



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, 2021**

FOR THE

SECOND SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

Published by the National Assembly of Zambia

FOREWORD

Honourable Madam Speaker, the Public Accounts 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, 2021, for the Second Session of the Thirteenth National Assembly. The Public Accounts Committee considered the Report of the Auditor General in accordance with its terms of reference, as espoused under Standing Order No. 192, of the National Assembly Standing Orders, 2021.

The Report of the Auditor General was produced in accordance with Article 250 of the *Constitution of Zambia (Amendment) Act No. 2 of 2016; the Public Audit Act No. 13 of 1994;* and the *Public Finance Management Act No. 1 of 2018*. During the audit process, the Office of the Auditor General interacts and communicates with different Controlling Officers whose accounts are cited at various levels.

The interaction enables Controlling Officers to clarify and take corrective measures on the findings of the audit. Therefore, the queries raised in the report are those that were not resolved during the audit process of the Financial Year Ended 31st December, 2021, as well as outstanding issues raised in the Treasury Minute or Action Taken Report for 2019 from the Ministry of Finance and National Planning.

During the interaction with Controlling Officers, the Committee noted various irregularities, among them, lack of adherence to the laws and regulations, wasteful expenditure, misapplication of funds, theft or loss resulting from negligence or criminal conduct, failure to implement effective revenue collection measures and failure to follow procurement procedures and contractual obligations and failure to institute disciplinary measures to deter would be offenders, which are reflected in the Committee's Report. Additionally, the Report contains recommendations, which are aimed at addressing various irregularities cited above.

The Committee held **forty-one meetings** to consider submissions on the Report and also received technical guidance from the Auditor General, Accountant General and the Controller of Internal Audit. The Committee considered both oral and written submissions from ministries, provinces and spending agencies cited in the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31st December, 2021. The Committee also interacted with the Secretary to the Treasury who was requested to comment on the auditor general's recommendations.

The Committee's Report is organised in three Parts. Part I contains the Auditor General's Comments and 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 Committee's local and foreign tours and the conclusion.

The Committee wishes to pay tribute to all stakeholders who appeared before it and made both oral and written submissions. It also wishes to thank the Honourable Madam Speaker, and the Office of the Clerk of the National Assembly for the services rendered throughout its deliberations. The Committee is of the strongest view that the observations and recommendations contained therein, will be fully implemented by the Executive in order to ensure prudent management public resources.

In conclusion, the Committee also expresses its gratitude to the Honourable Madam Speaker, for affording it an opportunity to undertake tours to Central, Luapula and Muchinga provinces and a benchmarking tour to Kenya.

A handwritten signature in black ink, consisting of a large loop at the top and a long horizontal stroke extending to the right.

Mr Warren Chisha Mwambazi, MP
CHAIRPERSON

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ACRONYMS

AIA ó Appropriation in Aid
CBPP ó Contagious Bovine Pleuropneumonia
COS ó Committee of Survey
CPAP ó Continuous Positive Airway Pressure
DACO ó District Agriculture Co-ordinator
DEC ó Drug Enforcement Commission
DEBS ó District Education Board Secretary
DEO ó District Education Office
DHO ó District Health Office
ECF ó East Cost Fever
EMLIP ó Essential Medicines Logistics Improvement Programme
EPC ó Engineering Procurement Contract
FISP ó Fertiliser Input Support Programme
FSP ó Food Security Pack
GRN ó Goods Received
GSB ó Government Service Bus
ITT ó Invitation to Treaty
JSI ó John Snow Health Institute
MIS ó Management Information System
MTEF ó Medium Term Expenditure Framework

NHIMA ó National Health Insurance Management Agency
NPA ó National Prosecution Authority
NRFA ó National Road Fund Agency
OB ó Overburden Dump
OFID ó OPEC Fund for International Development
OPEC ó Organisation of the Petroleum Exporting Countries
OPV ó Open Polluted Varieties
PEO ó District Education Office
PHO ó Provincial Health Office
PMCT ó Prevention of Mother to Child Transmission
RTSA ó Road Transport and Safety Agency
SATCC ó Southern Africa Transport and Commission
SCC ó Stock Control Card
SCT ó Social Cash Transfer
TCAs ó Trade Concession Agreements
TD ó Tailings Dump
TEVET ó Technical Education Vocational and Entrepreneurship Training
TSA ó Treasury Single Account
SPW ó Supplementary Provision Warrant
SV ó Supply voucher
UNICEF ó United Nations International Childrens Emergency Fund
USAID ó United States Agency for International Development
WB ó World Bank
ZAMRA ó Zambia Medicine Regulatory Authority
ZCSA ó Zambia Compulsory Standards Agency
ZHSIP ó Zambia Health System Support Project
ZILMIS ó Zambia Integrated Lands Information Management System

ZISPIS ó Zambia Integrated Social Protection Information System
ZPPA ó Zambia Public Privatisation Agency
ZNS ó Zambia National Service
ZSIC ó Zambia State Insurance Corporation

MEMBERSHIP OF THE COMMITTEE

The Committee consisted of Mr Warren Chisha Mwambazi, MP (Chairperson); Mrs Jacqueline Sabao, MP; (Vice-Chairperson); Ms Melesiana Phiri, MP; Mr Likando Mufalali, MP; Mr Kalalwe Mukosa, MP; Mr Victor Lumayi, MP; Mr Anthony Mumba, MP; Mr Nicholas Mukumbi, MP; Mr Jonathan Daka, MP; and Mr Imanga Wamunyima, MP.

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 on the Accounts of the Republic for the Financial Year Ended 31st December, 2021 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 me to audit:

- i. the accounts of state organs, state institutions, provincial administration, local authorities and institutions financed from public funds;
- ii. the accounts that relate to the stocks, shares and stores of the Government;
- iii. financial and value for money audits, including forensic audits and any other type of audit, in respect of a project that 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 Comment

In response, the Secretary to the Treasury submitted that the Auditor General's mandate by Article 250 (1) (a) to (d), to audit accounts of state organs, state institutions, provincial administration, local authorities and institutions financed from public funds was appreciated, as it provided quality assurance regarding the compliance of Controlling Officers to the Public Finance Management regulations that guided the budget execution of the financial year.

Committee's Observations and Recommendations

The Committee notes the response on the matter.

b. Scope of Audit

The audit scope covered the accounts and records of ministries, provinces and spending agencies (MPSAs) and other institutions financed from public funds for the Financial Year Ended 31st December, 2021.

Treasury Response

In response, the Secretary to the Treasury submitted that the scope coverage of reviewing the accounts and records of ministries, provinces and agencies was appreciated.

Committee's Observations and Recommendations

The Committee notes the response on the matter.

c. 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 Office's disposal, a risk-based audit approach was used.

Treasury Response

In response, the Secretary to the Treasury submitted that the risk-based audit approach adopted by the Auditor General was appreciated as it targeted ministries, provinces and agencies that were at high risk in the management of public resources appropriated to these institutions by Parliament to ensure effective public service delivery.

Committee's Observations and Recommendations

The Committee notes the response on the matter.

d. Constraints

i. Staff

The staffing position in the Office had been improving over the years. However, the Office had not yet attained optimum levels required to audit the ministries, provinces and spending agencies.

Treasury Response

In response, the Secretary to the Treasury submitted that the Government, through Cabinet Office; Ministry of Finance and National Planning; the Public Service Management Division; and the Civil Service Commission, had continued to engage the Auditor General regarding the staffing position and recently an upgrade of the Provincial Audit Office was granted to the Auditor General to ensure effective service delivery at provincial level and local government.

Committee's Observations and Recommendations

In appreciating the efforts being made to improve the staffing levels at the Auditor General's Office, the Committee urges the Secretary to the Treasury to ensure that more officers are recruited, as a matter of urgency. The Committee will await a progress report on the matter.

ii. Transport

The Office had presence in all the ten provinces in the country and the nature of the operations required travelling to all districts in the country including far-flung areas with bad terrains. During the period under review, the Office faced a challenge of inadequate and aging fleet of motor vehicles required in executing its mandate as most of the vehicles were procured during the period from 2007 to 2015. Consequently, this had 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 the Treasury had continued to address the transport challenges under the Auditor General's Office through the normal budget allocation and support from cooperating partners.

Committee's Observations and Recommendations

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

iii. Information and Communication Technology Equipment

The Office with the support of the Government and Cooperating Partners, had procured ICT equipment to support its operations. However, there was still need to procure more equipment to meet the demand of the increasing staff numbers.

Treasury Response

In response, the Secretary to the Treasury submitted that the Office had continued to address the ICT equipment challenges under the Auditor General's Office through the normal budget allocation and support from cooperating partners.

Committee's Observations and Recommendations

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

e. Audit and Reporting Process

The Committee was informed that the reporting process involved three major stages. The first stage was where a preliminary query was issued to the Controlling Officer who was required to respond within days. The second stage was the interim management letter where the Controlling Officer was given a maximum of fifteen days to respond. The third stage was the final management letter (Draft Annual Report Paragraph (DARP)) where the Controlling Officer was given three days to confirm the correctness of the facts presented in the management letter. At every stage, responses received were verified as satisfactory and amendments were made accordingly. Where the findings had not been resolved, the DARPs were 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 process adopted by the Auditor General was noted and the Treasury would impress on Controlling Officers to follow the process effectively to ensure that matters were addressed at preliminary query level.

Committee's Observations and Recommendations

The Committee notes the response on the matter.

f. Governance

The Committee was informed that Cabinet was the supreme policy and strategic decision-making body of the Government. It comprised the Republican President, Vice President and Cabinet Ministers, who were appointed by the President. The decisions of Cabinet were implemented through various portfolio ministries and provincial administrations, which were headed by ministers.

Treasury Response

In response, the Secretary to the Treasury submitted that the Governance structures were 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 spending agencies were the responsibility of a Permanent Secretary who was appointed by the President. A ministry also oversaw the operations of various Government agencies that operated within the preserve of its mandate.

Treasury Comment

In response, the Secretary to the Treasury submitted that the management of ministries, provinces and spending agencies were as stated by the Auditor General.

Committee's Observations and Recommendations

The Committee notes the response on the matter.

i. Information and Communication Technology

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

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 was an Integrated Financial Management Information System which was used for administration of financial transactions in the MPSAs.
		Payroll Management and Establishment Control System (PMEC)	The system was used for Payroll Management and Establishment Control.
		Debt Management and Financial Analysis System (DMFAS)	The system was 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 was 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 was 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 was an application that was 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 was used for the management of immigration processes such as the facilitation of entry and exit and processing of visas.
6	Road Transport and Safety Agency	e-ZamTIS	The system was used to collect, receipt and record revenue.
7	Zambia Revenue Authority	Tax Online System	This system is used for administration of domestic taxes.

