincial Administration - Northern Province. Provincial Administration had since engaged the Ministry of Home Affairs to normalise the transfer in respect of the Officer.
- h. with regard to Ms. Chipu Haloonde, an Assistant Registration Officer under the National Registration, Passports and Citizenship Office in Kasama, who was paid K5,564.87, the Controlling Officer submitted that this occurred as a result of an administrative transfer from Provincial Administration- Northern Province to Lusaka Province National Registration, Passports and Citizenship Office. The Controlling Officer also submitted that the officer was administratively transferred to Lusaka by the Registrar under the Department of National Registration, Passports and Citizenship of the Ministry of Home Affairs and no formal letter was availed to Provincial Administration – Northern Province. The Committee was informed that the Provincial Administration - Northern Province had since engaged the Ministry of Home Affairs to normalise the transfer in respect of the officer.
- i. with regard to Ms. Clara Kaoma, an Assistant Registration Officer in Mbala, who was paid K5,564.87, the Controlling Officer submitted that this occurred as a result of administrative transfer from Provincial Administration - Northern Province to Muchinga Province - Department of National Registration, Passports and Citizenship. The

Controlling Officer further submitted that the officer was administratively transferred to Muchinga Province by the Registrar - Department of National Registration, Passports and Citizenship under the Ministry of Home Affairs and no formal letter was availed to the Provincial Administration - Northern Province. The Committee was informed that the Provincial Administration - Northern Province had since engaged the Ministry of Home Affairs to normalise the transfer in respect of the officer.

- j. with regard to Ms. Deborah Florence Nanyangwe, an Assistant Registration Officer in Kasama, who was paid K5,564.87. The Controlling Officer submitted that, this occurred as a result of an administrative transfer from Provincial Administration- Northern Province to Muchinga Province - Department of National Registration, Citizens and Passports. The Controlling Officer also submitted that, the officer was administratively transferred to Lusaka Province by the Registrar at the Department of National Registration, Passports and Citizenship, under the Ministry of Home Affairs and no formal letter was availed to Provincial Administration - Northern Province. Provincial Administration - Northern Province had since engaged the Ministry of Home Affairs to normalise the transfer in respect of the Officer.
- k. Ms Ruth Kasama Bwalya an Assistant Registration Officer in Kasama who was paid K3,676.51, the Controlling Officer submitted that this was caused by the delay in transferring the officer from Provincial Administration - Northern Province Payroll to the Ministry of Health - Provincial Health Office Payroll. The Committee was informed that the Ministry would ensure that the payroll transfer was normalised. The status was that the officer had been recalled until the payroll transfer was effected.

Committee's Observations and Recommendations

The Committee expresses concern at the uncoordinated transfer of officers from their designated duty stations to other stations and the corresponding effect on the payroll management. The Committee also observes the lack of timely staff and payroll reconciliations. The Committee finds this unacceptable and urges the Management Development Division to put in place a policy measure which will ensure a coordinated transfer of officers at the Provincial Administration in order to prevent the misplacement of staff. The Committee also urges the Controlling Officer to be proactive and put measures in place to conduct staff and payroll reconciliations timely. The Committee will await a progress report on the matter.

c. Irregular Payment of Rural Hardship Allowances-K9,701

In his response, the Controlling Officer submitted that the PMEC system malfunctioned such that it wrongly gave the rural hardship allowance to the officer and the officer did not report the anomaly to the end user. However, Management stopped paying the allowance to the officer in question in May 2021 and the recoveries were effected.

The Committee was informed that PMEC system could only recover K100 monthly from the officer as recovery due to the 40 percent threshold guideline. As at 31st October, 2021 K600 had been recovered.

Committee's Observations and Recommendations

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

d. Payment of Salary to an Absentee Officer-K151,655

In his response, the Controlling Officer submitted that the problem was as a result of difficulties in disposing off the case within the reasonable time due to failure to trace the known address of the officer.

The Committee was informed that the officer in question was among the officers that were under the then Rural Roads Unit – Ministry of Works and Supply and were transferred to the Ministry of Defence, Zambia National Service (ZNS) in 2016, but were maintained on Provincial Administration – Northern Province payroll. The officer was not drawing a salary since December 2016, when his salary was locked to entice him to report for duties. However, the officer had never reported and his last address was not known. The Provincial Administration Disciplinary Committee had since sat and recommended that the officer be formally dismissed from the Public Service. Supporting documents were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and ensure that supporting documents are submitted to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

e. Accounting Irregularities

i. Irregular Use of Imprest-K5, 305

In his response, the Controlling Officer submitted that it was indeed true that imprest amounting to K5,305 was raised and used to facilitate the payment of a conference facility. This happened as a result of the conference facility being booked at the time of processing of payment.

The Controlling officer also submitted that this was an oversight on the part of Management and further assured the Committee that this would not happen in future.

The Committee was informed that the Ministry had directed all Heads of Department to adequately plan for such activities before the actual implementation. This would ensure logistical issues to be addressed well in advance before meetings were held.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive and ensure that supporting documents are submitted to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Unaccounted for Stores – Provincial Administration-K12,679

In his response the Controlling Officer submitted that the Unaccounted-for Stores was due to the relocation of the stores unit from procurement department to finance department. The relocation was undertaken after the renovation of the store's office space was completed.

The Controlling Officer also submitted that disposal details for the general stores and fuel amounting to K5,920 and K6,759, respectively were misplaced at the time of the audit. The relocation of the unit was done in line with the Treasury and Financial Management circular no 8 of 2019. However, a thorough search was made to find the documents and they were found. Supporting documents were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern at the poor record keeping demonstrated by the Provincial administration on this matter. The Committee, therefore, urges the Controlling Officer to be proactive and put in place measures to enhance record management at the Provincial Administration. The Committee will await a progress report on the matter.

OFFICE OF THE PRESIDENT- WESTERN PROVINCE

PARAGRAPH 51

Audit Findings

56. An examination of accounting and other records maintained at the Provincial Administration Headquarters and four selected district offices for the period under review revealed the following:

a. Budget Provision, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year 1st January to 31st December, 2020, a total budget provision of K87,114,960 was made to cater for the operations of the Provincial Administration, against which amounts totalling K79,397,291.21 were released by the Treasury, resulting in an under funding of K7,717,668.79.

As at 31st December, 2020, amounts totalling K79,274,105.25 had been spent, leaving a balance of K123,185.

Management Response

In response, the Controlling Officer submitted that it was indeed true that, the 2020 approved budget for Head 94 – Provincial Administration Western Province, was not fully funded. The funding disbursed by the Treasury represented 91.4 percent of the approved budget.

Committees Observations and Recommendations

The Committee notes the response on the matter and urges the Secretary to the Treasury to take keen interest and ensure that activities are funded, as appropriated by Parliament.

a. Weaknesses in Managing Payroll and Staff Related Matters -Misplacement of Officers on Payroll

In his response, the Controlling Officer submitted that, the two officers were transferred by Public Service Management Division (PSMD) from Western Province to other Ministries.

The officers continued to draw salaries from the Western Province payroll which was different from their physical stations because the payroll position identification numbers at their new stations were still occupied by other officers.

The Controlling Officer also submitted that his office had been engaging Management in the respective Ministries to free the positions in order to accommodate the officers that were transferred to their stations and following the efforts made, one officer had been moved to the payroll of their designated duty station, which was Ministry of Education Headquarters.

The Committee was informed that, PSMD was engaged to assist in resolving the third matter where an officer was transferred to Western Province but was retained in Lusaka and assigned to work in a different division. The PSMD was requested to remove the officer from Provincial Administration Western Province payroll.

The Committee was further informed that Management still awaited response from PSMD to normalise these movements.

Committee's Observations and Recommendations

The Committee expresses concern at the misplacement of officers and urges the Public Service Management Division, in collaboration with Management Development Division, to develop a policy which will ensure coordination of transfers, recruitments and promotions of officers in MPSAs. The Committee also urges the Controlling Officer to conduct routine payroll audits in order to prevent the recurrence of such queries. The Committee also urges the Controlling Officer to avail supporting documents on this matter to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

b. Failure to Settle Outstanding Bills-K3,690,494

In his response, the Controlling Officer submitted that the bills had remained outstanding due to inadequate funding to the programmes during the period under review. The Treasury budgeted centrally for outstanding personnel related arrears and released a K2 million in the year under review which was not adequate to clear all outstanding bills.

The Controlling Officer further submitted that, that the Provincial Administration had an outstanding amount of K14,389,994.46 indebtedness. In terms of outstanding bills related to suppliers of goods and services, there was only a provision of K300,000 which was equally not adequate to clear all outstanding bills.

The Committee was informed that Management was committed to settle all outstanding bills once resources were made available by the Treasury. Further, there was a provision of K3.2 million to settle arrears in the year 2022.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to re-engage the Secretary to the Treasury on the matter. The Committee will await a progress report.

OFFICE OF THE PRESIDENT- EASTERN PROVINCE

PARAGRAPH 52

a. Budget, Funding and Expenditure

57. In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2020, a total provision of K72,481,164 was made to cater for operations of the Provincial Administration against which amounts totalling K65,058,212 were released by the Treasury resulting in an under funding of K7,422,952. As at 31st December, 2020, amounts totalling K65,029,140, were spent, leaving a balance of K29,072.

Management Response

In response, the Controlling Officer submitted that the underfunding was as a result of insufficient releases from the Treasury. It was also true that K65,029,140, out of K65,058,212 was spent, leaving a balance of K29,072. The balance represented the aggregated small balances from different budget lines for various departments.

Committees Observations and Recommendations

The Committee expresses concern that the Provincial Administration is not aggressive in pursuing the matter relating to under funding from the Treasury. The Committee urges the Secretary to the Treasury to ensure that budget funding for key activities is prioritised and funded adequately to avoid Government failure to implement key programmes. The Committee also urges the Controlling Officer to impress upon the Treasury to secure funding for all planned activities. The Committee further urges the Auditor General to keep the matter in view during future audits.

b. Weakness in Managing Assets – Lack of Title Deeds

In his response, the Controlling Officer submitted that the process for obtaining title deeds for properties under Provincial Administration was in progress as indicated below.

- i. *Chipata District Administration Block:* The property number had been established as CHIP/1 and was housing not only the District Administration Block but many other government institutions. The property had been established as already being on title held by North Charterland Exploration Company (1937), which was issued in 1974. Having recognised this challenge and the need to have the property put on title under District

Administration, the Controlling Officer wrote to the Ministry of Land and Natural Resources, seeking intervention. The Ministry of Lands and Natural Resources responded that it had engaged the Ministry of Justice over the matter to explore the best way of dealing with the matter before regularisation could be done. A progress report was being awaited on the interactions between the Ministry of Lands and Natural Resources and the Ministry of Justice.

- ii. *Lundazi and Sinda Administration blocks:* Offer letters for Lundazi and Sinda Districts Administration blocks whose plot numbers were established as LUND/3795 and SIN/1345 were obtained from the Ministry of Lands. Further, it was reported that the properties were surveyed by the Department of Survey. More to that, the leases for the two properties had been prepared and submitted to the Ministry of Finance for execution by the Minister of Finance before submission to Ministry of Lands for issuance of Certificates of Title
- iii. *Katete District Administration block:* The Site Plan was prepared and submitted to the Ministry of Lands Headquarters for the allotment of plot number. However, it was queried on the basis that it was encroaching on another property. With further scrutiny, it was established that the Site Plan prepared did not encroach on any other property. As such, the Ministry of Lands Headquarters had been requested to proceed with the numbering or in the alternative, the Ministry of Lands should provide the map of the property that was purportedly being encroached on by the proposed Site Plan for District Administration.