No.	Institution	Name of System	Description/Purpose
		ASYCUDA World	This system was used for administration of customs duties and taxes.
8	National Road Fund Agency	Yascn Toll Management System (Cash Management Systems)	This system was used for administration and collection of inland tolls.
		Necor Toll Management System (Cash Management Systems)	This system was used for administration and collection of inland tolls.
		Efkon Toll Management System (Cash Management Systems)	This system was used for administration and collection of inland tolls.
		e-Toll Management Information System	This was an electronic payment system used for collection of tolls.
		WBX and Axle Loop	These systems were used in the administration of toll and weighbridge fines.

Treasury Comment

In response, the Secretary to the Treasury submitted that the systems being used by the Government were as stated by the Auditor General.

j. Recommendations

In order to improve Public Financial Management and ensure that MPSAs were operating within the financial management and accounting framework, as set out in the *Constitution of Zambia (Amendment) Act, No. 2 of 2016*; *Public Finance Management Act, No. 1 of 2018*; *Public Procurement Act, No. 12 of 2008*; *Appropriations Act, No. 22 of 2018*; and any other laws and regulations, the following were being recommended.

Treasury Response

The Auditor General's observation is appreciated.

No.	AUDIT RECOMMENDATION	TREASURY RESPONSE
1	<p>Controlling Officers must ensure that revenue collection and expenditure was appropriately planned and controlled. This should be done by:</p> <p><i>a) Adhering to relevant laws, regulations and circulars;</i></p>	<p>The responsibility to collect, receipt, bank and report on tax and non-tax revenue was delegated to Ministries, Provinces and Agencies (MPAs) as provided in the:</p> <ul style="list-style-type: none"> <i>i. Constitution of Zambia (Amended) Act No. 2 of 2016;</i> <i>ii. Public Finance Management Act, No. 1 of 2018;</i> <i>iii. Public Finance Management (General) Regulations, 2020;</i> <i>iv. Estimates of Revenue and Expenditure; and</i> <i>v. Treasury and Financial Management circulars issued by the Treasury from time to time.</i> <p>The Treasury had continued to include activities in the annual work plans aimed at ensuring that agents appointed to collect revenue on behalf of the Government adhered to the above laws, regulations and circulars. The following activities would monitor and ensure MPAs complied with laws, regulations and circulars.</p> <ul style="list-style-type: none"> <i>i. Quarterly revenue monitoring of revenue collecting institutions were undertaken by the Treasury to ensure that revenue was collected and accounted for in accordance with laws, regulations and circulars.</i> <i>ii. Revenue reconciliation programs were conducted quarterly with institutions to bring to account tax and non-tax revenue.</i> <p>Training of accounting staff and revenue collectors in Public Finance Management Systems was conducted from time to time.</p>
	<p><i>b) Establishing and maintaining an effective, efficient and transparent system of financial and risk management as well as adequate</i></p>	<p>The Treasury had put in place policies that ensured that non-tax revenues collected by ministries were captured and reported in the Integrated Financial Management</p>

	<p><i>and robust internal controls;</i></p>	<p>Information System (IFMIS). The Zambia Revenue Authority (ZRA) Asycud a world System had been interfaced with IFMIS to ensure that tax revenue was reported in IFMIS. Further, the Treasury had, through Smart Zambia implemented the Government Service Bus (GSB) and Payment Gateway, the online payment platform for collection, receipting and transmission of revenue to the Consolidated Fund using electronic payments (card, mobile money and online banking). The revenues collected through GSB were interfaced with IFMIS.</p>
	<p><i>c) Managing public resources prudently and safeguarding them;</i></p>	<p>The <i>Public Finance Management Act, No. 1 of 2018</i> and Public Finance Management (General) Regulations, 2020 had provided guidelines to ensure revenues collected by MPAs were safeguarded to prevent loss and ensure safety of public resources</p> <p>In addition, the Treasury ensured safety of revenue through centralised procurement of receipt books and safes which were issued to MPAs to safeguard revenue collections.</p> <p>The Treasury undertook revenue monitoring activities on institutions to ensure revenue collected was properly receipted and banked on time.</p>
	<p><i>d) Taking effective and appropriate steps to collect revenues due to the Government that is under their charge;</i></p>	<p>The <i>Public Finance Management Act, 2018</i> and Public Finance Management (General) Regulations, 2020, provided actions on planning for revenue collections. The plans submitted by MPAs were consolidated by the Treasury and approved by Parliament and were published in the Estimates of Revenue and Expenditure as revenue targets for the financial year.</p> <p>The Treasury undertook revenue monitoring activities to ensure institutions were collecting revenues to meet targets provided in Estimates of Revenue and Expenditure. Disciplinary action was provided for in the <i>Public Finance Management Act, No. 1 of 2018</i> for failure to meet revenue targets by</p>

		institutions.
	<i>e) Prevention of irregular or wasteful expenditure, misapplication of funds, theft or loss resulting from negligence or criminal conduct;</i>	<p>The Treasury had implemented controls to prevent misapplication, theft and loss of revenue by introducing direct banking methods of revenue collection including: GSB and counter services and Point of Sales Services provided by commercial banks. The revenue was collected through Revenue Transit Accounts for remittance to the Bank of Zambia (BOZ).</p> <p>The Treasury had automated revenue collection processes to eliminate handling of cash by cashiers. The GSB and Payment Gateway had been implemented in the following Institutions:</p> <ol style="list-style-type: none"> i. Ministry of Agriculture; ii. Ministry of Commerce, Trade and Industry; iii. Ministry of Home Affairs; iv. Ministry of Tourism; v. Zambia Police Service; vi. Ministry of Transport and Logistics; vii. Ministry of Lands and natural Resources; viii. National Immigration Services; ix. Ministry of Fisheries and Livestock; x. Ministry of Water Development and Sanitation; and xi. Ministry of Green Economy and Environment.
	<i>f) Taking immediate, effective, and appropriate disciplinary steps against erring office holders in the ministry or department under their charge; and</i>	The <i>Public Finance Management Act, No. 1 of 2018</i> had provided appropriate disciplinary steps to be taken by relevant MPAs against erring Government officers for abrogating provisions of the Act. The Civil Service Disciplinary Code was applied against Government office holders for misconduct.
	<i>g) Taking immediate and appropriate action on internal and external audit recommendations.</i>	The Treasury would ensure that the internal and external audit recommendations were actioned promptly.
2.	The general revenue collected by appointed agents on	The <i>Public Finance Management Act, No. 1 of 2018</i> had provided appropriate provisions

	<p>behalf of Government should be promptly remitted to the Consolidated Fund;</p>	<p>to ensure that appointed agents remitted revenue to the consolidated fund as prescribed by the Treasury. Agents that abrogated the provision were charged penalties on delayed banking of revenues.</p> <p>The Treasury had facilitated easier transmission of revenue to the Treasury by opening Revenue Transit Accounts with commercial banks for depositing revenues collected by appointed agents. Revenues collected through Revenue Transit Accounts were remitted to the consolidated fund in accordance with Service Level Agreement (SLAs) signed with commercial banks.</p> <p>Automation of revenue collection through GSB had facilitated for prompt remittance of revenue to the Treasury.</p>
3.	<p>Controlling Officers should ensure that there was strict adherence to procurement procedures and all contract provisions;</p>	<p>The Treasury would ensure that Controlling Officers adhered to the provisions of section 11(1) (h) which provided that a Controlling Officer shall comply with procurement requirements of the <i>Public Procurement Act No. 8 of 2020</i> and any other law that dealt with Public Procurement in order to maintain an effective, efficient and economic procurement process in public bodies.</p>
4.	<p>Controlling Officers must ensure that all the assets under their charge are appropriately secured and insured; and</p>	<p>The Treasury took note of the recommendation and stated that a robust program would be put in place to secure and insure all Government assets in line with the Public Asset Management Policy and the provision of section 41 (4) of the <i>Public Finance Management Act No. 1 of 2018</i>, which stated that "A controlling officer shall ensure that all public properties under the controlling officer's charge were secured with Title Deeds". In order to address this, sensitisation programs were planned for the year 2023.</p>
5.	<p>Controlling Officers must ensure that all taxes and other statutory contributions are deducted and timely</p>	<p>The Treasury through the current payroll management reforms would ensure that all taxes and other statutory contributions were</p>

remitted to the respective institutions.	deducted and remitted timely. While for Value Added Tax (VAT), the Zambia Revenue Authority and the Treasury had appointed MPAs as agents to withhold VAT at payment stage and remit to the authority.
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Committee’s Observations and Recommendations

The Committee notes the response on the matter.

PART II-PARAGRAPHS

REVENUE SECTION

CONSIDERATION OF SUBMISSIONS ON THE AUDIT FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

ZAMBIA REVENUE AUTHORITY – TAX REVENUE

PARAGRAPH 9

Audit Findings

An examination of accounting and other records maintained at the Zambia Revenue Authority (ZRA) Headquarters and selected stations for the period under review revealed irregularities 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, 2021, a revenue provision of K59,369,222,096 was made, against which amounts totaling K83,969,133,591 were collected, resulting in an over collection of K24,599,911,495, translating into 41 per cent above target.

In response, the Controlling Officer submitted that ZRA collected over and above the appropriated budgets for the year under review. As regards the annual revenue targets for ZRA, the Ministry of Finance and National Planning set targets in the Appropriation Act as enacted by Parliament, using the underlying assumptions of the projected economic environment for the period under consideration.

In 2021, there was an increase in the global copper prices as they exceeded USD9,000 per metric ton compared to the budget projection of about USD6,700 per metric ton. The impact on the actual revenues against target was compounded by the depreciation of the Kwacha against major trading currencies. Specifically, the United States Dollar, which translated into higher Kwacha equivalent payments for Income Tax, Mineral Royalty and Customs Duty.

Further, the adverse economic effect of the COVID-19 pandemic did not materialise to the projected extent. These exceptional factors contributed to the recorded surplus for tax revenues.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to ensure that ZRA does not understate its projected collections, especially that the Authority had collected over and above 40 percent of its projected target. The Committee also urges the Secretary to the Treasury 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.

b. Accounting and other Irregularities

i Implementation of Tax Online II Tax Management System

• Irregular Engagement of CBU to Develop the Terms of Reference

In response, the Controlling Officer submitted that ZRA signed a memorandum of understanding (MoU) with the Copperbelt University (CBU) for the development of a tax system. The MoU indicated the areas of collaboration under clauses 1.1 "establishing a working relationship in activities that related to the development of the ZRA Tax System." Therefore, under Part 3.1, the Copperbelt University was tasked to develop the Tax Management System for ZRA; enhancing of tax compliance; collections and integration solutions; and development of new solutions for the management of taxpayers. It was also engaged to promote knowledge sharing initiatives related to best practice, innovative tax solutions and emerging technologies with the broad purpose of developing innovative solutions in tax collection and management and training and capacity building in identified areas of collaboration. A copy of the MoU which provided the basis for ZRA to co-develop the terms of reference with CBU was available for audit verification.

It was against this background that CBU prepared the terms of reference and awarded the contract to design, develop, install and commission the Tax Administration (Tax Online II) System in line with the MOU.

Committee's Observations and Recommendations

The Committee expresses concern at the Authority's failure to follow procurement provisions to request for proposals on the engagement of the Copperbelt University. The Committee finds the breach unfortunate and urges the Secretary to the Treasury to put measures in place to ensure that Public Procurement Regulations are applied without exception. The Committee urges the Controlling Officer to avail supporting documents to the Auditor General for Audit verification. The Committee will await a progress report on the matter.

• Irregular Direct Bidding

In response, the Controlling Officer submitted that the engagement of CBU was based on the MOU that provided for various deliverables. Therefore, the issue of track record of previous works done by CBU could not arise. However, prior to signing of the Contract and its addendum, approval was sought from the Attorney General, in line with Article 183(3)(c) of the *Constitution of Zambia* as read with section 72(2)(e) of the *Public Procurement Act No. 8 of 2020*. The approval letters from the Attorney General were available for audit verification. The no objection notice was obtained from ZPPA to single source CBU.

Committee's Observations and Recommendations

In noting the submission, 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 resolves to await a progress report on the matter.

ii Failure to Fully Utilise Developed Modules

In response, the Controlling Officer submitted that the modules cited in the Auditor General's report were neither developed nor fully developed at all and, therefore, could not be utilised. In order to address this shortcoming, ZRA reconstituted a project team to rectify the anomalies after issuing a comprehensive report to the Secretary to the Treasury regarding the issues surrounding the Tax Online II Contract with CBU.

Committee's Observations and Recommendations

In noting the submission, 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 and will await a progress report on the matter.

iii Uncompleted Works – ASYCUDA World Interface

In response, the Controlling Officer submitted that ZRA reconstituted a project team to rectify the anomalies after issuing a comprehensive report to the Secretary to the Treasury regarding the issues surrounding the Tax Online II Contract with CBU.

Committee's Observations and Recommendations

The Committee expresses concern at the inordinate delay to operationalise the system on which huge public resources have been spent. The Committee, therefore, urges the Secretary to the Treasury to ensure that supporting documents are availed to the Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

iv Failure to Relate Payments to the Tax Period

In response, the Controlling Officer submitted that the accounting module on Tax Online had problems, which had been reported by both internal and external stakeholders. To that effect, a plan had since been put in place to overhaul the Module. Hence, it was projected to be completed by the third quarter of 2022. As regards the payments in amounts totalling K56,737,881 in respect of 1,356 taxpayers who were not matched to the correct tax period, the Authority was reviewing each taxpayer account and progress would be availed once the exercise was completed.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Secretary to the Treasury to be proactive and desist from acting after the audit process. The Committee also implores the Controlling Officer to ensure that the review process on the 1,356 taxpayers is expeditiously concluded without undue delay. The Committee will await a progress report on the matter.

v Tax Returns Pending Approval or Validation

In response, the Controlling Officer submitted that the returns in question were pending in the Tax Online II, due to various system challenges that affected the conclusion of the approval and validation of tax returns. The evidence to confirm the challenge was availed to the audit team.

Committee's Observations and Recommendations

The Committee expresses concern at the inordinate delay to rectify the challenges faced in operationalising the system and urges the Secretary to the Treasury to put measures in place to expeditiously conclude the approval and validation of tax returns without delay. The Committee will await a progress report on the matter.

vi Contract for Customs Management System

- **Irregular Award of Contract Without Clearance**

In response, the Controlling Officer submitted that the engagement of CBU was based on the MOU that provided for various deliverables. Therefore, the issue of track record of previous works by CBU could not arise and this included the Contract for the Customs Management System. However, prior to signing of the Contract and its Addendum, approval was sought from the Attorney General in line with Article 183(3)(c) of the *Constitution of Zambia* as read with section 72(2)(e) of the *Public Procurement Act No. 8 of 2020*. The approval letters from the Attorney General were available for audit verification. The no objection notice was also obtained from ZPPA to single source CBU.

Committee's Observations and Recommendations

The Committee expresses concern at the Authority's failure to follow procurement regulations on the engagement of the Copperbelt University. The Committee finds the breach unacceptable and urges the Secretary to the Treasury to put measures in place to ensure that procurement regulations are followed without exception. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

- **Questionable Supply of ICT Equipment.**

In response, the Controlling Officer submitted that the contracting of CBU to procure and supply ICT equipment was derived from the advice by the Contract Manager (Innovation and Project Management Department) that resolved that it would be in the best interest of the project if the equipment was procured by CBU to address the compatibility issues that were raised by the University. The minutes to support the decision and the approval of the request for the procurement of ICT equipment were available. This was further included in the Addendum to the contract that was cleared by the Attorney General's Office.

Committee's Observations and Recommendations

The Committee expresses concern at the failure by the Authority to follow procurement procedures. The Committee finds it unacceptable that based on the advice from a contract manager, the Authority decided to put aside the laid down regulations, with impunity. In this regard, the Committee finds the violation unfortunate and urges the Secretary to the Treasury to put measures in place that will ensure that procurement regulations are followed without exception. The Committee will await a progress report on the matter.

- **Questionable Suspension of the Contract**

In response, the Controlling Officer submitted that the suspension of the Customs Management System Contract was after ZRA Management observed several system glitches on the Tax Online II, as reported by several internal and external stakeholders, which needed to be resolved before proceeding with the system. In this regard, ZRA Management found it prudent to suspend the

Management System Contract pending investigations and accordingly communicated to CBU about the suspension of the Contract.

Committee's Observations and Recommendations

The Committee expresses concern at the poor management of the contract and the reported Tax Online II System glitches and urges the Secretary to the Treasury to put measures in place to enhance the procurement management processes and ensure that the observed system glitches are rectified without any further delay. The Committee resolves to await a progress report on the matter.

- **Failure to Withhold and Remit Tax on Consultancy Fees**

In response, the Controlling Officer submitted that public universities were exempted institutions for income tax purposes. This meant that any income public universities received, regardless of the source and type, no income taxes would be charged. That being the case, withholding tax on consultancy did not arise. Procedurally, as an exempted institution, CBU could have requested for an exemption certificate from the Commissioner General. However, the certificate could also be given in retrospect.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Secretary to the Treasury to avail supporting documents to the Office of the Auditor General for audit verification subject to which, the matter should be closed.

c. Operational Matters

i. Declaration of Nil Return for Mineral Royalty Tax

In response, the Controlling Officer submitted that some companies processed mineral-commodities such as ores and concentrates bought from other mining entities. In this regard, the obligation to account for Mineral Royalty Tax was dependent on the mining entity that extracted the ores and concentrates, while mineral royalty accounting was based on first hand sales.

For instance, Chambishi Metals, in particular, had been importing the concentrates it processed from the Democratic Republic of Congo. There was no mineral royalty chargeable on imported minerals. However, on some of the taxpayers where it had been indicated that there were anomalies, Management raised assessments amounting to K8 million, which had since been paid. Further, Management acted on the findings and, accordingly, instituted a detailed audit, covering the period 2015 to the second quarter of 2022. This was in order to identify any other companies that had not paid mineral royalties during the period and would be subjected to further investigations.

For long term capacity building, the Authority had, among other things, done the following:

- É established a dedicated Mineral Value Chain Analysis Unit to track mineral exports and build on the experience and knowledge acquired from implementing the Mineral Value Chain Monitoring Project; and
- É in collaboration with the Ministry of Mines and Mineral Development, the Authority further intended to put in place system-based controls, through verification of production

reporting in the Mineral Output Statistical Evaluation System (MOSES), export declarations in the Asycuda World and Mineral Royalty Returns in Tax online.

As a long term sustainable solution, ZRA was tasked to lead the implementation of the Mineral Value Chain Monitoring Project and the exit strategy for the project was that, the Government would establish a more sustainable institutional framework such as a regulator for the mining sector.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Secretary to the Treasury to ensure that the proposed measures are implemented without any further delay and avail supporting documents to the Office of the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

ii. Questionable Mineral Royalty Returns

In response, the Controlling Officer submitted that the possibility of negative balances may arise during the reconciliation or finalisation schedule imbedded in the Mineral Royalty Return. It was an industry or commercial practice for the mines to sale precious metals based on a provisional invoice with estimated quantities. Once the materials reached the destination and the finalised quantity sold was determined, the taxpayer's account for these transactions was included in the adjustment for the quantity finalisation schedule. For scenarios where the provisional invoice was more than the final invoice, it resulted in a negative.

In the case of Kaulfman Trading Company Limited, the September return was negative because the June, 2018 sales finalisation amount was larger than the month of September 2020. In addition, there was a system control not to post negative amounts on the account statements. A check on the account statement indicated that the amounts posted were zero. Documents were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Secretary to the Treasury to avail supporting documents to the Office of the Auditor General for audit verification, subject to which the matter should be closed.

iii. Irregularities in the Management of Turnover Tax

• Failure to Enforce Taxpayer Compliance-Turnover Tax

• Failure to Graduate Taxpayers to Income Tax

In response, the Controlling Officer submitted that a Block Management System Strategy had been developed. Under the Strategy, officers undertook compliance activities on tax registration, return filing and tax payments. Further, the Authority sent bulk short messages (SMS) before the due date to taxpayers, while fliers for due dates were also posted on social media platforms.

The Authority monitored unaccompanied returns and non-filers on a monthly basis and were followed up by station managers. The Authority had since commenced implementation of system-based controls that were using internally available data to automatically graduate taxpayers and review the Block Management System to enhance its effectiveness. The law

provided for migration of taxpayers from Turnover Tax to Income Tax at the beginning of the year or any period the Commissioner General determined. Therefore, a taxpayer that had increased sales resulting into an annual turnover exceeding K800,000, would only be migrated the following year. To this effect, the Authority issued taxpayer migration guidelines circular on Turnover Tax to Income Tax or VAT in 2021, to guide officers.

The Bulk Intelligence and Data Analytics new system was able to identify all taxpayers under Turnover Tax that exceeded the Turnover Tax registration threshold and automatically arranged their migration to the *Income Tax Act* at the beginning of the year.

Secondly, ZRA intended to develop an interface between Tax Online II and Asycuda World by end of June, 2022, to provide for the following in the management of the Advance Income Tax:

- i. automatic registration for Turnover Tax for frequent importers; and
- ii. automatic registration for Income Tax for high value importers, who were above K800,000.

Further, ZRA embarked on a continuous enhancement of the Block Management System to include targeted sectors and all traders along bituminous roads, who were easily accessible, as well as those located in prime areas.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Secretary to the Treasury to be proactive and ensure that the stipulated measures are implemented without any further delay. The Committee implores the Secretary to the Treasury to avail supporting documents to the Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

iv. Failure to Reconcile Tax Arrears

In response, the Controlling Officer submitted that the debt position for the period up to 31st December, 2021, was K87.54 billion, out of which, K85.78 billion, related to Inland Taxes, while K1.76 billion related to Customs and Excise Duty. Out of the K85.78 billion which related to taxes, K19.95 billion related to the Tax Online I, legacy transactions, while K65.83 billion related to Tax Online II, liabilities.