Committees Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that certificates of title for all Government properties under his jurisdiction are secured, without any further delay. The Committee counsels that there is a great risk of operating in a property whose ownership is not guaranteed and hence the need to expedite the process of acquiring the title deeds. The Controlling Officer is urged to employ all available options including liaising with his counterpart, the Permanent Secretary, in the Ministry of Lands and Natural Resources, to expedite the process. The Committee will await a progress report on the matter.

c. Failure to settle Outstanding Bills- K10,651,295

In response, the Controlling Officer submitted that out of K10,651,295 outstanding bills, a total of K8,388,438.47 was paid, for the dismantling of goods and services and personnel-related arrears as of June 2021 leaving a balance of K2,262,856.53. He further reported that Management had made provisions in the 2022 budget to continue dismantling the arrears.

Committees Observations and Recommendations

The Committee expresses concern at the failure by the Controlling Officer to dismantle arrears comprising personal emoluments and other debt. While it is appreciated that the debt has greatly reduced, the Committee urges the Controlling Officer to continue impressing upon the Treasury to consider dismantling these arrears to relieve the Ministry of this huge burden. The Committee resolves to await a progress report on the matter.

OFFICE OF THE PRESIDENT- EASTERN PROVINCE

PARAGRAPH 53

a. Unsecured Loan Disbursements

58. The Youth Empowerment Programme Guideline No. 1 (i) (annex 2) of 2020 provides for the loan to be comprehensively insured by the borrower. During the period under review, Provincial Appraisal Committee approved loan applications for 216 youth groups from the fourteen districts.

In this regard, agricultural inputs costing K2,999,628 were issued to the 216 youth groups as loans. See table 53.1 below.

Table 53.1: Disbursed farming input loans.

No	District	No. of Cooperatives	Value of inputs Disbursed per cooperative K	Total K
1	Chipata	14	13,737	192,318
2	Chadiza	25	12,900	322,488
3	Chasefu	14	13,595	190,323
4	Nyimba	14	15,075	211,050
5	Katete	17	11,387	193,579
6	Chipangali	14	15,960	223,440
7	Mambwe	14	13,670	191,380
8	Lundazi	14	13,560	189,840
9	Petauke	14	13,185	184,590
10	Lusangazi	14	13,595	190,330
11	Vubwi	20	17,217	344,340
12	Lumezi	14	13,480	188,720
13	Sinda	14	13,760	192,640
14	Kasenengwa	14	13,185	184,590
		216		2,999,628

Contrary to the guidelines, all the farming inputs loans issued were not insured.

Management Response

In response, the Controlling Officer submitted that it was regrettable that the Youth beneficiaries did not insure the loans at the time that they were being disbursed. However, it was reported that disciplinary action was taken against the erring officer. The youth cooperatives had since been explained to regarding the need to insure the loans. The Department of Youth had facilitated insurance cover by the Zambia State Insurance Corporation (ZSIC). In this regard, loan premium amounts that the youth were required to pay had been generated by ZSIC.

The Committee was informed that the youth cooperatives had also been communicated to on the need for them to visit the Zambia State Insurance Corporation to sign insurance cover agreements and commence premium payments.

Committees Observations and Recommendations

The Committee notes the submission and cautions the Controlling Officer to ensure that all the necessary due processes and requirements are adhered to when issuing loans to youth cooperatives in future. The Committee also urges the Controlling Officer to ensure that the process of signing insurance cover agreements is prioritised and expedited and that premium payment commencement is actualised, without further delay. The Committee will await a progress report on the matter.

b. Awarding of Loan Agricultural inputs to Un-qualified Groups

In response, the Controlling Officer submitted that it was regrettable that unqualified urban youth cooperatives were awarded loans, contrary to the guidelines that stipulated that only rural youth should be awarded loans. Disciplinary action was taken against the erring officer.

The Committee was informed that going forward, Management would ensure that there was strict adherence to programme guidelines.

Therefore, the Controlling Officer took advantage of the decentralisation of power that required empowerment decisions to be made at community levels. This approach would enable identification and selection of potential beneficiaries to be done by local structures.

Committees Observations and Recommendations

The Committee expresses concern that the matter relating to issuance of loans to unqualified beneficiaries was only unveiled to the Controlling Officer during external audits. It leaves the Committee wondering as to what role internal auditors play and how often they give reports to the Controlling Officer. In this regard, the Committee cautions the Controlling Officer to ensure that internal control systems are strengthened coupled with monitoring mechanisms, to avoid recurrence. The Committee resolves to await a progress report on the matter.

c. FISP beneficiaries Benefiting from Youth Empowerment Loans

In response, the Controlling Officer submitted that it was regrettable that loans were awarded to FISP beneficiaries, contrary to the guidelines. Disciplinary action was taken against the erring officer.

Committees Observations and Recommendations

The Committee expresses concern that the matter relating to issuance of loans to unqualified beneficiaries was only unveiled to the Controlling Officer during external audits. The Committee wonders what role internal auditors play and how often they give reports to the Controlling Officer. In this regard, the Committee cautions the Controlling Officer to ensure that internal control systems are strengthened coupled with monitoring mechanisms, to avoid recurrence. The Committee resolves to await a progress report on the matter.

OFFICE OF THE PRESIDENT- LUAPULA PROVINCE

PARAGRAPH 54

54.2 Audit Findings

59. An examination of accounting and other records maintained at the Provincial Administration Headquarters and four selected district offices for the period under review revealed the following:

a. Budget, Funding and Expenditure

In the estimates of revenue and expenditure for the Financial Year 1st January to 31st December, 2020, a total provision of K75,767,420, was made to cater for operations of the Provincial Administration, against which amounts totalling K50,727,525 were released by the Treasury, resulting in an under funding of K25,039,895.

As at 31st December, 2020, the Province had spent amounts totalling K49,621,064 comprising General Administration (K12,664,779) and Personnel Emoluments (K36,956,248).

Management Response

In his response, the Controlling Officer submitted that, indeed, during the Year Ended 31st December, 2020, the province was underfunded by K25,039,895. However, funding and budgetary support were the responsibility of the Treasury under Ministry of Finance.

The Committee was informed that Management was committed to ensuring that all programmes and activities under Control 96 were implemented and had continued engaging the Treasury to finance all the activities in 2021.

Committees Observations and Recommendations

The Committee urges the Secretary to the Treasury to ensure that Ministries, Provinces and Other Spending Agencies are funded adequately and timely to enable them implement all planned activities. The Committee urges the Office of the Auditor General to keep the matter in view during future audits.

b. Operational Matters

- **Lack of Funding Affecting Key National Development Plan Programmes**

In his response, the Controlling Officer submitted that despite the budgetary provision of K603,059, no funds were released, resulting in failure to implement various key programmes and activities with a direct positive impact on the 7th National Development Plan strategic areas.

However, other programmes and activities relating to the 7th National Development Plan (NDP) such as construction of boreholes, adult literacy, youth training and empowerment, and demarcation of plots in resettlement areas, were funded and implemented.

The Controlling Officer also submitted that, funding and budgetary support were the responsibility of the Treasury under Ministry of Finance.

Committee was informed that Management was committed to ensuring that all programmes and activities under Control 96 were funded and implemented. In addition, the activities that were not funded in 2020, were included in the 2021 budget and some of the activities had been funded.

Committees Observations and Recommendations

The Committee urges the Secretary to the Treasury to ensure that Ministries, Provinces and Other Spending Agencies are funded adequately and timely to enable them implement all planned activities. The Committee urges the Office of the Auditor General to keep the matter in view during future audits.

c. Weaknesses in Management of Information Technology Systems (ICT)

• Unauthorised Changes to IFMIS Vendor Details - ICT

In his response, the Controlling Officer submitted that the changes to vendor details on Master Data Record by Ministries, Provinces and Spending Agencies (MPSAs) operating on Integrated Financial Management Information System (IFMIS), were centrally done by Ministry of Finance. Any changes made by Ministry of Finance, automatically affected the Master Data Records for all MPSAs. The Ministry of Finance clarified on the matter and a comprehensive response indicated that changes to vendor details were made by them and their letter was available for audit verification.

Committees Observations and Recommendations

The Committee notes the submission and directs the Controlling Officer to ensure that supporting documents are availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

d. Management of Payroll and Staff Related Matters

i. Misplacement of Payroll Area

In his response, the Controlling Officer submitted that payroll misplacements were caused by transfers, overtime by respective line Ministries without normalising the officers' payroll placements. Management had taken action and remedial measures to correct the above observed anomaly, as itemised below.

(a) Mr. Susiku Ray Mutete:

Management had written to public Service Management Division and Ministry of Labour and Social Security, on Minute No. OPLPPA/71/22/2, dated 22nd March, 2021, regarding the officer's payroll misplacement, following his transfer out of Luapula Province. Following the response by the Ministry of Labour and Social Security, on Minute No. MLSS /297, dated 11th May, 2021, indicating that the payroll position where Mr. Mutete was supposed to be placed, was still occupied by another officer earmarked for promotion. Management, on Minute No.

OPLPPA/71/22/1, dated 8th June, 2021 requested the Ministry to expedite the process of normalising the payroll misplacement of the officer.

(b) Mrs. Mildred Chingani:

Management had written to Public Service Management Division (PSMD), on Minute No. OPLPPA/71/22/2, dated 8th June, 2020 and the Permanent Secretary, Ministry of Community Development and Social Services, on minute no. OPLPPA/71/22/2, dated 22nd March, 2021 and copied to PSMD regarding the officer's transfer and payroll misplacement. A normalisation of the officer's payroll misplacement was being awaited.

(c) Ms. Emma Tausi Mugala:

Management referred the matter to the Secretary to Cabinet for his intervention, in a minute No. OPLPPA/71/22/2, dated 8th June, 2020, considering that the matter had been outstanding for a long period of time. Public Service Management Division, on minute No. AE: 101/10/4, dated 29th June, 2020, under the instruction of the Secretary to Cabinet, did inform the Controlling Officer on efforts which were being made to resolve the payroll misplacement of the officer.

The Committee was informed that, Heads of Department in Luapula Province had been directed not to transfer any employee under their charge on administrative transfers without involving the Controlling Officer and without the authority from Public Service Management Division.

Committees Observations and Recommendations

The Committee expresses concern at the failure by the Controlling Officer to carry out quarterly human resource audits as per best practice. In this regard, the Committee urges the Controlling Officer to caution the internal auditors to ensure that these periodic audits are carried out in order to unearth any irregularities promptly unlike resolving them after years.

The Committee also urges the Controlling Officer to resolve all the remaining irregularities relating to staff misplacements without any further delay. The Committee will await a progress report on the matter.

ii. Failure to Deduct NAPSA Contributions- K13,520

In his response, the Controlling Officer submitted that it was regrettable that NAPSA contributions, totalling K13,520 for one officer was not deducted, on the payroll. The officer was employed on contract basis as Deputy Permanent Secretary for Luapula Province. The officer was later transferred to Northern Province and Management wrote to the Permanent Secretary for Northern Province to resolve the matter and NAPSA deductions were effected on the payroll. The affected officer was no longer in the Civil Service.

Committees Observations and Recommendations

The Committee notes, with concern, the failure by Management at the Provincial Administration to carry out internal audits on staff related matters. As the funds are recovered, the Committee , resolves to close the matter subject to audit verification.

f) Accounting Irregularities

i. Misapplication of Funds K29,818

In his response, the Controlling Officer submitted that the grant budget line codes were erroneously picked to facilitate the provincial investment tour team to Kawambwa. However, the funds in question were not meant for Orphanage Centres, Youth Resource Centres and sports clubs but to support Government Guest Houses under investment activities. Funds for Orphanage Centres, Youth Resource Centres and Sports Clubs in the province, were budgeted for and funded separately. The officers who erroneously picked codes had since been cautioned.