In arriving at this position, the Authority extracted all liabilities and payments across all tax systems for the period 2021, and matched them with their respective liabilities for the same period to arrive at the net debt position for 2021 only. The 2021 debt was then added to the debt stock as at 31st December, 2020, to arrive at the debt stock as at 31st December, 2021.

The differences in the position provided by the Authority and the Auditor General could be attributed to the following:

- i. Tax Online II debt given by Auditor General did not include the Tax Online I, legacy debt;
- ii. the approach used by the Authority, was carefully chosen to mitigate the risk of account misstatements, as the system in use could have contained some inconsistencies and did not have any reports that generated debt stock. The ICT Department provided a backend

extraction of the data that was verified individually through the respective account statements; and

- iii. the provisional returns for 2019, were not systematically reversed, as they were sitting on the Reconciliation Module, while the final return was sitting on the Tax Online II, resulting in under or overstating the debt stock. Further, the Tax Online II was picking all the amended provisional return figures, as opposed to picking the last amended return, resulting in overstating the Inland Tax liabilities. Thus, the reconciled submission provided by the Authority addressed such issues, which was not done by the team of auditors.

Furthermore, the Authority had been actively monitoring the debt stock position through continuous reconciliations and enforcement, through the Data Quality and Debt Recovery Units. The Authority was also finalising developments on the Tax Online II, for the Debt Management Module in order to assist with reporting and analysing the Authority's debt position. The strategies to address tax arrears by the Authority included the following:

- i. prioritising the reconciliation of the top debtors' tax accounts, which were accounting for over 70 per cent of the total tax debt. It was envisaged that by the end of the second quarter of 2022, the reconciliation could be concluded to allow the Debt Recovery Unit follow up with enforcement actions; and
- ii. conduct an audit of debt arrears in 2021, to identify non-collectible debt for remission, through the Ministry of Finance and National Planning by the third quarter of 2022. The list of those verified uncollectible debt, once approved internally, would be progressed to the Government Treasury for remission.

The Authority had continuously been reviewing the debt profile to isolate system generated penalties and interests that could be subjected to administrative waivers, which would help resolve the escalating debt stock.

The Authority continued to apply the various legal instruments, as applicable, to collect debt. Evidence of application of these instruments was available for audit verification.

The Authority also intended to submit proposals for legislative changes during the course of 2022, which would include remission of tax debt older than ten years as recommended by the United States Treasury and the International Monetary Fund.

As part of the long-term strategies to manage debt, the Authority was considering to implement the following:

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

the Government and parastatal institutions. To kick-start this process, the Authority signed a MoU with the Smart Zambia to interface ZRA systems on the Government Services Bus.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Secretary to the Treasury to ensure that the stipulated measures are implemented without any further delay. The Committee also implores the Secretary to the Treasury to avail supporting documents to the Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

v. Irregular Refund of the Value Added Tax

In response, the Controlling Officer submitted that the query was of a twofold situation, that of: delayed payment of refunds and a three-month validity period of an invoice, as outlined below.

i. Delay in Paying Refunds

The payment of refunds was dependent on the availability of funding from the Ministry of Finance and National Planning. Over time, a backlog of refunds had accumulated due to a mismatch between the available funds and the verified (eligible) refunds submitted on a month by month basis. The following interventions were being implemented by the Authority to address the challenge:

- increasing the approved refund amount from K850 million to K1,350 million per month;
- building audit capacity by incorporating data analytics and use of third-party information to increase the audit efficiency and effectiveness;
- automation of the refund process to make it efficient; and
- adoption of the first-in-first-out basis of paying refunds to make the process fair and predictable.

ii. Three Months Validity of an Invoice

The Value Added Tax Act, section 18(3) and (4) excerpt stated that:

- (3) A supplier shall not deduct, credit, or claim input Tax, unless the supplier at the time of lodging the return in which the deduction, credit or claim is made, is in possession of
- (4) Input Tax shall not be deducted or credited after a period of three months from the date of the relevant tax invoice or other evidence referred to in subsection (3), except in such circumstances as the Commissioner General may by rule, specify.

The Authority's interpretation of the excerpt was that, for an invoice to be eligible for Value Added Tax claim purposes, it should be within three months from the date it was issued to the date of submission of the VAT return in which the invoice was declared. Once the return had been submitted, even if the actual refund took a year or more, the related invoices being claimed remained valid as long as they were within the three months timeframe at the point of submission.

In accordance with the law, business rules had been embedded on the Tax Online System to reject invoices outside the three months period.

Further, the Committee was informed that:

- Section 18 of the VAT Act, was amended in 2016 to increase the input tax validity period from six months to three months. Some periods in question related to the period when the validity period was six months and not three months; and
- the three months restriction did not apply to Withholding Value Added Tax certificates claimed by a taxpayer.

Therefore, as a long-term intervention to improve efficiency and mitigate invalid claims, the Authority had undertaken the following:

- i. developed interfaces between the Asycuda World and the Tax Online II systems to validate import claims so that import VAT fraud was averted;
- ii. refinement of the Refunds Module on Tax Online and automation of legacy refunds to eliminate manual processing of refunds; and
- iii. through Phase II of the fiscalisation project, the Electronic Fiscal Devices (EFDs) implementation was being reviewed to enhance its effectiveness. This entailed increasing the number of suppliers for EFDs as well as introducing other digital EFD mechanisms for specialised industries to capture a wider taxpayer-base. The Authority developed a detailed roadmap for stakeholder-engagement and implementation of EFDs in Phase II by the end of the fourth quarter of 2022.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to be proactive and ensure that the stipulated measures are implemented without any further delay. The Committee also implores the Secretary to the Treasury to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

vi. Failure to Update VAT Account Statements

In response, the Controlling Officer submitted that the Refunds Module on Tax Online II had not been fully operationalised. As a result, the Authority had during the period under review been processing VAT refunds manually using complimentary procedures or forms and keeping registers. Therefore, the refunds in question were processed manually. Hence, the refund tasks were still open for action. Progress had been made at various stages to close off these tasks but would only be completed once the Module was fully operational or when pending system issues were resolved.

The complimentary procedures in place sufficiently mitigated the highlighted risks, namely: the risks of misallocation of payments to incorrect tax liability period; under-assessments of taxes; accumulation of tax debt due to penalties or interest charged on late submission of returns; and or late payments on tax liabilities.

As regards the outstanding amounts, cases for some companies such as the Citizen Economic Empowerment Commission, Lubambe Copper Mine, Chambishi Metals and CNMC Luanashya

Copper Mines, and; JCHX Mining Limited, Lian Chao Ventures refund tasks were concluded and the account statements updated and were available for verification.

To effectively address the outstanding problems on Tax Online II, ZRA reconstituted the project team and a roadmap had since been made. The system related to problems expected to be resolved by end of the fourth quarter of 2022.

Committee's Observations and Recommendations

The Committee bemoans the inordinate delay in operationalising the Refunds Module on the Tax Online II System. The Committee is deeply saddened that despite the current advancements in technology, the Authority is still processing VAT refunds manually using forms and keeping registers. This is unacceptable as it can be a recipe for fraudulent activities causing the Government to lose the much needed revenue. The Committee, therefore, urges the Secretary to the Treasury to be proactive and ensure that the stipulated measures are implemented without further delay. The Committee also implores 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.

vii. Failure to Call Bond Cover for Unaccounted-for Removals in Transit

In response, the Controlling Officer submitted that a total of thirty-five letters had been issued to guarantors in 2021, for redemption of bonds on outstanding transits with a total guarantee amounting to K28,355,934.31.

The Authority commenced a process of engaging the Road Transport and Safety Agency to establish whether or not any of the outstanding transit motor vehicles were registered in Zambia. A long-term measure that was in the process of implementation was the interface between ZRA and RTSA, which would introduce a system-based control, where no motor vehicle registration would be done without a corresponding clearance at ZRA. In addition, ZRA would be conducting continuous reconciliations to verify that all vehicles being registered at RTSA had a corresponding fully cleared status on the ZRA systems. The Authority would engage neighboring Custom Administrations to confirm if vehicles not registered in Zambia were imported into the neighboring countries. Further, to strengthen controls on transit vehicles, a Gazette No. 124 of 2021, was issued to restrict movement of transit vehicles on-wheels to be transported on vehicle carriers. The implementation of the Gazette was pending engagements with stakeholders and the Government.

The detailed remarks on the outstanding transits were indicated in the schedule, which included court cases such as the fifty-one outstanding 2021 transits under Najmi International involving Brisk Fast South Africa, a transporter, who was in a court dispute with its employee drivers.

Table Showing Fifty-One Outstanding 2021 Transits

No.	Destination Station	Queried		Acquitted		Outstanding	
		No of Transits	Guarantee Amount	No of Transits	Guarantee Amount	No of Transits	Guarantee Amount
1	Chembe	4	348,366.00	4	348,366.00	0	-
2	Chirundu	110	69,537,622.00	37	26,914,394.18	73	42,623,227.82
3	Kariba	6	146,376.00	3	69,336.00	3	77,040.00
4	Kashiba	30	2,071,324.00	5	470,525.54	25	1,600,798.46
5	Kasumbalesa	234	48,196,964.00	123	27,467,758.84	111	20,729,205.16
6	Katima Mulilo	3	3,184,319.00	2	3,103,732.00	1	80,587.00
7	Kazungula	20	7,260,064.00	16	6,590,674.00	4	669,390.00
8	Kipushi	9	1,441,756.00	7	1,084,163.00	2	357,593.00
9	Livingstone Port Office	1	91,555.00	0	-	1	91,555.00
10	Lusaka International Airport	2	44,428.00	0	-	2	44,428.00
11	Lusaka Port Office	76	11,888,989.00	32	4,976,500.00	44	6,912,489.00
12	Mokambo	269	11,561,009.00	33	2,482,579.73	236	9,078,429.27
13	Mpulungu	11	485,027.00	4	296,851.00	7	188,176.00
14	Mwami Border Post	4	167,756.00	1	93,031.00	3	74,725.00
15	Nakonde	60	34,385,420.00	45	25,428,639.00	15	8,956,781.00
16	Nchelenge	2	433,205.00	0	-	2	433,205.00
17	Ndola Airport	1	83,799.00	0	-	1	83,799.00
17	Ndola Office	128	37,808,494.00	128	37,808,494.00	0	-
17	Sakanya	112	3,670,126.00	8	339,990.39	104	3,330,135.61
17	Victoria Falls	13	14,651,192.00	13	14,651,192.00	0	-
		1095	247,457,791.00	461	152,126,226.68	634	95,331,564.32

The Division also intended to implement the following long-term measures to mitigate the risk of transit fraud:

- i. automation of bond management;
- ii. engagements with the Insurers Association of Zambia on the automation of bonds was ongoing;
- iii. implementation of automated bond management was expected by end of the fourth quarter of 2023; and
- iv. implementation of the Electronic Cargo Tracking System by the end of 2023.