Provincial Administration had since refunded the money to Government Rest Houses.

Committees Observations and Recommendations

The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification, subject to which, the matter must close.

ii. Unsupported Payments K36,751

In acknowledging the query, the Controlling Officer submitted that, at the time of the audit, the receipts were misplaced in stores. However, transmission copies issued by the Ministry of Finance (which acted as a confirmation of payment on Treasury Single Account), were availed to the auditors. This was in accordance with the *Public Finance Management Act No.1 of 2020*, General Regulations number 68 Section (3) which stated that:

“Where the paying office holder used the Treasury Single Account to transmit funds, a transmission copy shall be adequate proof of payment”.

However, the auditors could not accept the transmission copies as proof of payments.

The Committee was informed that all documents had been retrieved from Stores and thus all payments were now supported with receipts and were available for audit verification.

Committees Observations and Recommendations

The Committee expresses disappointed that efforts to retrieve proof of payment details were made after the audit process, which the Committee finds highly questionable. The Committee, therefore, sternly cautions the Controlling Officer to desist from contending with auditors as Financial Regulations No. 45 and 52 were very clear on the mode of operation. The Committee also directs the Controlling Officer to avail the retrieved documents to the Office of the Auditor General for audit verification and also take disciplinary action against erring officers only then will the matter be closed.

iii. Unaccounted for Stores K13,500 – Mwense District Administration

In his response, the Controlling Officer acknowledged that the Auditor General’s observation that stores items (fuel) amounting to K13,500 were not accounted for, was correct

The Committee was informed that at the time of the audit, the receipts and disposal details were available for audit verification but were rejected by the auditors as the fuel statements were not authenticated with a date stamp from the Service Station in Mwense. It was also submitted that the fuel statements had since been authenticated and date stamped by the Service Station Supervisor and that the coupons and fuel statements were available for audit verification.

Committees Observations and Recommendations

The Committee expresses displeasure that efforts to authenticate the fuel statements were only made after the audit process, which the Committee finds highly questionable. The Committee, therefore, sternly cautions the Controlling Officer to desist from contending with auditors as Public Stores Regulation No. 16 is very clear on the mode of operation. The Committee also directs the Controlling Officer to avail the retrieved documents to the Office of the Auditor General for audit verification and also take disciplinary action against erring officers only then would the matter be closed.

g) Weaknesses in Management of Assets

i. Failure to Insure Motor Vehicles

In acknowledging the omission on failure to insure motor vehicles, the Controlling Officer, submitted that out of the forty-four vehicles which were reported as uninsured, one motor vehicle appeared twice on the schedule, seven motor vehicles were insured, nineteen were disposed of and seventeen non-runners, which could not be insured in their state.

The Controlling Officer also submitted that all motor vehicles which were runners were insured in 2020. The insurance covers and record of disposals were available for audit verification. It was further submitted that plans were underway to repair those motor vehicles which were in a repairable condition while obsolete vehicles would be disposed of.

Committees Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification, subject to which, the matter must close.

ii. Failure to Secure Public Properties with Title Deeds

In his response, the Controlling Officer submitted that the observations and recommendations of the auditors had been acknowledged. Since independence, all Government properties were under the stewardship of the Ministry of Works and Supply. Historically, Government properties were not required to have title deeds.

However, the mapping of all Government buildings in the province had commenced and notable progress had been made so far. Survey diagrams were available for audit verifications.

Committees Observations and Recommendations

In noting the submission, the Committee strongly urges the Controlling Officer to ensure that the

process of acquiring title deeds for the properties is expedited. The Committee will await a progress report on the matter.

iii. **Poor Management of Government Rest Houses**

- **Samfya Government Rest House**

In his response, the Controlling Officer submitted that the caretaker was given one room in order to safeguard the property from vandalism and theft . The other room was used as a store room because the guest house 'store room was not adequate to accommodate all the essential items. Plans were underway to seek authority from Cabinet Office to employ a security guard for the guest house.

Committees Observations and Recommendations

The Committee expresses concern that the Provincial Administration was losing revenue which could have been gained from renting out a room currently occupied by a staff. The Committee, therefore, urges the Controlling Officer to ensure that the matter is resolved expeditiously to avoid further loss. The Committee will await a progress report on the matter.

- **Charging of Uneconomical Rate**

In his response, the Controlling Officer submitted that the guest house was in a bad state and could no longer attract guests. To keep the guest house secured and also meet the running costs such as water and electricity, Management decided to rent out the facility on a lower rate. Management was in the process of renovating the guest house. The Bill of Quantities was done and once rehabilitations were e completed, the rates would then be revised to match with the current market rate.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the District administration chose to lose revenue in this manner due to failure to renovate the guest house. In this regard, the Committee urges Secretary to the Cabinet to enforce or come up with a maintenance policy for properties belonging to Government, which will compel all MPSAs to maintain their properties. The Committee also directs the Controlling Officer to ensure that the guest house is renovated expeditiously to avoid further loss. The Committee will await a progress report on the matter.

- **Use of Revenue at Source K5,941**

In his response, the Controlling Officer submitted that the use funds at source without following laid down procedure was caused by Management's lapse at the District Commissioner's office, to adequately supervise the operations at Samfya Guest House.

The Committee was informed that the District Commissioner was charged and the funds were recovered from him. The deposit slip and GRZ receipts were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification, subject to which, the matter must close.

Failure to Maintain Rest House

In his response, the Controlling Officer submitted that the Rest House was in a dilapidated state and did not generate enough revenue to enable them carry out maintenance works on the infrastructure or hire additional labour. An assessment of the building was conducted with a view to carrying out rehabilitation works. The Bill of quantities (BOQs) had since been prepared and works were budgeted for to be undertaken during the 2022 budget.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the District administration chose to lose revenue in this manner due to failure to renovate the Rest House. Therefore, the Committee urges the Secretary to the Cabinet to enforce or come up with a maintenance policy for properties belonging to Government, which will direct all MPSAs to maintain their properties. The Committee directs the Controlling Officer to ensure that the Guest House is renovated expeditiously to avoid further loss. The Committee will await a progress report on the matter.

- **Kawambwa Rest House**

In his response, the Controlling Officer submitted that it was regrettable that funds were used at source without following laid down procedures. This was caused by Management's lapse at the District Commissioner's office, to adequately supervise the operations at Kawambwa Rest House. The Committee was informed that two District Commissioners were charged and the funds were recovered from them. The deposit slips and GRZ receipts were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification, subject to which the matter must close.

Failure to Maintain Rest House

In his response, the Controlling Officer submitted that the Rest House was in a dilapidated state and did not generate enough revenue to enable them carry out maintenance works on the infrastructure or hire additional labour. An assessment of the building was conducted with a view to carrying out rehabilitation works. A Bill of quantities (BOQs) had since been prepared and works were budgeted to be undertaken during the 2022 budget.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the District administration chose to lose revenue in this manner due to failure to renovate the Rest House. The Committee, therefore, urges the Secretary to the Cabinet to enforce or come up with a maintenance policy for properties belonging to

Government, which will direct all MPSAs to maintain their properties. The Committee also directs the Controlling Officer to ensure that the Rest House is renovated expeditiously to avoid further loss. The Committee will await a progress report on the matter.

OFFICE OF THE PRESIDENT- SOUTHERN PROVINCE

PARAGRAPH 55

Audit findings

- a. Management of payroll and staff related matters**
- ii. Misplacement of Officers on the Payroll (114 officers drew K430,946 as salaries)**

60. Cabinet Office Circular No.13 of 2019 stipulates that Controlling Officers should ensure that all employees under respective ministries, provinces or spending agencies are placed in their designated duty stations. Contrary to the Circular, 114 officers drew salaries in amounts totalling K430,946 from pay points that were different from their physical stations. As at 31stJuly, 2021, the anomalies had not been corrected.

Management Response

In his response, the Controlling Officer submitted that the 114 misplaced officers were deployed in their current stations in order to provide service in stations which did not have any or enough vacant posts to enable departments provide the required service. The lack or shortage of funded vacant posts meant that the officers could not be moved on the payroll despite being redeployed. An example was the Department of National Registration, which had most of their positions under Choma on the payroll, meanwhile the officers were required to provide services in all the thirteen districts. The officers were, therefore, deployed in various districts while maintaining them under Choma payroll area.

Authority was sought from the Secretary to Cabinet and had since been granted through Public Service Management Division to retain officers in their current stations so that there may be no disruption to the provision of service while a permanent solution was being sought. A copy of the PSMD minute No. PSMD 101/10/4, dated 14th July, 2021, was available for audit verification.

Committees Observations and Recommendations

The Committee notes the submission but urges the Controlling Officer to ensure that periodic human resource audits are carried out to avoid the recurrence of such or similar matters. The Committee also urges the Controlling Officer to ensure that a lasting solution to this problem is found and implemented without any further delay. The Committee will await a progress report on the matter.

ii. Irregular Payment of Rural Hardship Allowance-K8,114

In his response, the Controlling Officer submitted that the officer was redeployed from Kazungula District to Livingstone to provide service but could not be moved on the payroll because there was no funded vacant post to which he could be placed. He was, therefore, maintained on the Kazungula payroll where he continued receiving rural hardship allowance as the allowance was tied to a station.

The Committee was also informed that the cited Officer had since been dismissed from Civil Service due to absenteeism and the money he owed Government would be deducted from his Terminal leave benefits as was indicated on the assessment form which was available for audit verification.

Committees Observations and Recommendations

The Committee expresses concern at the failure by the Controlling Officer to carryout quarterly human resource audits. The Committee sternly cautions the Controlling Officer to desist from such slackness and directs that internal audits are carried out quarterly as a good practice. The Committee will await progress on the full recovery of funds from the affected officer.

iii. Irregular Payment of Housing Allowance - K3,399

In his response, the Controlling Officer submitted that the cited officer sat on the Ministry of Lands and Natural Resources, Department of Forestry, Lusaka payroll, to which the provincial Payroll Management and Establishment Control (PMEC) End-users had no access.

A letter had since been sent to the Ministry of Lands and Natural Resource to stop the allowance and effect recovery. The Controlling Officer also submitted that the current status was that the officer had been moved to Southern Province payroll. The housing allowance had been stopped and deductions to recover the allowance had been effected on the payslip of the affected officer, for the month of November 2021.

Committees Observations and Recommendations

The Committee bemoans the lack of proactiveness on the part of the Controlling Officer as it observes that attempts to resolve this matter only commenced after the audit. The Committee, therefore, cautions the Controlling Officer and urges that recoveries are made from the affected officer without fail. The Committee will await a progress report on the matter.

iv. Irregular Payment of Salaries to Officers Absent from Duty without Leave-K256,293

In his response, the Controlling Officer submitted that disciplinary processes and procedures had to be followed, and the officers may only be removed from the payroll upon receipt of the authority to do so from the Civil Service Commission, through PSMD.