The Division first piloted the Electronic Cargo Tracking System with the assistance of the Common Market for Eastern and Southern Africa in 2016, though results were not satisfactory.

Committee’s Observations and Recommendations

In noting the submission, the Committee urges the Secretary to the Treasury to be proactive and desist from acting after the audit process. The Committee also bemoans the inertia by the Authority to introduce progressive measures to redeem the bond. The Committee also urges the Secretary to the Treasury to ensure that the stipulated measures are implemented without any further delay. The Committee further implores 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.

viii. Loss of Tax Revenue Due to Expired Temporary Importation Permits (TIPs)

In response, the Controlling Officer submitted that the Kazungula TIP Entry C1747 of 2021, was one of the three TIPs that had been paid and was acquitted. Therefore, the TIP was not outstanding. The other two TIPs with taxes expired and the affected TPIN accounts had since been suspended. The Station Managers were following up with the agents on the matter. The remaining eleven TIPs still had valid TIP periods. The registration and processing of TIPs included issuance of red books, which facilitated for the registration of TIP vehicles with RTSA for the duration of the TIP.

In order to enhance controls and mitigate smuggling of motor vehicles, ZRA embarked on a project to interface, the Customs ASYCUDA System with the Electronic Zambia Transport Information System (e-ZAMTIS) at the Road Transport and Safety Agency. It was envisaged that the interface would reduce the risk of registration of smuggled vehicles at RTSA. The planned interface was set to be commissioned by the third quarter of 2022, soon after conducting stakeholder sensitisation and awareness activities.

In addition to the interface of the Customs System with RTSA, working in conjunction with Smart Zambia, ZRA also commenced consultations with the Immigration Department to explore possibilities of exchanging identification details of persons that entered Zambia with motor vehicles with the aim of abusing the CIP or TIP system. Under the project, ZRA would like the Immigration system to flag-up passports of such persons who might use other points of exit to evade detection. The system was earmarked for commissioning by the fourth quarter of 2022.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Secretary to the Treasury to be proactive and ensure that the stipulated measures are implemented without undue delay. The Committee also implores the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

ix. **Failure to Collect Taxes on Various Imports**

List of Companies that did not Pay Taxes due on Imports

No.	Importer Name	No. of Transactions	Value for Duty Purposes K
1	Asf Zambia Hotel Holding Limited	28	6,366,096
2	Trade Kings Limited	1010	367,515,289
3	Swiss Bake Limited	117	55,559,388
4	Dairy Gold Limited	383	205,160,457
5	Big Tree Beverages Limited	865	453,514,393
6	Bedok Ventures Limited	78	491,459
7	Quamech Engineering Services Limite	12	199,179
8	Zoncor Investment Limited	3	382,934
9	Ministry of Water Development Sanit	3	1,901,445
10	Awanji Trading Limited	26	2,010,300
11	International Commercial (Pty) Ltd	7	1,214,465.98
12	Cormac Cogan Plant Sales	17	2,985,430.01
13	Solar Skye Trading Pty Ltd	34	1,737,595.18
14	Mount Meru Petroleum Zambia Limited	227	138,714,875.82
	Total	2,810	1,237,753,306

In response, the Controlling Officer submitted that:

- i. companies listed on the table from one to five were companies with pending VAT refund receipts;
- ii. company number six, Bedok Ventures had 496 entries which had since been paid and the remaining two were being pursued;
- iii. company number seven, Quamech Engineering Services was on a time-to-pay agreement and only one entry had since remained outstanding;
- iv. company number eight Zoncor Investments Limited had settled the obligation;
- v. company number nine, Ministry of Water Development and Sanitation, awaited approval of the Government Voucher;
- vi. company number ten, Awanji Trading Limited had twenty-five entries which had since been paid. The Division was following up on the remaining unpaid entry;
- vii. company number eleven, International Commercial PTY (Zara Outlet Zambia Limited) had six of the seven entries, which had since been paid;

- viii. company number twelve, Ijuba Breweries Limited (Cormack Cogan plant sales) had sixteen of the seventeen entries which had since been paid;
- ix. company number thirteen Kuikabela Liseli Foundation (Solar Ske Trading) had thirty-two of thirty-four entries, which had since been paid; and
- x. company number fourteen, Mount Meru Petroleum had pending receipting by VAT refund.

Committee's Observations and Recommendations

The Committee finds it unacceptable that fourteen companies imported goods and registered 2,810 entries with a declaration value of K1,237,753,306, but had not paid the necessary taxes. The Committee wonders whether or not the internal audit system at ZRA is effective because this could have been detected and followed up before external auditors raised the flag. The Committee urges the Secretary to the Treasury to impress upon the Authority to strengthen its internal audit mechanisms. The Committee also urges the Secretary to the Treasury to ensure that tax is collected without any further delay and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

MINISTRY OF FINANCE – NON-TAX REVENUE

PARAGRAPH 10

Audit Findings

An examination of financial and other records maintained at the Ministry Headquarters revealed irregularities 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, 2021, a provision of K1,173,603,600 was made for revenue collection, against which amounts totaling K6,467,235,216 were collected, resulting in an over-collection of K5,293,631,616.

In response, the Controlling Officer submitted that the over-collection of dividends was caused by the receipts from the Bank of Zambia amounting to K6,273,343,618.96. Due to the nature and operations of the Bank of Zambia, dividend payments were highly unpredictable. For example, in 2020, the Bank of Zambia paid a total dividend of K2,596,963,500.00, while in 2022, the Bank of Zambia did not. The bank statement for 2021 receipt was available for audit verification.

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

b. Accounting and Irregularities

i. Non-Performing Loans for On-Lent Facility

In response, the Controlling Officer submitted that State Owned Enterprises had been performing poorly, financially. Therefore, they were unable to make repayments of interest and principal

during the period under review. However, the Government had taken corrective action by way of instituting the process of restructuring their loans.

At the time of Audit, twenty-two contracts were under the restructuring process. The basis of loan restructuring was that State Owned Enterprises were in default of the provisions of the agreements. The restructuring process was at different stages. Hence, only the agreement that was restructured and executed could be submitted for audit. The stages included: restructuring of the loan terms; approval of the restructured terms by the Secretary to the Treasury and the External Financiers; legal clearance of the amended loan agreements; and finally, execution of the loan agreements by the parties. The entire process of restructuring took several months to complete and was being done on a case by case basis.

Committee's Observations and Recommendations

The Committee notes the response and urges the Secretary to the Treasury to conclude the restructuring processes expeditiously and ensure that the loan agreements are executed without any further delay. The Committee also implores the Secretary to the Treasury to avail supporting documents to the Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

ii. Loss of Revenue – Money Lenders

In response, the Controlling Officer submitted that the challenge for non-payment of licence fees could be associated to logistical costs to obtain licences from Lusaka. Money Lenders' Licences were centrally issued from the Ministry of Finance and National Planning Headquarters in Lusaka.

A verification exercise carried out from the data that was provided from the Magistrate courts for the 131 revealed the following:

- applicants were not issued with certificates from the courts for failing to meet the general requirements, therefore, the matter was dismissed;
- applicants that were issued with certificates decided to abandon the process upon learning of a further requirement to pay for the licence at the Ministry of Finance and National Planning before trading could start;
- applicants failed to continue with their businesses as the expected capital could not be raised as planned; and
- other applicants were scared and not ready to meet the officials from the Ministry of Finance and National Planning.

Lastly, some applicants paid at the time of renewal of the certificate. These were advised to correct the situation and make payments to clear the debt still appearing on database.

Sensitisations were being conducted to educate court officials and money lenders on the benefits of paying licence fees to the Treasury. The Treasury appointed the Judiciary to collect money lenders' fees and was in the process of putting in place collection mechanisms on how the fees would be collected and accounted for.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that the payment of licence fees is decentralised and where possible, promote electronic payment methods without delay. The Committee implores the Secretary to the Treasury to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

iii. Failure to Constitute an Inspections Committee for Valuation of Pool Houses

In response, the Controlling Officer submitted that the Ministry of Works and Supply failed to constitute an Inspections Committee for Valuation of Pool Houses. However, under section 8.1.1 of the Handbook on the Civil Service Home Ownership Scheme of 1996, the membership of the Committee was as set out below.

- Director, Government Valuation Department, Ministry of Works and Supply (in dissolution).
- Chief Valuations Officer, Government Valuation Department, Ministry of Works and Supply (in dissolution).
- Senior Valuations Officer, Government Valuation Department, Ministry of Works and Supply (in dissolution).
- Valuations Officer, Government Valuation Department, Ministry of Works and Supply (in dissolution).
- Chief Investigations Officer, Anti-Corruption Commission.

The Ministry of Finance and National Planning did not sit on the Committee that valued pool houses. However, the role of Ministry of Finance and National Planning was to receipt, deposit, reconcile and account for revenue received for purchase of pool houses.

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.

iv. Lack of a Betting Control and Licensing Board

In response, the Controlling Officer submitted that some names of the prospective board members were proposed and vetted. However, at the point of submitting a Cabinet Memorandum, the previous Cabinet was dissolved.

The process of constituting the Board by the Minister of Finance and National Planning was underway, with letters requesting the nomination of officers to sit on the Board were sent to their respective institutions. The assurance that had been given was that the nomination of Board members would be completed as soon as possible. However, the delay could be attributed to the new policy direction of the Government to ensure maximisation of revenue collection. Letters requesting for the nomination of officers to sit on the board were available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to expedite the process of putting in place a Betting Control and Licensing Board without undue delay and resolves to await a progress report on the matter.

v. Failure to Cause Bookmakers to submit Annual Audited Financial Statements – Betting Companies

In response, the Controlling Officer submitted that some companies indicated on the table were not operational at the time of audit. Companies which were operational during the time of audit, were as stated on the table below.

Companies that were Operational During the Time of Audit

No.	Companies	Status
1	Farthing Zambia Sports Betting Ltd	Submitted
2	Supabet Ltd	Submitted
3	Elephant bet Ltd	Ceased operation
4	Premier Bet Ltd	
5	Betani Sports Betting Zambia Ltd	Ceased operation
6	Gametech Zambia Ltd	Submitted
7	Online Hq Solutions	Not yet operational
8	Platinum Bet Zambia Ltd	Submitted
9	Fido Sports Betting	Not yet operational. Statement of income attached.
10	Pleasure Sports Innovation Ltd	Not yet operational

Additionally, some companies were issued with licences, but they were not operational. The reasons advanced for the failure to operationalise their companies were as set out below.

- Failure to receive funding on time from the funders.
- Time for the integration processes with the Ministry of Finance and National Planning took long.
- The COVID-19 Pandemic reduced the movements and consideration of planned activities.

Therefore, the Ministry demanded that all companies which were not operational needed to give reasons why their licences should be renewed when they were not operational. Financial statements and letters from the affected companies were available for audit verification.