The officers were, therefore, receiving salaries while absent because documentation and disciplinary meetings to have the officers dismissed were still being held. One of the officers named Mr Friday Siamunjulu had been recommended for dismissal and he was waiting for a

response from PSMD, while Ms Maureen Chiseya was facing disciplinary action while the other four had already been dismissed, as summarised in the table below:

S/N	NAME	STATUS
1	Lincoln Mwewa	Dismissed
2	Bright Munshabantu	Dismissed
3	Victor Monde	Dismissed
4	Kaunda Mubanga	Dismissed
5	Friday Siamunjulu	Serving (Facing Disciplinary Action)
6	Maureen Chiseya	Serving (Facing Disciplinary Action)

The Committee was informed that salaries paid to the dismissed officers would be recovered from their terminal benefits.

Committees Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that all recoveries are made from the officers who had been dismissed and that the disciplinary process relating to the officers is completed to its logical conclusion. The Committee will await a progress report on the matter.

v. Retention of Deceased Officers on the Payroll

In his response, the Controlling Officer submitted that from July, 2020 to May, 2021, Provincial Administration did not have a trained PMEC End-user following the transfer and promotion of the then PMEC End-user to Pemba District. An End-user had since been trained and authorised to enable her handle all payroll related inputs. The four cited officers who separated from service through death were retained on payroll during the period that the Provincial Administration had no PMEC End-user. However, the salaries that were paid to the deceased officers would be deducted from their Terminal benefits.

Committees Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that all recoveries are made from the affected officers' benefits. Only then will the matter be closed. The Committee will await a progress report on the matter.

b. Accounting Irregularities

i. Unsupported Payments K6,245

In response to unsupported payments, the Controlling Officer submitted as set out below.

a) Jonazu Construction and Hardware

The Director of the company did not issue a receipt after receiving the payment. After payment was done, the proprietor of the company faced litigations in the courts of law. This resulted in him going into depression and later committing suicide. However, the administrator of the

deceased's estate had since refunded the full amount being ZMW2,745, which was paid to the company.

The receipt was available for audit verification.

b) Rolling belts and seals

The payment was made to the vendor based in Lusaka. The receipt was given to the user who went to collect the belt but unfortunately it was not given to Procurement and Supplies Unit. Further, the officer who collected the receipt passed on and it was difficult to retrieve the original receipt.

c) Southern signs and printers

The banner was received by the user department instead of the Stores Officer in the Procurement and Supplies Unit. This had been noted to be a weakness for most events as marchers collected banners directly from suppliers.

d) ZAMTEL

Receipts at ZAMTEL were computer generated and Provincial Administration could not access the receipts because the user department had not been able to provide the router number required to top up internet bundles. The user had since been able to provide the router number and internet bundles were provided and the receipt was available for verification.

Committees Observations and Recommendations

The Committee finds it highly irregular that payments were made so quickly by officers without prioritising the completion of the transactions, by way of attaching the relevant documents to support the payments. While it is appreciated that the supporting documents are available after the audit, the Committee takes exception that this has been done with impunity. In this regard, the Committee urges the Controlling Officer to ensure that internal controls are strengthened and that officers are disciplined for this failure. The Committee will await a progress report on the matter.

ii. Failure to Settle Outstanding Bills

In his response, the Controlling Officer submitted that it had been an issue with budget releases annually. Normally, each year's budget ceilings given by the Budget Office were inadequate to meet financial resources required by ministries, provinces and other spending agencies to liquidate both current and previous debts. This was a problem that was ongoing.

The Controlling Officer appealed to the Committee for increased funding that would liquidate all outstanding personal emoluments arrears and other goods and services so that come 2022, the provincial administration started without debt.

Committees Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that there is prudent use of public resources as failure to do so would result in abuse of the available provisions

by the officers. The Committee also urges the Controlling Officer to impress upon the Secretary to the Treasury on the matter so that the amount outstanding would be dismantled without any further delay. The Committee will await a progress report on the matter.

d) Unaccounted for Stores – K5,975 - Provincial Administration

In response, the Controlling Officer submitted as set out below.

i. Vendor: Jonazu Construction and Hardware K2,745 No Payment Receipt and GRNs

Delivery had not yet been done because the owner of the company became bankrupt and committed suicide. At the time of the Audit, the Province was still negotiating with the Administrator.

ii. Rolling Belts and Seals K1,050 No Payment Receipt

The payment was done to the vendor based in Lusaka. At the time of the audit, the receipt was not yet collected.

iii. Golden Dines - K2,180 Check Receipt and Disposal

There was miscommunication between the supplier and the Procurement Unit. This was caused by the assumption from the Supplier that the End-User had collected the goods. This debate went on for some time but the supplier could not produce verified evidence to show that the goods were delivered. The supplier was then advised to deliver the goods.

It was then confirmed that the goods were delivered and the Goods Received Note was issued. Goods had since been issued to the user department. A refund of the full amount paid to Jonazu Construction, had since been made for undelivered goods. On the way forward, user departments within the Province had been advised that only staff in Procurement Unit were supposed to receive procured items so that they were accounted for properly.

Supporting documents were available for audit verification.

Committees Observations and Recommendations

While it is appreciated that the documents were available after the audit, the Committee takes exception that this was done with impunity. The Committee, therefore strongly urges the Controlling Officer to ensure that internal controls are strengthened and that erring officers are disciplined for this failure, without fail. The Committee will await a progress report on the matter.

OFFICE OF THE PRESIDENT- SOUTHERN PROVINCE

PARAGRAPH 56

56.1 Background

61. During the Financial Year Ended 31st December, 2020, a total amount of K4,820,929, was deposited in the General Deposit Account (GDA) for activities such as presidential visits, national day of prayers, issuance of national registration cards and Youth Empowerment Programme, the sale of boarded assets and stores items. See table 56.1 below.

Table 56.1: Funds Received

No.	Funding Details	Amount (K)
1	Presidential Visit	1,872,981
2	Youth Empowerment	2,292,000
3	Issuance of NRCs	180,400
4	National Guidance	90,350
5	Sale Bid Forms (BOS)	67,150
6	Other funds	318,048
	Total	4,820,929

In addition, amounts totalling K228,273, were brought forward from 2019, bringing the total amounts available to K5,049,202. As at 31st December, 2020, amounts totalling K4,555,406 had been spent leaving a balance of K493,796.

56.2 Audit Findings

An examination of accounting and other records maintained at the provincial Administration Headquarters and selected districts offices revealed the following:

A. Management of Youth Empowerment Programmes

In August 2020, the Ministry of Youth, Sport and Child Development developed a multi-sectoral development strategy to empower the youth with various empowerment strategies in the agriculture sector. The programme was aimed at providing loans in form of agricultural inputs to targeted youths in rural areas with demonstrated capacity to engage in agricultural related activities for the 2020/2021 farming season.

During the period under review, the Ministry of Youth, Sport and Child Development disbursed amounts totalling K2,292,000 to Provincial Administration for Youth Empowerment Programmes in the Province. The funds were meant for agriculture activities and administration at both Provincial and District levels. As at 31st December, 2020, amounts totalling K1,863,284 had been spent on procurement of agriculture inputs for the youth empowerment programme and administrative activities, leaving a balance of K428,716. The following were observed:

i. Failure to Distribute Animals to Youth Farmer Groups - 1,164 animals (Goats – 1,120 and pigs – 44) costing K450, 500

In response, the Controlling Officer submitted that when suppliers were paid, they were given a period to mobilise, and during the period under review, there was a ban in livestock movements. However, delay could have been in the veterinary officer's availability in assessing how healthy the animals were since the Province was prone to foot and mouth disease.

The Controlling Officer also submitted that all the pigs requested for had been delivered and distributed so far. One supplier of goats still had to deliver 140 goats and the rest had already been supplied and delivered. The status was that a warning letter had been issued to this same supplier to deliver the remaining goats by 12th November 2021, failure to which he would be dragged to the courts of law and interest charged on the remaining balance to date. Acquittal sheets were available for audit verification.

Committees Observations and Recommendations

While it is appreciated that efforts are being made to have the remaining animals delivered, the Committee finds it hard to believe the reason advanced by the Controlling Officer, and particularly that payment was made before delivery. In this regard, the Committee sternly cautions the Controlling Officer to desist from misleading it and strongly urges that all the remaining animals are delivered without further delay. The Committee will await a progress report on the matter.

ii. Awarding of Loan Agricultural Inputs to Unapproved Farmer Group

In response, the Controlling Officer submitted that the Cooperative's name was among the approved list of beneficiaries and argued that auditors could have erroneously overlooked it as they were carrying out their audit at the time.

The Controlling Officer also submitted that all beneficiaries who applied and were recommended for payment were the ones who got these inputs. The company was evaluated just like any other on the approved list of beneficiaries. Application form for Big Vision Multi-Purpose and an approved list of beneficiaries were available for audit verification.

Committees Observations and Recommendations

The Committee finds it unacceptable that the matter was not resolved with auditors at the time of the audit. The Committee, therefore, strongly cautions the Controlling Officer to desist from contending with auditors as the audit process is sufficient to clear off any outstanding issues with auditors. The Committee also directs the Controlling Officer to avail the purported document to auditors without fail and ensure that erring officers are disciplined for this failure. The Committee will await a progress report on the matter.

b) Management of Sale of Boarded Assets

i. Failure to Submit Board of Survey Report

In response, the Controlling Officer submitted that the Board of Survey (BOS) report was done, but due to transport logistical challenges, the BOS report for Southern Province was submitted to the Secretary to the Treasury later after the auditors had completed their work.

The Committee was informed that the Committee of Survey (COS) produced and submitted the report for review to the Secretary to the Treasury (ref: OPPASP/71/46/1 dated 27th May, 2021) on 26th September, 2021.

Committees Observations and Recommendations

The Committee finds it unacceptable that auditors were not availed with the right documents by officers tasked with the responsibility and that the Controlling Officer only appeared before the Committee to lament on their failure. The Committee, therefore, strongly cautions the Controlling Officer to desist from contending with auditors as the audit process is sufficient to clear off any outstanding issues with auditors. The Committee, therefore, directs the Controlling Officer to avail the purported document to the Office of the Auditor General without fail and ensure that erring officers are disciplined for this failure. The Committee will await a progress report on the matter.

ii. Sale of Motor Vehicles Without Reserve Price

In response, the Controlling Officer submitted that at the time the audit was carried out, the Office of the Auditor General used the RDF Auctioneers Limited public auction sales report instead of the Provincial Administration BOS report, hence the anomaly.

The Committee was informed that Nissan Hard body 097/16, ABF 7306, bought by Henry Banda at K28,000, on receipt number 8890259 and Land Rover Defender COS 004B/19, GRZ 605 CF bought by Omar Munsanje at K35,000 on receipt number 8890202, in the records, it showed that reserve prices for the vehicles were K2,500 and K7,500 respectively.

Committees Observations and Recommendations

The Committee finds it unacceptable that auditors were not availed with the right documents by officers tasked with the responsibility and that the Controlling Officer only appeared before the Committee to lament on their failure. The Committee, therefore, strongly cautions the Controlling Officer to desist from contending with auditors as the audit process is sufficient to clear off any outstanding issues with auditors. The Committee, therefore, directs the Controlling Officer to avail the purported document to the Office of the Auditor General without fail and ensure that erring officers are disciplined for this failure. The Committee will await a progress report on the matter.

iii. Unaccounted for Motor Bikes - (10) motor bikes total reserve value of K4,800

In response, the Controlling Officer submitted that the query of ten unaccounted for motor bikes, one under Siavonga District Health office and nine under Gwembe District Health Office,

with reserve values of K500 each, were mistakenly included on the list of items for disposal, when in fact they were not meant to be disposed of. The status was that all the motor bikes in question had been collected from the various health centres in the District where they had been operating from and kept at Gwembe Health Center (except the one in Siavonga). The said motor bikes were non-runners.