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 and resolves to await a progress report on the matter.

vi. Failure to Provide Security Bonds

In response, the Controlling Officer submitted that, while it was a requirement to submit a security bond, as part of the issuance of a trading licence, there was a challenge to obtain a security bond from the market. Betting was a new thing on the market and, as such, most insurance companies were not ready to insure betting entities because they were regarded as risky businesses.

Some companies used a bank guarantee as part of the security bond. Most companies that had not submitted security bonds were not operational or were falling under Lottery where such a requirement was missing. There was only one bank that had been issuing bank guarantees as another form of security. It was hoped that insurance companies would design a product that would take up the vacuum despite betting being a risky area of business. Opening of a bank account to accommodate such securities was another option to be considered in future.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to propose for regulations which will take into account the existing limitations in the betting industry without any delay. 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.

MINISTRY OF HOME AFFAIRS – DEPARTMENT OF IMMIGRATION

PARAGRAPH 11

Audit Finding

An examination of accounting records maintained at Headquarters and visits to selected stations revealed irregularities to which the Controlling Officer responded as set out below.

a. Budget Against Actual Collections.

In the Estimate of Revenue and Expenditure for the Year Ended 31st December, 2021, a provision of K357,824,559 was made, out of which revenue in amounts totalling K759,064,029 was collected, resulting in an over collection of K401,239,470.

In response, the Controlling Officer submitted that the Department of Immigration received more application services from permits and visas than anticipated. In comparison, the Department received a total of 16,382 more applications in 2021, than that of 2020, hence, collecting more revenue compared to the previous year. Further, there was an upward adjustment of fees at the beginning of 2021, through revocation and replacement of Statutory Instrument No. 15 of 2017.

Committee's Observations and Recommendations

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

- **Irregularities in the Management of Revenue**

- i. **Misappropriation of Revenues – Immigration Headquarters – K3,148,250**

In response, the Controlling Officer submitted that the internal audit report revealed the misappropriation of revenue by the cashier and swiftly acted on the matter by suspending the officer and reporting the matter to the Drug Enforcement Commission (DEC). The erring officer had since been arrested and was appearing in the Courts of Law; and administratively management recommended for her dismissal to the Civil Service Commission. The officer had since been dismissed by the Commission, which further recommended the recovery of the unaccounted-for revenues from the officer's terminal benefits. Further, Management had since tightened internal controls as follows:

- non-handling of cash at Headquarters for payments;
- only accept certified bank managers cheques;
- daily supervision of deposits of cheques by senior officers; and
- encourage all applicants to be making payment online using the Zambia Immigration Management System platform.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officers to avail supporting documents to the Auditor General for audit verification. The Committee will await a progress report on the matter.

- ii. **Misappropriation of Revenues – Nchelenge Border Post - K1,693,476**

In response, the Controlling Officer submitted that the internal audit report had earlier revealed the misappropriation of funds by the officer. Management had acted on the matter by suspending the officer and reporting the matter to DEC. The suspect had since been arrested and was appearing in court. Additionally, management had since strengthened the controls in handling cash by ensuring monthly revenue monitoring by the financial management team in areas where cash was collected.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officers to avail supporting documents to the Auditor General for audit verification. The Committee will await a progress report on the matter.

- iii. **Unclaimed Interest on Delayed Transfer of Revenue to Control 99 – K4,087,362**

In response, the Controlling Officer submitted that the delayed transfer of revenue to Control 99, was as a result of the Commercial Banks not abiding by the terms and conditions as stipulated in the Service Level Agreement between the Treasury and commercial banks.

The Public Accounts Committee, in 2020, recommended that the Secretary to the Treasury must provide a policy direction on the administration of Service Level Agreements by other spending agencies. The Committee also directed the Secretary to the Treasury to claim the interest from commercial banks on the delayed transfer of funds. Further, Management had written to the

Treasury to remind them to claim interest on delayed remittance of revenue due to the Government.

Committee’s Observations and Recommendations

The Committees notes the submission and urges the Secretary to the Treasury to provide, as a matter of urgency, a policy direction on the administration of Service Level Agreements by other spending agencies. The Secretary to the Treasury should ensure that interest on delayed transfers is claimed without undue delay. The Committee urges the Secretary to the Treasury to submit supporting documents to the Office of the Auditor General for audit verification. The Committee resolves to away a progress report on the matter.

iv. Failure to Provide Information for Audit

In response, the Controlling Officer submitted that the records for the period under review had been submitted to DEC under seizure notice to facilitate for the prosecution of the case before the Courts of Law. Further, the fraud was revealed by an internal audit report which highlighted the irregularities upon which Management acted to suspend the erring officer and reported the matter to DEC for investigations and possible prosecution.

Committee’s Observations and Recommendations

The Committees notes the submission 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.

- **Employment Permits Issued during the period under review indicating the skills set for which permits were issued at Nchelenge Border Post**

In response, the Controlling Officer submitted that the Department of Immigration did not issue employment permits at Nchelenge Border Post because all permits were issued at Headquarters and regional offices.

Committee’s Observations and Recommendations

The Committee notes the submission and recommends that the matter be reported to DEC for further investigations. The Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification. The Committee resolves to wait for a progress report on the matter.

- **General Revenue Cash books, deposit slips and bank generated deposit confirmation slips for the following range:**

- *1313001-1313100*
- *1313101-1313200*
- *0342701-0342800*
- *0892401-0892500*

In response, the Controlling Officer submitted that at the time of audit, the records had been surrendered to DEC under a seizure notice for investigations and possible prosecution of the case in the Courts of Law. The seizure notice would be availed to the Office of the Auditor General for Audit verification.

Committee’s Observations and Recommendations

The Committee notes that the issue had been reported to the Drug Enforcement Commission for further investigations and possible prosecution. 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 monthly returns for January – December, 2020, February – August 2015, October – December 2016, 2017, 2018, 2019 and January 2021 and accompanying bank statements**

In response, the Controlling Officer submitted that at the time of audit, the records had been surrendered to DEC under a seizure notice for investigations and possible prosecution of the case before the Courts of Law and the seizure notice was available for audit verification.

Committee’s Observations and Recommendations

The Committee notes that the issue has been reported to DEC for further investigations and possible prosecution. 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 TRANSPORT AND LOGISTICS – ROAD TRANSPORT AND SAFETY AGENCY

PARAGRAPH 12

Audit Findings

An examination of accounting and other records maintained at the Road Transport and Safety Agency, Headquarters and visits to selected stations for the Financial Year Ended 31st December, 2021, revealed various irregularities to which the Controlling Officer responded as set out below.

c. Under Collection of Non-Tax Revenue

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a provision of K597,944,842 was made for revenue collection, against which amounts totalling K525,627,783 were collected, resulting in under collection of K72,317,059 as indicated in the Table below.

Table showing Estimates Against Actual Collections

Revenue Type	Approved Estimates (K)	Actual Collections (K)	Variance (K)
Road traffic collections	597,944,842	525,627,783	(72,317,059)
Total	597,944,842	525,627,783	(72,317,059)

In response, the Controlling Officer submitted that RTSA also collected revenue under carbon emission surtax. The budget for RTSA included both carbon emission surtax and road user fees. However, the Ministry of Finance and National Planning instructed RTSA to report the Inland

Carbon Emission Surtax in 2019. The carbon emission surtax was a tax revenue, while the road user fees was a non-tax revenue. Documents indicating authority from the Ministry of Finance and National Planning to report Carbon Emission Surtax collected by RTSA were available for audit verification.

The Financial Report of the Republic of Zambia ó Statement B did not have a budget line for Inland Carbon Emission Surtax collected by RTSA in 2021. The Carbon Emission Surtax in amounts totaling K53,968,751 was reported under ZRA, as tax revenue as indicated in the documents for the Financial Report, while road user fees, in amount totaling K525,627,783 were reported under road traffic collections as non-tax revenue, as shown in the Financial Report, hence the variance in the reported amount as per the Auditor General's Report.

The Financial Report of the Republic of Zambia ó Statement B now had a separate budget line for reporting the Inland Carbon Emission Surtax collections. The budget line was introduced in 2022.

The Ministry of Transport and Logistics requested the Ministry of Finance and National Planning to make prior year adjustments to the Government financial statements in order to address this matter. Further, the Ministry of Transport and Logistics noted similar provisions in the 2022 and 2023 budgets and had since asked the Ministry of Finance and National Planning to make similar adjustments. Documents were available for audit verification.

The reasons for the under collection were as follows:

- i. there was a reduction in cross border transportation because of the COVID-19 restrictions as indicated in the trend analysis for two selected borders that contributed mostly towards revenue collected through Road Service Licence (RSL); and
- ii. in 2021, there was a decline in economic activities due to COVID-19 restrictions, which affected revenue collection for the Agency. COVID-19 restrictions also affected road traffic enforcement activities since they involved social contact.

The measures put in place to mitigate the under collection were as set out below.

- i Promotion of use of online platforms such as the GSB to enhance revenue collections.
- ii Increased geographical reach through local authorities and mobile licensing.
- iii introduction of shot messages/email notifications of road traffic offences resulting in enhanced compliance and revenue collections.

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

d. Unaccounted for Revenue – Chingola and Silverest Station

• **Silverest Unaccounted Revenue of K84,630**

In response, the Controlling Officer submitted that the officer responsible for banking revenue collected at the Silverest Station was with-holding money and not banking the following business day (teeming and lading). The amount of K84,630 stated in the Auditor General's Report was a result of the under-banked revenue of K79,444 and K5,186 system discrepancy. This discrepancy was a known matter that had been reported in the previous Audit Reports and resolved. Documentation was available for audit verification.

The erring officer was disciplined in line with the RTSA's Disciplinary and Grievance Procedure Code and dismissed. The amount of K79,444 was recovered from the erring officer's benefits. Bank Remittance for K79,444, charge sheet and dismissal letter were available for audit verification.

Additionally, RTSA used the end of day reconciliation report to record and bank the revenue collected. Further, RTSA conducted a capacity building program in finance for non-financial managers over revenue collection against banked revenue. Station managers were required to scrutinise the transactions processed through bank transfers. Capacity building reports were available for audit verification.

• **Chingola Unaccounted Revenue of K179,613 and K95,932**

The Controlling Officer submitted that the unaccounted-for revenue of K275,545 (K179,613 in 2021 and K95,932 in 2020) in Chingola was attributed to collusion between the clients employees and the RTSA officer to transact on their ledger balances of bank transfer payments. This was where cash receipts were being processed as bank transfers. Some cash payments made by the clients were not declared by the RTSA officer when compared to the cash lodgement forms signed off by the cashiers. Based on the principle of vicarious liability, the Agency may be held liable for the wrongs that were committed by the employee in the course of his duties.

The RTSA officer was involved in both the unaccounted-for revenue of K197,613 in 2021 and K95,932 in 2020. Further, the officer was disciplined in line with the RTSA Disciplinary and Grievance Procedure Code and subsequently dismissed. The charge sheet and dismissal letter were available for audit verification.