Committees Observations and Recommendations

In noting the submission, the Committee cautions the Controlling Officer for the failure to give the right information to the auditors at the time of the audit. The Committee, therefore, urges the Controlling Officer to institute disciplinary action against erring officers for this failure. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

7.0 TOURS

7.1 REPORT ON THE VERIFICATION TOUR BY THE PUBLIC ACCOUNTS COMMITTEE TO SOUTHERN AND WESTERN PROVINCES

62. The Committee undertook a local tour of infrastructure projects falling under the Ministries of Health, Agriculture and Home Affairs and Internal Security, in Southern and Western Provinces. The purpose of the tour was to check on the progress made on the construction of selected infrastructure projects under the three Ministries, which had been cited in the Reports of the Auditor-General on the Accounts of the Republic for the Financial Years Ended 31st December, 2017, 2018 and 2020.

The findings, observations and recommendations of the Committee during the tour are set out below.

A. SOUTHERN PROVINCE

i. Construction of Guest Rooms at Farmer Training Centre–Monze District

It was reported in the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended, 31st December, 2018, that on 11th December, 2015, the District Procurement Committee engaged Albless General Suppliers for the construction of four guest rooms, at a contract sum of K263,510, with a completion period of twelve weeks. The contractor took possession of the site on 26th January, 2016. As at 30th April, 2018, the contractor had been paid a total amount of K184,092.

A physical inspection of the site carried out in April 2018, revealed that the project had not been completed, with the following works outstanding; plastering, ceiling, flooring, plumbing, electrical, fitting of doors, glazing and painting. Further, the contractor was not on site.



Uncompleted guest rooms at FTC – Monze

Committee findings

The Committee findings were that plastering, ceiling, flooring, plumbing, electrical works, fitting of doors and glazing and painting, were still not done and the contractor was not on site.

The Committee was also informed that the Contractor had still not been paid a balance of K79,418, which he claimed was not enough to complete the remaining works and that the contract had expired.



In Picture: Members of Public Accounts Committee led by Mr W C Mwambazi, MP engaging the Contractor on site

Committee's Observations and Recommendations

The Committee finds it unacceptable and expresses concern that construction of Guest Rooms at Farmer Training Centre in Monze District remains uncompleted since 2016. The Committee also

finds it unfortunate that the contractor abandoned the site, contrary to the contract provisions; and the failure by the Ministry to invoke the contract provisions. In view of the foregoing, the Committee urges the Controlling Officer to evaluate the project and identify the remaining works, with a view to retendering the works to complete the remaining works. The Committee will await a progress report on the matter.

ii. Construction of Gwembe District Hospital Phase II

It was reported in the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended, 31st December, 2018 that Hua Chang Infrastructure Engineering (Z) Limited was contracted to construct Gwembe District Hospital facilities, for the period of twelve months from 19th January, 2015, and extended to 31st December, 2016, at the contract sum of K20,873,265 and K5,905,782 was paid.

The scope of work included the construction of four medium cost houses, maternity, theatre, service block, incinerator, mortuary, drainage and external works.

It was also reported that the status of work as at 30th June, 2018, was that works were not completed with the following outstanding at the maternity, theatre, service block: tiling, wiring, ceiling, painting, electrical fittings, plumbing works, glazing, carpentry works, drain and apron.

Committee's Findings

The Committee's findings at the time of physical inspections are set out below.

Maternity, Theatre and Service Block

Works were uncompleted, with the following outstanding: ceiling, floor and wall finishes; glazing and associated furniture, painting; and electrical and plumbing, second and final finishes.

The Committee also established that houses and other buildings on site had developed cracks and exterior paint on the houses, was peeling off.

It was also established that the Department of Infrastructure from the Ministry of Health Headquarters was taking too long to certify the works such that in some instances, IPCs were issued and two years past without certification.



In Picture: Houses at Gwembe District Hospital and the peeling off paint at one of the houses



In Picture: on the left, uncompleted Theatre and right, Maternity and Service block

Committee's Observations and Recommendations

The Committee finds it unfortunate that Maternity, Theatre and Service Block remain uncompleted since 2015, thereby depriving the much needed health service to the people of Gwembe District. The Committee also observes with concern the quality of work done on the houses and other buildings already completed and in use. The Committee also expresses displeasure at the failure by officers from Ministry of Health and Ministry of Infrastructure, Housing and Urban Development to timely monitor and certify the completed works, respectively.

In view of this, the Committee urges the Secretary to the Treasury to take keen interest in the matter and ensure that requisite funding is mobilised and have the pending works completed without delay. The Committee also urges the Controlling Officer to reorganise the Ministry of Health's Infrastructure Department so that it is better able to respond to the demand, as a result of many construction works being undertaken in the Ministry.

The Committee also urges the Controlling Officer to ensure that the Ministry of Infrastructure, Housing and Urban Development to prioritise the certification of works once the IPCs are issued by contractors to avoid attraction of interest charges.

The Committee further urges the Controlling Officer to ensure that the defects on the houses are addressed without any further delay. The Committee will await progress report.

iii. Construction of Kalomo District Hospital Phase II

It was reported in the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended, 31st December, 2018 that Golden Horse Limited was contracted to build facilities at Kalomo District Hospital for the period of eighteen months from 5th December, 2014 to 4th June, 2016, at a contract sum of K23,996,022.16 and the amount of K1,355,436 was paid.

The scope of work comprised theatre, maternity, incinerator and four houses and the status of work as at 31st August, 2018, was as follows:

- a. incinerator had not been built;
- b. theatre had been plastered;
- c. maternity had not been roofed; and
- d. four houses were roofed and plastered but plumbing works were not complete and the contractor was not on site.

Committee's Findings

The Committee's findings at the time of physical inspections are set out below.

a. Incinerator

Block work for the incinerator has not been done.

b. Theatre

Theatre was still at plaster level and remained uncompleted with pending works which included ceiling, plumbing works and finishes.

c. Maternity

Maternity had been roofed but general works yet to be completed which included ceiling, electrical works, plumbing and finishes.



d. Houses

The four houses still remained uncompleted to occupation, with plumbing works and exterior painting still pending, among other final finishes.

The Committee was informed that the Contractor had demobilised and was not on site but had been paid for all the Interim Payment Certificates (IPCs) for the works done. The Committee also learnt that the contract had no clause to request for extension and that discussions were on going, to agree on the end date of the contract.



Committee's Observations and Recommendations

The Committee finds it unfortunate that construction of Maternity, Theatre and Houses at Kalomo District Hospital remain uncompleted since 2014, thereby depriving the much needed health service to the people of Kalomo District.

The Committee also expresses concern that the contractor has demobilised and yet works were still outstanding. In view of the foregoing, the Committee urges the Controlling Officer to evaluate the project and identify the remaining works, with a view to retendering to complete the

remaining works. The Committee further urges the Secretary to the Treasury to take keen interest in the matter and ensure that requisite funding is mobilised and have the pending works completed without delay. The Committee will await progress report.

iv. Construction of Kazungula District Hospital Phase I

It was reported in the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended, 31st December, 2018 that Mercury Lines Limited was contracted to construct Out-Patient Department, Administration Block and associated external works at Kazungula District Hospital. The Contract period was for 30 Months, commencing in February, 2015 at the contract sum of K11,772,951 and K8,801,997 was paid.

It was reported that as at 31st August 2018, the status of the project was as follows:

- a. Administration and OPD were at 90 percent complete;
- b. external works had been completed though poorly done; and
- c. electricity had not been connected and the Contractor was not on site.

Committee Findings

The Committee's findings at the time of physical inspections are set out below.

Administration Block and Out-Patient Department

Both projects had been completed but poorly finished to an extent that the ceiling on the verandah of the administration block was collapsing and some walls in the OPD were cracking.



In Picture: depicting the falling ceiling at the Administration Block

External Works

External works still poorly done especially on the driveway.



Electricity Connection

Electricity had been connected to both buildings.

Committee's Observations and Recommendations

The Committee expresses concern that works certified to have been completed, were poorly done. While it is appreciated that electricity has been connected and the Outpatient department operational, it was regrettable that the durability of the building was not guaranteed. In view of this, the Committee calls upon the Controlling Officer to reorganise the Infrastructure department of the Ministry of Health for poor supervision. The Committee also urges the Controlling Officer in the Ministry of Infrastructure, Housing and Urban Development to take keen interest in the matter and ensure that officers engaged to certify the works of various Government projects are competent and committed, in order to avert the recurrence of such situation. The Committee will await a progress report on the matter.

v. Livingstone Passport Office-Inadequate Controls Over the Server Room

It was reported in the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended, 31st December, 2018, with regard to the Server Room at Livingstone Passport Office, that CoBIT DSS 01.04 Manage the Environment, stipulated that an entity should maintain measures for protection against environmental factors such as fire, water, smoke and humidity. Install specialised equipment and devices to monitor and control the environment. In addition, physical security measures must be capable of effectively preventing, detecting and mitigating risks relating to theft, temperature, fire, smoke, water, vibration, vandalism, power outages, chemicals or explosives. Further, best practice required that a server room was in a conducive and safe condition at all times and had restricted access.

The following were, however, noted at the Livingstone Passport Office:

- a. although the office had Uninterruptable Power Supply (UPS) and Generator set to fall back on in the event of power outage, the UPS and Generator were non-functional for

over twelve months and thus, operations of the office were interrupted every time there were power outages;

- b. the server room was installed with two air conditioning units. However, at the time of the audit, both were non-operational, thereby risking the Server and the information stored therein.
- c. consumables such as cardboard boxes and other materials were stored in the Server room.

Committee Findings

The Committee's findings at the time of physical inspections are set out below.

- a. With regard to power supply, it was found that the Generator was not working.



- b. The air conditioning system was in place and the two air conditioners working.



- c. No consumables found in the server room.

Committee's Observations and Recommendations

The Committee expresses concern that the Generator at the Livingstone Passport Office was not operational. The Committee observes that the Generator had not been serviced and looked abandoned for some time. In view of this, the Committee urges the Controlling Officer to institute disciplinary action against the relevant officers responsible for maintenance of the Generator, for gross negligence. The Committee further urges the Controlling Officer to put measures in place which will ensure that the Generator regularly serviced and used for its intended purpose without fail. The Committee will await a progress report on the matter.

vi. Construction of Office Block – Zimba District

It was reported in the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended, 31st December, 2018 that on 17th September, 2015, the District Procurement Committee engaged Wekens Enterprises for the construction of an office block at a contract sum of K300,679 with a completion period of sixteen weeks. The contractor took possession of the site on 7th October, 2015. On 22nd February, 2016, the contractor wrote to the district seeking a variation of the contract due to high material and transportation costs and change of site from the one that was inspected at bidding time. On 5th August, 2016, the District Procurement Committee at its sitting of 29th July, 2016, approved a variation of K193,099 to bring the contract sum to K493,778 representing an increase of 64 percent of the initial contract price. As at 30th April, 2018, the contractor had been paid K452,440.

It was reported that a physical inspection carried out in April 2018 revealed that the project had not been completed and the contractor was not on site with the following works outstanding; plastering, ceiling, flooring, plumbing, electrical, grazing, painting and fitting of doors. See picture below.



Uncompleted office block at Zimba

Committee Findings

The Committee's findings at the time of physical inspections are set out below.

- a. It was found that the office block was plastered and ceiling, flooring, plumbing, electrical, grazing, painting all done, including the fitting of doors. However, it was observed that the works were poorly done, especially ceiling, plastering and fixing of doors.



- b. The contractor was yet to be paid in full.