The total amount of K144,701.70 out of K179,613.00 relating to 2021, would be recovered from the employee's benefits in anticipation of a claim against the Agency for the loss that the client suffered.

Further, when the Agency calculated the officer's terminal benefits, his benefits were amounting to only K144,701.70. Therefore, the only amount that could be recovered from him was of K144,701.70 relating to 2021 leaving a balance K34,911.30.

The Agency commenced insurance claims for K130,843.30 (K95,932 plus K34,911.30) as this amount could not be recovered from the erring officer's benefits. A schedule for terminal benefits for the erring officer, insurance claim for lost revenue and request to the Zambia Police to re-investigate the case was available for audit verification.

The RTSA conducted a capacity building program in finance for non-financial managers over revenue collection against banked revenue. Station managers were required to scrutinise the transactions processed through bank transfers. Capacity building reports were available for audit verification.

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

e. Delayed Banking – Silverest

In response, the Controlling Officer submitted that there was inadequate supervision at the station which led to the delay in checking the accounting records. Both the supervising officer and the erring officer were disciplined in line with the RTSA Disciplinary and Grievance Procedure Code. The erring officer had since been discharged. The disciplinary letter, charge sheet and dismissal letter were available for audit verification.

The Agency conducted a capacity building program in finance for non-finance managers over revenue collection against banked revenue. Station managers were required to scrutinise the banking documents for deposited money on a timely basis as required by the *Public Finance Management Act No.1 of 2018*. Capacity building reports were available for audit verification.

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

f. Weakness in Managing Road Service Licence for Public Service Vehicles

i. Failure to collect RSL fees from Buses Operating in the Stations

In response, the Controlling Officer submitted that the non-compliance to the Road Service License scheme by most operators was attributed to reduced enforcement activities due to COVID-19 and cadre-ism at the time.

Out of the sixty-two operators cited for operating without paying RSL fees, thirty-nine or 63 per cent operators had since complied and paid the RSL fees amounting to K20,202.

The remaining twenty-three vehicles had been blocked on the system and the necessary fees would be collected at the time the operators would be transacting with the Agency. The RSL and the current motor vehicles status were available for audit verification. The Agency had since stepped up enforcement activities targeting public passenger transporters.

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

ii. Loss of Revenue – Taxis Operating under Yango and Ulendo

In response, the Controlling Officer submitted that the non-registration of operators of car hailing systems on RSL for online operators was due to lack of a provision in the *Road Traffic Act, No.11 of 2002*, to regulate online ride-hailing services. The *Road Traffic (Amendment) Act, No. 8 of 2022*, made appropriate provisions to regulate the online operators. The draft statutory instrument to actualise this had been submitted to the Ministry of Justice for consideration. A copy of the draft statutory instrument and letters to the Ministry of Justice were available for audit verification. The Agency had since drafted a statutory instrument to provide a legal framework for regulating online ride-hailing services.

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

g. Failure to Fill Key Fields on the Motor Vehicle Database

In response, the Controlling Officer submitted that this was caused by inaccurate capturing of data. The motor vehicles with wrong cylinder capacity had all been corrected on the system based on the examiners physical inspection reports. A list of motor vehicles with corrected engine capacity and letter to the Auditor General were available for audit verification. Capacity building programs would be conducted for examiners and data capturing clerks. A directive had since been issued to all provincial and station managers to ensure accurate capturing of data before authorisation of transactions.

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

MINISTRY OF LANDS AND NATURAL RESOURCES

PARAGRAPH 13

Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and visits to selected district offices for the financial year ended 31st December, 2021, revealed various irregularities to which the Controlling Officer responded as set out below.

a. Budget against Actual Collection – Under Collection of Revenue

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December 2021, a revenue provision of K392,736,832 was made, against which amounts totalling K277,884,773 were collected, resulting in an under collection of K114,852,059, contrary to section 29(2)(b) of the *Public Finance Management Act, No. 1 of 2018*, which stipulated that every Controlling Officer would be responsible for attainment of revenue targets as provided for in the annual Estimates of Revenue and Expenditure.

In response, the Controlling Officer submitted that the major variances were on consideration fees and ground rent. The Project (MEDICI) had envisaged to produce 250,000 Titles Deeds which

would have yielded K159,000,000 under systematic titling but only 29,286 clients responded, yielding only a sum of K25,190,566.50.

The under collection was compounded by a number of factors such as:

- i lack of a legal provision to institute punitive measures against clients who defaulted; and
- ii fees generally being client driven and in the case of survey fees, clients opted to engage private surveyors, resulting in a loss in the projected revenue for the Government.

The Ministry was constantly reviewing the contract to enhance performance targets and sensitising clients through various platforms.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to be proactive and devise mechanism to encourage clients to settle the bills promptly as well as engage Government surveyors to increase revenue collection. 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. Accounting Irregularities

i. Failure to Collect Revenue on Issued Bills, Demand Notices and Local Authorities

In response, the Controlling Officer submitted that the reasons for failure to fully collect outstanding bills were as follows:

- **Ground Rent Arrears**

The Ministry could not execute all the planned visits during the period under review because of the restrictions on movements and officers working on alternate basis due to the outbreak of COVID-19. During the period under review, there was generally a restriction on movement and officers were encouraged to minimise interactions with the public. Further, there was an arrangement to rotate staff which meant fewer officers were available at any given time.

- **Clients Bills With Zero Payment**

The Controlling Officer submitted that some clients did not make payments during the year under review because the fees were client driven although the Ministry factored in a 25 per cent penalty on bills not settled during the financial year in order to compel clients to pay. The Ministry also notified clients through other platforms like radio and SMS.

- **Local Authorities**

The Controlling Officer submitted that over the years, councils have not been remitting ground rent which was collected in their jurisdictions. However, the Ministry of Lands and Natural Resources had been engaging councils to make payment through the Ministry of Local Government and Rural Development, but there had been no positive reaction. There were records to show that the Ministry even engaged the Treasury and Cabinet Office to try and recover the amounts owing by the affected councils directly from Government grants.

The above notwithstanding, the National Land Titling Programme was slowly bringing the properties in former council areas on the Ministry's database, thereby reducing the amounts collectable through the councils. In addition, the Land Information System that the Ministry and SMART Zambia developed would allow for online payments. This would remove the councils from the process of collecting ground rent. The Ministry was consulting with the Ministry of Justice for guidance on the matter. Further, the Ministry had since intensified sensitisation of clients through road shows and other platforms.

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

ii. Failure to Attain Revenue Collections Target

" Strategic Objective 1 – Improve Land Administration

In response, the Controlling Officer submitted that failure to attain the set target of 5,020,000 certificates of titles by the year 2021, was because of the following challenges.

- **Encumbrances due to Pre-existing Titles and Surveys on Land Occupied by Informal Settlers**

The Controlling Officer submitted that a lot of parcels of lands were encumbered by legacy land titles and surveys, especially in informal settlements (demarcation areas). To address this, the Ministry had set up an encumbrance committee to work on lifting these encumbrances within the legal limit of the law. Management was further considering possible changes in the law to allow for quicker cancellation of legacy titles where necessary.

- **Councils Issuing Occupancy Licences**

While the Ministry signed a contract with Medici, councils on the other hand engaged other service providers (mainly MEDEEM) to issue occupancy licences in a bid for them to get revenue. As at May and June, 2021, the project could not proceed in Chilanga and Kafue where imagery and pre-vectorisation of parcels had taken place. Landowners who had paid for occupancy licences at the councils were not willing to pay for Title Deeds to the Ministry as they considered it double payment. Councils were also looking at their loss of revenue if they stopped issuing occupancy licences.

The Ministry of Lands approached the Ministry of Local Government and Rural Development, which guided councils to stop issuing occupancy licences. The Ministry had since continued to engage the councils on a case by case basis. The Ministry of the Lands was of the view that a permanent solution to this matter was to repeal the *Urban and Regional Planning Act, No. 3 of 2015*, which permitted councils to issue occupancy licences. Documents were available for audit verification.

- **Payment of Titling Fee**

The Committee was informed that every landowner must make a minimum payment of titling fee and pay the rest in three years. However, some landowners considered the fee as unaffordable and also the process of payment being cumbersome.

On the issue of affordability, Management had proposed a staggered payment to ease the payment burden. Regarding the process of payment, Management had engaged the Ministry of Finance and National Planning and Smart Zambia Institute to help streamline the process and allow payments through online banking and mobile money payments. An integration of Zanaco Bill Muster with the National Land Titling System was expected to allow for flexibility of payment by land-owners.

- **COVID-19**

Due to COVID-19 pandemic during the period under review, the project was not conducting public meetings to sensitise landowners and every time there was a new wave, the project had to put on hold some activities or reduce the number of staff.

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

iii. Contract for National Land Titling Programme with Medici Land Governance Ltd and World Bank – K1,323,551,518

In response, the Controlling Officer submitted that the slow rate in the issuance of Certificates of Title was because of the challenges already stated above, which included encumbrances due to pre-existing Title Deeds and surveys on land occupied by informal settlers; councils issuing occupancy licence; failure by clients to pay statutory fees; and the COVID-19 Pandemic.

To address the challenges brought about by the pandemic, the project devised ways to reach-out to the public through public announcements using megaphones, fliers and short message services. In order to distribute offer letters and Certificates of Titles and allow for social distancing, the project had to divide property owners into smaller groups to come at specific times at designated sites. This naturally reduced the numbers greatly. However, after the fourth wave, the project had seen a rise in the issuance Certificate of Titles and public engagement on the Copperbelt had been carried out.

Management recognised that the number of Titles Deeds were modest at the moment as the contractor did not refine the processes prior to scaling up, given that the project required public participation and was national in scope, and required adequate time to sensitise the public. It was expected that with the recent implementation on the use of the e-signature, the contractor's output would increase significantly. The Ministry of Lands and Natural Resources would continue to monitor and assess progress on the matter.

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

iv. Undercharging on Conveyance Licences – Kalomo and Pemba District Forestry Offices

In response, the Controlling Officer submitted that the 50 kilogramme bags of charcoal referred to in the Statutory Instrument, was for the volume of the bag and not by weight. The standard grain

bag was currently 50 kilogramme from the previous 90 kilogramme grain bag used to pack the produced charcoal. The common bags used by charcoal producers in Pemba were the red and green labelled bags, which had the volume of a 50 kilogramme bag. Tree species have different density, and if weighed would produce different volumes of bags. As a result, for easy assessment, monitoring and law enforcement, a stand volume of a 50 kilogramme grain bag was used. If weight was to be used as a measure for charcoal, it would mean all the districts should have scales and move with scales to measure the charcoal conveyed. Unfortunately, the Government had not put in place such measures. Therefore, the 50 kilogramme referred to in the regulations was based on volume and not weight. When the standard grain bag was 90 kilogramme, conveyance of charcoal was based on a 90 kilogramme grain bag by volume. Documentation was available for audit verification.