Committee's Observations and Recommendations

The Committee expresses concern at some of the defects on the ceiling, walls and doors. In this regard, the Committee urges the Controlling Officer to ensure that the identified defects are rectified before the Contractor is paid in full. The Committee will await a progress report on the matter.

vii. Wasteful Expenditure - Contract between Food Reserve Agency and Advanced African Solutions ADAS

It was reported in the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended, 31st December, 2020 that on 18th May, 2018, the Food Reserve Agency (FRA) and Advanced African Solutions (ADAS), a company incorporated in the Republic of Mauritius, entered into a contract for the designing, building and rehabilitation of ninety eight grain storage sheds at a contract price of US\$73,000,000. Terms and conditions of the contract included upfront payment of 25 percent (US\$18,250,000) of the contract price payable as follows:

- a. US\$7,000,000 payable on or before 30th June, 2018 on providing of a payment security;
- b. the balance of the upfront payment (US\$11,250,000) and the further payment of US\$3,165,642 pursuant to variation Order No 1, were to be paid from a supplementary budget that was to be procured by the Ministry of Agriculture during the 2018 fiscal year. Clause 22.4 of the contract stipulated that if the contracting authority failed to comply with clause 20 (Payments) causing a late or partial payment to the contractor which persisted for a continuous period of not less than four weeks, the contracting authority shall be liable to pay a penalty until such time that full payment was made, which penalty shall not be capped.

Further, the contract required interest to be payable on the advance payment of US\$18,250,000 and the variation order No.1 amounting to US\$3,165,642.

However, the Government failed to pay the advance payment by 30th June, 2018 as required by the contract. As a result, between 1st August, 2018 and 30th June, 2020, the Ministry of Finance through FRA incurred a total of US\$115,498,000 in penalties. On 30th December, 2020, the parties settled for a negotiated penalty sum of US\$52,000,000 (K1,123,200,000). The negotiated penalties plus advance payments and variations translated into US\$73,415,624 (K1,537,694,738) as at 15th February, 2021. As at 28th May, 2021, the contractor had been paid amounts totalling US\$41,424,365 (K856,500,000), leaving a balance of US\$41,423,365 (K681,194,739). In this regard, the payment of interest and penalties on the advance payment was wasteful.

Committee's Findings

The Committee toured two sites earmarked for construction of Food Reserve Agency grain storage sheds by Advanced African Solutions (ADAS), in Zimba and Livingstone Districts.

The construction works on both sites had not started on account that both sites fell under phase II, which was here marked to commence in September, 2022, once the Ministry of Finance paid the already issued Interim Payment Certificates.



In Picture: on the left, PAC Chairperson Addressing the Media at the old Kazungula/Livingstone Main Depot and on the right, PAC Members and other officials, on the Zimba FRA site

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to ensure that requisite funding is mobilised and pay all outstanding IPCs in order for the contractor to expeditiously finish all the remaining works, for the benefit of the Zambian people. The Committee will await a progress report on the matter.

B. WESTERN PROVINCE

i. Completion of Ngweze Health Post-Sesheke District

It was reported in the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended, 31st December, 2018, that Offroad Trading was awarded a labour based contract to complete the works at Ngweze Health Post in Sesheke for the period from 15th August to 15th October, 2017, at the contract sum of K300,000 and K190,813, was paid.

The scope of work included the completion of a staff house from gable level, painting, borehole, supply of furniture, flag pole.

Other works on the OPD block included demolition works on walls, Re-building of walls, Beam filling, crack mending and re-doing of floors, painting and construction of Ventilated Improved Pit latrine.

It was reported that the as of June, 2018, the OPD block and staff house had been completed while the drilling and equipping of borehole was still outstanding.

Committee Findings

The Committee's findings at the time of physical inspections are set out below.

- c. borehole has not been drilled;
- d. water around the site is salty; and
- e. borehole to be drilled 300 metres away from the site.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to mobilise funds to complete the water reticulation project without any further delay. The Committee also encourages the Controlling Officer to engage the local leadership such as area Councillor and Member of Parliament on the mobilisation of the funding. The Committee will await a progress report on the matter.

ii. Construction of Operating Theatre Block at Senanga General Hospital

It was reported in the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended, 31st December, 2018, that Raymond Construction was engaged to construct the operating theatre block at Senanga General Hospital, for the period from 9th June to 10th December 2015, at the contract sum of K1,759,018 and K668,693.

The scope of work included the construction of substructure and superstructure, metal works, roofing, painting, electrical works, plumbing, glazing, electrical and air-conditioning installations and aluminium partitioning.

The status of work was that as of June 2018, the project had not been completed and the project had since been abandoned by the contractor at wall plate level.

Committee Findings

The Committee's findings at the time of physical inspections are set out below.

- a. the project was still at wall plate level;
- b. the contractor was not on site;
- c. prior to the contractor abandoning site, the Ministry informally proposed to change the scope of work on roofing, from using timber to steel; and
- d. the contract expired.

Committee's Observations and Recommendations

The Committee expresses displeasure that the construction of an operating Theatre block at Senanga General Hospital remains uncompleted since 2015, thereby depriving the much needed health service to the people of Senanga.

The Committee also expresses concern that the Ministry proposed to change the scope of work after the contract was signed, instead of requesting for a variation. In view of the foregoing, the Committee urges the Controlling Officer to evaluate the project and identify the remaining works, with a view to retendering to complete the remaining works. The Committee will await a progress report on the matter

iii. Completion of Office Block for National Registration in Mongu – Lot 1 (General Works)

It was reported in the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended, 31st December, 2018 that on 18th April, 2017, the Ministry of Home Affairs engaged Sepo Contractors and General Dealers for the completion of the office block for National Registration in Mongu, under Lot 1, at a contract sum of K399,599, VAT inclusive. Among the works to be done were concrete works, carpentry and joinery and external works. The contract period was eight weeks. The contractor took possession of site on 18th April, 2017 and works were expected to be completed on 30th July, 2017.

As of March 2019, the contractor had been paid a total amount of K153,030 representing 38.3 percent of the contract sum. A physical inspection of the project carried out in June 2019 revealed that works valued at K177,030 were still outstanding as set out below.

i.	Carpentry, Joinery and Iron Mongery, costing	K25,240.
ii.	Plumbing Installation	K 4,800
iii.	Claddings	K 5,760
iv.	Ceramic Tiles	K 1,160
v.	Skirting	K 2,500
vi.	Painting Externally	K 7,120
vii.	Ablution Block - Blockwork	K 4,530
viii.	Ablution - Roofing	K 8,460
ix.	Ablution - Carpentry, Joinery & Iron Mongery	K11,690
x.	Ablution - Metal Works	K 2,800

xi. Ablution - Plumbing Installation	K 25,260
xii. Ablution - Electricals	K 7,880
xiii. Ablution - Floor, wall & ceiling finish	K 33,840
xiv. Ablution - Painting	K 7,090
xv. External Works - Site preparation	K 4,000
xvi. External Works - Soil Drainage	K 7,500
xvii. External Works - Surface Drainage	K 8,400
xviii. External Works - Water Reticulation	K 9,000
Total	K177,030

Further, there was no documentary evidence to show that the contract period had been extended.

Committee Findings

The Committee's findings at the time of physical inspections are set out below.

- a. the works were still uncompleted with the site poorly maintained. Some of the works still outstanding included carpentry, joinery and iron mongery, plumbing installations, claddings, tilling, skirting and exterior painting.
- b. the contract was reported to have been terminated but no grounds of termination were spelt out.



Committee's Observations and Recommendations

The Committee notes with concern the delayed completion of construction works and the reported termination of the contract when the contractor was not aware still securing the site. In view of this, the Committee urges the Controlling Officer to engage the Secretary to the Treasury on the requisite funding to complete the project. The Committee also urges the Controlling Officer to carefully study the contract provisions before considering termination of the contract as the Government was bound to lose huge sums of money in an even of violation of contract provisions. The Committee will await a progress report on the matter.

7.2 REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE TOUR OF SELECTED ZAMBIAN MISSIONS ABROAD, FINANCED USING A MORTGAGE FINANCING ARRANGEMENT

i. Introduction

63. In its Programme of Work for the First Session of the Thirteenth National Assembly, the Public Accounts Committee resolved to undertake a foreign tour of Mortgage Financed Zambian Missions abroad. Particularly, the Committee resolved to visit Windhoek, Namibia, in order to appreciate the challenges the Mission was facing in the development of infrastructure, using the said Mortgage Financing Facility.

However, with support from the Ministry of Finance and National Planning and the Ministry of Foreign Affairs and International Cooperation, the Committee visited the Zambian Missions in Addis Ababa, Abuja, Washington DC, New York, Geneva and Brussels to appreciate the challenges the Missions were facing in the construction, rehabilitation and outright purchase of properties in missions abroad, using the said Mortgage Financing Facility.

ii. Background

It was submitted by the Ministry of Foreign Affairs and International Cooperation that in 2018, the Ministry of Finance sourced a Mortgage Financing Facility Short-Term Loan from Atlas Mara Bank, which was granted to them in order to undertake the Ministry's financing initiative of construction, rehabilitation and outright purchase of properties in missions abroad, in order to avoid the Treasury spending a lot of resources on rented properties.

It was also submitted that although the funds were disbursed into the Ministry's bank accounts on 29th June, 2018, Parliament had not yet appropriated the same funding.

Following, the Parliamentary approval, on 26th December, 2018, the Ministry instructed the Bank to disburse US\$20,000,000 to eleven missions abroad at the exchange rate of K10 per US\$1, which was six months after receipt of the funds.

However, the Bank only disbursed funds between 3rd and 16th January, 2019, amounting to K199,000,000 into Ministry of Foreign Affairs Bank account after deducting an arrangement fee of K1,000,000, at the rate of 0.5 percent.

The delay to disburse mortgage funds to missions abroad was due to lack of a budget line and also that supplementary approval by Parliament was done bi-annually, in June and December.

In addition, the Ministry of Finance could not further arrange for more resources to the additional missions which did not benefit from the Mortgage Finance Lease whose properties were in dilapidated state due to the slow absorption rate on the stated funds.

iii. Irregularities Cited In The Reports Of The Auditor General

a. Purchase of Properties in Missions Abroad – Mortgage Finance Lease- K199,000,000

In the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31st December, 2019, mention was made on the delayed commencement of projects in that only seven missions had formally signed contracts for the acquisition or rehabilitation of mission properties, while four missions were still addressing tender procedures as at 31st August, 2020, which was twenty months after the Ministry had disbursed a sum of US\$16,488,967.

The Controlling Officer submitted that the cited delay was to allow for the facilitation of the procurement procedures enshrined in the *Public Procurement Act, No. 12 of 2008* and Public Procurement Regulations. In some instances, the process had to be annulled to allow for fresh processes to start, like in the case of Harare, Maputo, Windhoek and New Delhi.

The Committee was further informed that works at some Missions, such as Brussels, Geneva and Paris, had been completed.

The other works which were almost completed were the residence in New York and the Chancery in Abuja.

The Committee was also informed that works had commenced in Maputo, Harare and Windhoek while the procurement processes had just been finalised in New Delhi, Addis Ababa and Washington.

b. Mortgage Finance Lease – Delayed Completion of Works

It was also reported in the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31st December, 2020 that the Public Accounts Committee had urged the Controlling Officer to ensure that robust mechanisms were put in place to ensure full implementation of all the infrastructure projects as planned and the Committee had resolved to await a progress report on the matter.

However, it was reported that a review of the project status report dated 3rd June, 2021, revealed that the situation had not changed as indicated in the table below.

S/N	Mission	Project	Contractor	Date Of Signing	Duration	Expected Date of Completion	Contract Sum (US\$)	Status
1	Harare	Rehabilitation works on the Chancery	Reliance Construction	19.02.2020	20 Weeks	19.07.2020	477,673.00	Works are in progress waiting for certification
2	Harare	Rehabilitation works of four (4) residential houses	Reliance Construction	19.02.2020	24 Weeks	19.07.2020	872,240.00	Works are in progress waiting for certification
3	Maputo	Rehabilitation works on the Chancery and associated external works	Edma Construcoes	12.04.2019	6 months	01.06.2020	659,799.00	70% works done, yet to be certified
4	Windhoek	Rehabilitation works on the Chancery building	Sanli Construction	02.07.2020	6 months	01.08.2020	534,369.00	Works not certified/rehabilitation works are in progress
5	Windhoek	Rehabilitation works on three (3) staff houses	Sanli Construction	02.07.2020	6 months	01.08.2020	480,093.00	Works not certified/rehabilitation works are in progress
6	Addis Ababa	Construction of Chancery building	TNT Construction and Trading	12.11.2020	18 Months	01.06.2022	5,211,753.00	27.55% Done
7	Abuja	Rehabilitation of the four storey chancery and associated works	Seth James	20.06.2019	1 month and 2 weeks	01.08.2019	660,842.00	There was no report indicating the completion stage and the total payments to date made to the contractor.
8	Washington	Rehabilitation of Chancery	Shal Builders	15.08.2019	12 months	01.09.2020	2,547,629.00	Works done are standing at 18.62%
9	Geneva	Procurement of Chancery	Bagnoud Delatena Notaires	19.12.19	N/A	N/A	2,746,694.00	Outright purchase and Ambassador has taken residence.
10	New York	Rehabilitation of the Chancery						s
11	New Delhi	Consultancy work for demolition and preparation of designs, BoQs, bidding documents and supervision of construction	Aadharshila Dessigns Pvt Ltd	28.12.2020	7 days	05.01.2021	189,526.00	Although designs had been completed, the construction works had not commenced thirty (30) months after the funds had been disbursed.

However, when the Controlling Officer appeared before the Public Accounts Committee, it was submitted that as at 18th November, 2021, the status of projects in missions abroad were as stated in the table:

PROJECTS STATUS REPORT AS AT 18TH NOVEMBER, 2021

No	Name of Mission	Project Description	Contract details	Status
1	Harare	Rehabilitation of the Chancery	Contract signed with Reliance Construction on 19 th February, 2020 for a duration of 20 weeks Lot1 - US\$477,672.63 Payments made so far amounts to US\$306,058.58.	Ministry of Works and Supply and Ministry of Foreign Affairs inspected and certified works in August 2021 and works done at the time of inspection were at 85 percent. The expected completion date was December 2021.
2	Harare	Rehabilitation of four staff Houses	Contract signed with Reliance Construction on 19 th February, 2020 for duration of 24 weeks Lot 2 - US\$872,240.08. Payments made so far amounts to US\$382,730.20.	Ministry of Works and Supply and Ministry of Foreign Affairs inspected and certified works in August 2021 and works done at the time of inspection were at 85 percent. The expected completion date was December 2021.
3	Maputo	Rehabilitation of the Chancery	Contract signed with EDMA on 4 th December 2019 for duration of 6 months amounting to US\$659,799.11. Payments made so far amounts to US\$533,329.59.	Ministry of Works and Supply and Ministry of Foreign Affairs inspected and certified works in August 2021 and works done at the time of inspection were at 92 percent. The expected completion date is December 2021
4	Windhoek	Rehabilitation of the Chancery	Contract signed with Sanli Construction CC on 10 th February 2020 for duration of 6 months Lot 1 - US\$534,369.00. Payments made so far amounts to US\$211,896.24.	Ministry of Works and Supply and Ministry of Foreign Affairs inspected and certified works in September 2021 and works done at the time of inspection were at 48 percent. The expected completion date is February 2022.
5	Windhoek	Rehabilitation of three Staff Houses	Contract signed with Sanli Construction CC on 10 th February 2020 for duration of 6 months Lot 2 -US\$480,093.19. Payments made so far amounts to US\$50,369.29.	Ministry of Works and Supply and Ministry of Foreign Affairs inspected and certified works in September 2021 and works done at the time of inspection were at 27 percent. The expected completion date was February 2022.
6	Addis Ababa	Construction of the Chancery	Contract signed with TNT Trading and	Ministry of Infrastructure and Housing and Ministry of Foreign Affairs

			Construction on 11 th December 2020 amounting to US\$5,211,752.77 signed with TNT Trading and Construction for duration of 540 days. Payments made so far amounts to US\$1,333,706.75.	inspected and certified works in August 2021 and works done at the time of inspection were at 31.74 percent.
7	Abuja	Rehabilitation of the Chancery and Apartments	Contract signed with Seth James and Company Limited on 20 th June, 2019 amounting to US\$660,841.78 for duration of 49 days. Payments made so far amounts to US\$594,733.15.	Ministry of Works and Supply and Ministry of Foreign Affairs inspected and certified works in September 2021 and works done are at 90 percent. The expected completion date is December 2021.
8	Washington	Rehabilitation of the Chancery building.	Contract signed with SHAL Builders on 15 th August 2019 amounting to US\$2,547,628.71 for duration of 365 days. Payments made so far amounts to US\$456,219 advance payment and in the process of paying US\$184,734.42	1 st certificate from the contractor was sent to the Ministry of Works and Supply for approval on 29 th April, 2021 awaiting response and certification. Works done were standing at 18.62 percent.
9	Geneva	Procurement of the Residence for the Ambassador	Contract signed in 2019 with Mike HORNUNG amounting to CHF 3,000,000.	Property was procured in December 2019 and the Mission had taken occupancy
10	New York	Rehabilitation of the Chancery and Residence	Works have not commenced	The Mission had identified potential consultants for possible engagement to come up with a Bill of Quantity. On 15 th November, 2021, a letter was written to Ministry of Infrastructure, Housing and Urban Development for a No Objection and to provide Terms of Reference.
11	New Delhi	Construction of the Chancery and Residence	Contract signed on 28 th December, 2020 with Aadharshila Designs Pvt Limited amounting to US\$ 223,641.24 Phase1: (Design Stage) - US\$119,114.24. (Duration four weeks	Consultant undertaking the design works in phase 1 and the inception report and interim report were finalised and approved by Ministry of Infrastructure, Housing and Urban Development

			subject to timely approval by the Ministry and Statutory Local Authority) (1 st Payment made so far amounts to US\$17,867.13 Phase 2: (Construction Stage) - US\$104,527. (Duration within eighteen weeks)	
12	Brussels	Rehabilitation of the Chancery buildings	The contract was signed with Messrs Kassabian Premises Management and General Contractors in August, 2019	Works Completed
13	Lisbon	Rehabilitation of the Zambian House	The contract was signed with Messrs Bernades for fifteen Months effective from December, 2017	Works Completed
14	Paris	Rehabilitation of the Residence	The contract was signed with Messrs DC Renovation for Nine months from May, 2018	Works Completed

c. Findings, Observations and Recommendations

The findings, observations and recommendations of the Committee during the tour, are set out below.

i. ADDIS ABABA

Chancery Building

Introduction

The Committee was informed that the contract to construct a Chancery building was signed on 11th of December 2020. The scope of work on the construction of the Chancery building comprised of main building, reception area, standard offices, meeting room, and kitchen, holding room, secure vault, Closed Circuit Television (CCTV) room and public toilets. Other components included circulation areas, elevator, ambassador wing, offices, and Visa Section and Security posts.

Site works included car parking, site roads, partial fencing, access gates, Green areas and plantations.

The Committee was also informed that the contractor had not yet submitted shop drawings for mechanical and other special works while minor design revisions and specifications were yet to be finalised by the consultant.

The Committee was further informed that there were challenges being faced during the construction of the Chancery building, some of which are set out below.

- i. The Building Permit was not yet secured from the Addis Ababa Construction Permit and Control Authority Office. Works were underway without the Permit as it was an Embassy.
- ii. Unavailability of dependable quantity and quality of materials for finishing and related works.
- iii. Queuing at local banks to get required FOREX for importing of the materials from abroad; as a result, it was very difficult for the contractor to get the required amount that covered the import bill for all the required items from abroad within a short period of time.
- iv. Interim Payment Certificates were delayed to be settled by the client.
- v. Escalating prices of construction materials.

Committee findings

The findings of the Committee are as set out below.

- i. Funds allocated to the project were less than the contract sum.
- ii. The contract sum did not include the cost of consultancy services.
- iii. The contractor was on site and construction works were on-going, though at a slow pace.
- iv. Interim Payment Certificate No. 3 was not paid due to delayed certification of the project by the Ministry of Infrastructure, Housing and Urban Development.
- v. Works done were at 40 percent.
- vi. Building permit not secured, for the Construction of the Chancery Building.



Pictures of the construction site of a Chancery Building in Addis Ababa, during the inspection of construction works by the PAC Members

Committee's Observations and Recommendations

The Committee expresses concern that the Embassy entered into a contract whose contract sum was way above the approved amount, which did not even include the cost of consultancy services. The Committee also notes with concern that the Embassy had not obtained a building permit for the construction of a chancery building while construction works were on-going, though at a slow pace. The Committee also notes with dismay, the delayed certification of works, for the issued Interim Payment Certificates, by officers from the Ministry of Infrastructure, Housing and Urban Development. In view of this, the Committee urges the Controlling Officer to engage the Secretary to the Treasury for additional funding to complete the works. The Committee also urges the Controlling Officer to prioritise the acquisition of the building permit so that construction works are authorised by the host country. The Committee further urges the Controlling Officer to ensure that funding modalities for project certifications are secured to ensure that the completed works are inspected and certified in line with the contract. The Committee will await a progress report on the matter.

ii. Abuja

Chancery Building

The Committee was informed that the contract to rehabilitate the four Storey Chancery building and associated works in Abuja was signed on 20th June, 2019, between Messer Seth James and the Government of the Republic of Zambia, through the Zambian Mission in Abuja, at the contract sum of US\$660,841.78. The Contract period was forty-nine days. The Committee was also informed that due to delayed certification of completed works undertaken during the contract period and the variation of works, the contract was extended to six months and later to three years.

The Committee was further informed that the Ministry of Housing and Infrastructure development was taking too long to inspect the works such that they only inspected the works in Abuja, a year after the commencement of works.

Committee findings

The findings of the Committee were as set out below.

- i. Payments for the initial contract were made ahead of completion works.
- ii. The Mission approved variations to the contract and the works done amounting to \$108,850.82 million, which was yet to be settled.
- iii. The contractor was on site and still maintaining the building.
- iv. Payments were being made without authority.
- v. Works on the roof and finishes on the houses still remain outstanding.



Members of PAC inspecting renovation works on the houses and the uncompleted roofing at the Mission building in Abuja, Nigeria

Committee's Observations and Recommendations

The Committee expresses displeasure that while renovation works had reached an advanced stage, the mission had allowed the contractor to do extra works beyond the allocated amounts. The Committee also expresses concern that most of the extra works done were those not included in the initial scope of work by the client. In view of this, the Committee urges the Controlling Officer to orient the Abuja Mission staff on contract management in order to prevent such irregularities. The Committee also urges the Controlling Officer to address all contract issues regarding the project and ensure that all financial obligations between the client and the contractor are settled without delay. The Committee will await a progress report on the matter.

iii. Washington DC

Chancery Building

The Committee was informed that in 2015, a contractor, SHAL Builders was awarded the contract to undertake rehabilitation works of the Chancery at 2419 Massachusetts Avenue, following clearance of the contract by the Ministry of Justice in Zambia. Partial works begun to fix the leaking roof in 2015 but could not continue as the Government of the Republic of Zambia was yet to source funding for the major rehabilitation works. Funds amounting to \$1,533,305.98

were sourced and made available to the Mission in January, 2019. Works could, however, not proceed as the building had dilapidated further due to leaking water pipes and other leakages from the whole roof which caused extensive damage to the roof, walls, floors and including the rotting of water pipes and electrical wires. This prompted a survey of the building by the relevant authorities and an Architect who then recommended that major works be done that required additional funding other than the \$1,533,305.98 initially quoted by the contractor and provided by the Government of Zambia. This required a review of the initial contract and additional funds. Clearance of the revised contract in the sum of \$2,547,628.71 was given by the Ministry of Justice in Zambia, in June 2019.

The Mission working with the contractor proceeded to obtain all the necessary building and zoning permits as required by the host country's laws. Partial works to rehabilitate the Chancery at 2419 Massachusetts Avenue only commenced in November, 2020, following the United States Housing Regulatory Board approval of the Embassy's zoning application. Due to delays in processing of the permits and other documents, the Contractor only commenced works on 1st April, 2021, when the Mission received notification of the approval of the building permit from the US Department of State.

The Committee was also informed that significant progress had been made on the rehabilitation of the Chancery at 2419 Massachusetts Avenue with 57 percent of the works completed. That is, completion of the outside walls and the fitting of windows. The interior walls, flooring, ceiling, electrical wiring and fencing were yet to be completed.

Some of the works done required a complete overhaul of the wood works, while others were remedial works to the floors and roofing. The Contractor had completed the installations and upgrades as follows:

- i. interior renovations at 1st Floor;
- ii. interior renovations at 2nd Floor;
- iii. interior renovations at 3rd Floor;
- iv. garage renovations;
- v. exterior window replacement and painting;
- vi. electrical upgrades;
- vii. fixing of roof; and
- viii. partial fixing of floors.

The major works outstanding were the upgrading and connecting of the electricity from the building to the DC mainline, plumbing, heating and cooling and insulation of pipes to safeguard them from freezing in winter. This notwithstanding, the works are on course and the contractor had projected the completion of the rehabilitation by June, 2022. Government had provided the remaining balance of funds towards the completion of the works.

Committee findings

The findings of the Committee were as set out below.

- i. The interior walls, flooring, ceiling, electrical wiring and fencing were yet to be completed;

- ii. The contractor was on site; and
- iii. The project had no consultant.



Pictures depicting the exterior and interior building of the Chancery in Washington DC

Committee's Observations and Recommendations

The Committee expresses satisfaction with the ongoing works and urges the Controlling Officer to ensure that construction works are completed in line with the contract. The Committee, however, expresses concern that the contractor was operating without a consultant and therefore, urges the Controlling Officer to ensure that a Consultant is engaged without delay. The Committee will await a progress report on the matter.

iv. New York

Chancery building

The Committee was informed that there had been correspondence between the Ministry Headquarters and the New York Mission on the need to rehabilitate the Mission properties in New York, since 2011 but without tangible progress. Records at the Mission indicated that a number of senior Government officials and delegations had visited the mission between 2011 and 2019, to assess the status of Government properties and consequently a number of proposals from consultants solicited but there had been lack of action on the part of the Government.

The Committee was also informed that in January, 2021, the Mission was funded a sum of \$2,060,894.77 under a mortgage financing programme, to facilitate for the rehabilitation of Mission properties, and in February, 2021, the Mission constituted a Task Force to identify consultants to submit technical and financial proposals for the rehabilitation of the buildings. The Task Force noted in its report that several options were presented to remodel/rehabilitate the Chancery but lack of a decision on the part of the Government resulted in apathy by the consultants/contractors within New York.

Further, of the \$2,060,894.77 funding, \$98,500 was spent on some renovations, out of which \$93,000 was spent on the sealing of the leaking roof.

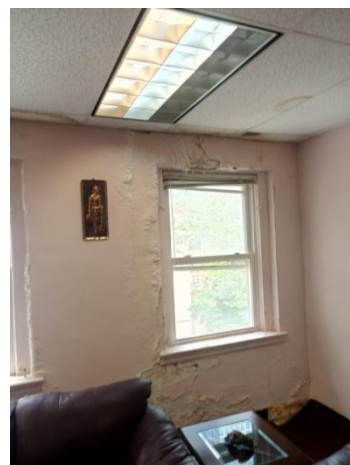
The Committee was also informed that on 16th February, 2022, \$1,000,000 was transferred to the Washington DC Mission for some capital works. As at 30th April, 2022, amounts remaining for rehabilitation works stood at \$962,394.77.

The Committee was informed that records of the Task Force meetings of 5th April, 2019 and 10th June, 2021 suggest that there was a lack of team work at the Mission on the commencement of rehabilitation works. This could have contributed to the inability to utilise the \$2,060,894.77 funding.

Committee findings

The findings of the Committee were as set out below.

- i. The works were at procurement stage;
- ii. The Chancery building was in dilapidated state; and
- iii. The Ambassador's Residence has never been occupied for the past ten years.



In picture: on the left, cracked exterior walls of the New York Chancery Building; in the centre, Eng. Jonathan Daka, MP, interrogating sealing works done on the Chancery roof top; and on the right, interior walls affected by the leaking roof.

Committee's Observations and Recommendations

The Committee expresses concern at the poor state of a Chancery Building in New York City and the delayed procurement of renovation works. However, the Committee contends that procurement processes were delayed due to failure to follow procurement procedures by the Procurement Committee. The Committee, therefore, urges the Controlling Officer to institute disciplinary action against the members of the tender Committee for the violation. The Committee also urges the Secretary to the Treasury, to consider demolishing the entire building and develop a modern structure with space that can be rented out, to generate revenue for the mission. However, in the immediate, the Committee urges the Controlling Officer to ensure that the Contractor is expeditiously engaged to renovate the build. The Committee will await a progress report on the matter.

v. Brussels

Chancery Building

The Committee was informed that authority to procure rehabilitation works of the Chancery building situated at 469 Avenue Moliere was granted by the Ministry Procurement Committee which was held on 27th September, 2017.

The contract for the rehabilitation of the Chancery building was signed between the Government of the Republic of Zambia and Kassabian Premises Management General Contractors, on 10th November, 2017. On the same date, the certificate of site possession was signed and issued to the contractor. Rehabilitation works commenced on 1st April, 2018.

The Committee was also informed that on 17th January, 2019, the Mission received €406,888.97, Mortgage Financing.

Payments to the Contractor were made in four instalments, with the retention fee calculated at 5 percent of the works done.

The Committee was informed that rehabilitation works were completed in July, 2019 and the Chancery building was occupied in October, 2019.

Committee findings

The findings of the Committee were as set out below.

- i. Renovation works were completed;
- ii. there was a damaged water pipe which affected painting works; and
- iii. The contractor was owing €90,000 due to overpayment, without tax deductions.



In picture: PAC Members and Technical Officials during the inspection of the rehabilitated Chancery Building; and right is an exterior view of the of the Brussels Mission Chancery Building

Committee's Observations and Recommendations

The Committee finds it unacceptable that there was a leaking pipe at the Chancery building just after undergoing a face lift. The Committee also expresses concern that the contractor was overpaid. In this regard, the Committee urges the Controlling Officer to engage the contractor, to rectify the water pipe defects. The Committee also urges the Controlling Officer to ensure that the payments made to the contractor so far, are reconciled before the 5 percent retention amount is paid. The Committee will await a progress report on the matter.

vi. Geneva

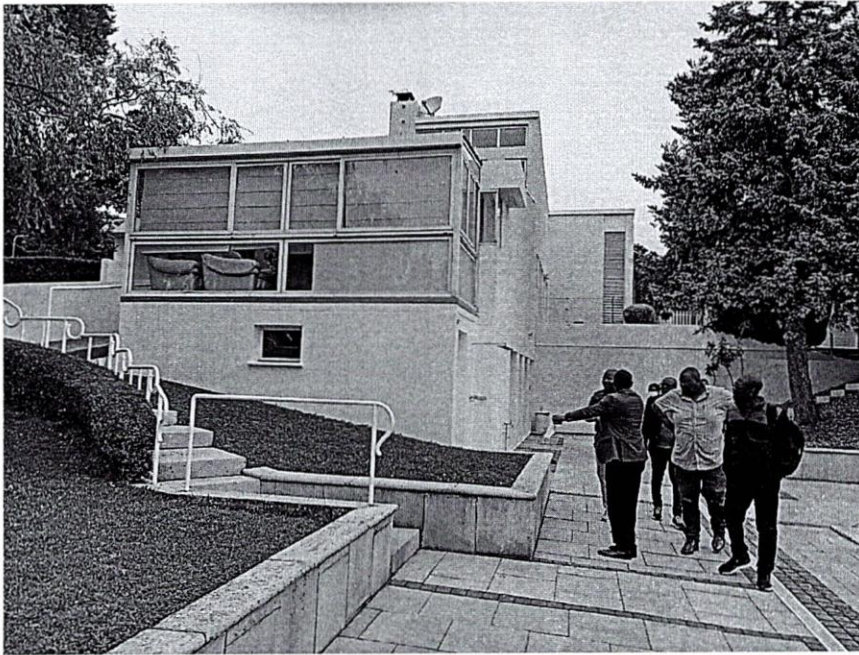
The Committee was informed that the Mission received \$3,300,165.82 on 3rd January, 2019, and Mission invited Bids for the outright purchase of the ambassador's Residence. It was submitted that a bid dated 11th April, 2019, for the sale of property located at plot No. Chemin de Valavran 96, Genthod, Gevena, at a bid sum of CHF 3,000,000, equivalent to \$3,030,303.03, was accepted by the Zambian Government subject to Terms and Conditions, acting through the Ministry of Foreign Affairs.

The Committee was also informed that the servings from the negotiated purchase price were being used for renovation works at the Residence and procurement of office equipment.

Committee findings

The findings of the Committee were as set out below.

- i. Renovation works at the residence were ongoing; and
- ii. The Residence was habitable.



In picture: ambassador's residence purchased using the Mortgage financing facility

Committee's Observations and Recommendations

The Committee expresses satisfaction at the outright purchase of the residence in Geneva. The Committee urges the Controlling Officer to expedite the renovation works and have the house occupied without delay. The Committee will await a progress report on the matter.

7.3 CONCLUSION

64. The Committee wishes to express its gratitude to you, Madam Speaker, and the Office of the Clerk for the support rendered to it during its consideration of the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31st December, 2020. The Committee further wishes to thank the Controlling Officers who appeared before it and the Secretary to the Treasury for their co-operation.

Finally, the Committee acknowledges the valuable input of the Auditor General, the Accountant General and the Controller of Internal Audit throughout its deliberations.

Mr Warren C Mwambazi, MP
CHAIRPERSON

July, 2022
LUSAKA

APPENDIX I - List of National Assembly Officials

Mr Charles Haambote, Acting Principal Clerk of Committees (FC)

Mrs Doreen C Mukwanka, Acting Deputy Principal Clerk of Committee (FC)

Mr Charles Chishimba, Acting Senior Committee Clerk (FC)

Mr Moses Chuba, Committee Clerk

Mr Aubrey Chilambwe, Committee Clerk

Ms Inutu Mwiya, Typist

Mr Morgan Chikome, Committee Assistant