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

c. Irregularities in Billing of Property

i Demand Notices with Zero Amount Billed

In response, the Controlling Officer submitted that the properties cited in the Auditor General's schedule identified as not billed for 2021, were actually billed. Documents were available for audit verification.

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

ii Loss of Revenue Due to Unbilled Properties (Ground Rent)- K2,842,193

In response, the Controlling Officer submitted that some of the properties were actually billed, while others related to surrendered properties.

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

iii Properties Billed with Credit Balances - K152,517

In response, the Controlling Officer submitted that these related to properties where payments were reversed either due to double billing or reallocation.

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

iv Failure to Cancel Unpaid for Invitation to Treat

In response, the Controlling Officer submitted that this was as a result of challenges faced in the Zambia Integrated Lands Information Management System (ZILMIS). Under normal circumstances, the system should have a feature whereby Invitation to Treat (ITTs) should cease to exist after the expiry of ninety days. However, the current system did not have that feature. As a result, the cancellation of ITTs was done manually and usually when there were new applications for the affected properties. Therefore, some ITTs remained active even after the expiry of ninety days. Further, in the new system, quotations would be generated and after the expiry of ninety days, while the quotation would automatically lapse.

Committee's Observations and Recommendations

The Committee expresses concern that a system that is meant to improve service delivery had challenges and urged the Controlling Officer to ensure that the system is improved so that unpaid for ITTs are cancelled without any further delay. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

MINISTRY OF COMMERCE, TRADE AND INDUSTRY

PARAGRAPH 14

Audit Findings

An examination of accounting and other records maintained at the Zambia Compulsory Standards Agency (ZCSA) Headquarters and selected stations for the Financial Year Ended 31st December, 2021, revealed various irregularities to which the Controlling Officer responded as set out below.

a. Budget against Actual Revenue Collection

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a provision of K122,441,236, was made for revenue collection, against which amounts totalling K251,100, 651, were collected resulting in an over collection of K128,659, 415.

In response, the Controlling Officer submitted that the Agency collected non-tax revenue, on a cost recovery basis, from services provided to importers and manufacturers of products falling within the scope of compulsory standards. The non-tax revenue was originally meant to cover the cost of service provision to importers (inspection, payment for testing services and licensing) and manufacturers, before the Government changed the funding model to the Appropriation-in-Aid (AIA). The non-revenue projections or targets were based on the planned activities and funding allocated to the Agency to carry out its mandate.

During the period under review, the Agency was allocated funding of K38,376,339 and a revenue target of K122,441,236. The Agency, however, requested for a supplementary budget of K30,000,000 from the Ministry of Finance and National Planning to enhance implementation of its mandate and non-tax revenue collection as indicted in the letter from the Ministry of Finance and National Planning. The supplementary budget was approved on condition that the Agency would implement more activities and revise its non-tax revenue target from K122,441,236 to K220,123,931.51. The revised target for 2021, was, therefore, K220,123,931.51, while the actual non-tax revenue collection was K251,100,651, which was 14 per cent above target.

The Supplementary Budget was used to invest in its transport fleet, information and communication technology equipment and staff recruitment, to enhance implementation of the Agency's mandate. The Agency used the Supplementary Budget to demonstrate that it could implement more activities if funding was enhanced.

The Agency had continued to engage the Ministry of Finance and National Planning through the Ministry of Commerce, Trade and Industry to ensure that the funding allocated to the Agency was commensurate with the activities required to implement its mandate and meeting associated non-tax revenue targets.

Committee's Recommendation and Observation's

The Committee notes the Controlling Officer's response and urges the Controlling Officer to avail supporting documents to Auditor General for audit verification.

b. Governance Issues – Lack of Board of Directors

In response, the Controlling Officer submitted that the process of instituting a board had progressed and the list of selected nominees had been submitted for security clearance.

Committee's Recommendation and Observation's

In noting the submission, the Committee urges the Controlling Officer to expedite the process of putting in place a Board of Directors for the Agency as provided for in the *Compulsory Standards Act, No. 3 of 2017*. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

c. Failure to Collect Prescribed Fees – Import of Tyres

In response, the Controlling Officer submitted that the Agency collected testing fees from importers of pneumatic tyres on a cost recovery basis for samples collected for testing by laboratories which provided testing services to the Agency. This was the service for which the testing fees were meant. Currently, one of the challenges being faced by the Agency was inadequate testing capacity because no laboratory in the country had the capacity to test pneumatic tyres. Due to the above challenge, the Agency guided officers not to be collecting fees for a service which the Agency could not provide. Therefore, the Agency did not charge and collect the fees during the period under review due to the challenge highlighted. Currently, the Agency was using inspection equipment to determine compliance with requirements of the compulsory standard for pneumatic tyres. Further, the Standards Import Quality Monitoring Regulations, allowed reliance on analysis reports issued in countries of export.

Going forward, the Agency would continue to engage the Ministry of Finance and National Planning through the Ministry of Commerce Trade and Industry to provide additional funding for the procurement of test kits for pneumatic tyres whose cost would be recovered through the provision of testing services.

Committee's Recommendation and Observation's

In noting the submission, the Committee urges the Controlling Officer to expedite the process of procuring test kits for pneumatic tyres to ensure that the Government does not lose out on revenue that will be collected from the importation of pneumatic tyres. The Committee urges the

Controlling officer to avail supporting documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

d. Unaccounted for Revenue

In response, the Committee was informed that the actual unaccounted-for amount after verification was K255,084.44. The difference of K27,200 was verified and confirmed to have been banked accordingly and supporting documents were available for audit verification.

The above unaccounted-for revenue related to an offence which was committed by a former Accounts Assistant who was based at Kazungula One-Stop-Border Office and was dismissed by the Agency after the disciplinary process. The discrepancies were discovered by the Internal Audit Unit during the routine monthly audit verifications of non-tax revenue and recommended for disciplinary action to be taken against the officer for failure to account for revenue received at the station.

Disciplinary action was taken against the former Accounts Assistant who was found guilty of failure to account for non-tax revenue. Both the Disciplinary and Appeals Committees, which sat between 3rd March, and 7th June, 2022, recommended that he be dismissed and reported to the Zambia Police. The Agency reported the matter to Livingstone Central Police Station, which also handled cases of fraud from Kazungula District. The dismissed officer was apprehended on 7th October, 2022, and charged by the Zambia Police who were in the process of taking the matter to court. Documentation relating to the dismissed officer was available for audit verification.

Committee's Recommendation and Observation's

The Committee notes the submission 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.

MINISTRY OF TOURISM

PARAGRAPH 15

Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and selected stations for the Financial Year Ended 31st December, 2021, revealed various irregularities to which the Controlling Officer responded as set out below.

a. Budget and Actual Collections

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a total revenue provision of K131,045,838 was made, against which amounts totalling K153,605,618 were collected resulting in an over collection of K20,951,067.

In response, the Controlling Officer submitted that the 2021 Revenue Estimates were prepared under COVID-19 Restricted Working Conditions, hence lower than the previous years. During the year of implementation, the COVID-19 Working Restrictions were lifted, and the revenue team made follow-ups which resulted in a positive response in all revenue streams except for the casino licence.

The casino license fees estimate amounting to K1,367,361.00 was based on forty-eight casino establishments. The casino establishments were negatively affected by the pronouncements issued to restrict their operating hours to curb the spread of the COVID-19 Pandemic. This measure limited the capacity for casinos to increase the number of tables and consequently resulted in the reduction in amounts collected.

With regard to Hunting and Park Fees, the Ministry projected to collect a total of K126, 614,154, but instead K148, 777,343.00 was collected, resulting in a favorable variance of K22, 163,189.00. The positive variance was attributed to the following:

- i. most operators implemented the COVID-19 economic recovery plan, which made the operators to rebound through the increase in number of tourists who visited National Parks. This indicated an increase in revenue due to increased number of visitors who accessed several tourism products; and
- ii. concessionaires who made prior bookings in 2020 rescheduled their activities to 2021 due to the COVID-19 Pandemic, resulting in a positive variance.

The Ministry would continue to make follow-ups on the non-compliant casino operators to ensure that all the outstanding revenue was collected and accounted for. In addition, the Ministry was in the process of implementing the e-payment system using the GSB in collaboration with Smart Zambia to enhance revenue collection.

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

- **Management of Concessions – Department of National Parks and Wildlife**

- i. **Failure to Renew Concession Agreement**

In response, the Controlling Officer submitted that the renewal of Concession Agreements for operators in the Kafue National Park, was stalled due to the commencement of negotiations for a collaborative Partnership Agreement with African Parks Network in 2016. The prolonged negotiations on the collaborative partnership agreement created uncertainties that affected renewal of the Concession Agreements. As a stopgap measure, the Ministry continued to collect revenue to keep the operators in the Park in order to curb illegal activities. Nonetheless, the Ministry started the process of approval to have the draft Agreements concluded so that they could be ready for submission to the African Parks Network for consideration.

The provisions in the Conservation Collaborative Management Agreement entered into by the Government of the Republic of Zambia and African Parks Network, relating to the management of the Kafue National Park, required that any renewals or new Trade Concession Agreements (TCAs) would be submitted to the Greater Kafue Landscape Limited Board for approval.

The Ministry engaged African Parks Network on the formation of the Board. The African Parks Network had since constituted the Board and it was scheduled to sit in November, 2022, to consider the recommendations from the Ministry regarding the approval of outstanding TCAs.

The Board would then submit the considered agreements to the Ministry for conclusion and final approval. Once approved by the Board, the agreements would then be submitted to the Office of the Accountant General and Attorney General for clearance before signing. With the conclusion of negotiations with African Parks Network and the signing of the Agreement in 2022, the draft Tourism Concession Agreements for Mawimbi Safaris; Mukambi Safaris (Plains Camp and Fig Tree); and Kafwala Safaris had been negotiated and were pending approval by the Greater Kafue Landscape Limited Board of African Parks Network. The draft TCA for Lubungo would only be concluded when the operator liquidated the outstanding debt of \$11,907.17 out of the sum of \$49,374.17. The operator had since paid \$37,467.

The Ministry included a pre-condition in the draft TCAs that the Agreements would only become effective when the concessionaire offset all outstanding fixed and variable fees due to the Government during the period when the facility was operational to avoid any loss of revenue. The Ministry would continue to engage African Parks Network to ensure that the pending draft TCAs were finalised.

Committee's Observations and Recommendations

The Committee is deeply saddened at the Ministry's failure to renew concession agreements for five operators in the Kafue National Park, namely: Lubungo Safaris, Mawimbi Safaris, Kafwala Safaris, Mukambi Plains Bush Camp and Mukambi Fig Tree Bush Camp whose tourism agreements expired for periods of over five years. The Committee urges the Controlling Officer to expedite the process of signing the agreements without any further delay 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.

ii. Weaknesses in the Monitoring and Management of Hotel Managers and Tourism concession

- **Failure to Collect Revenue**

- **Tourism Development Credit Facility – K9,111,901**

In response, the Controlling Officer submitted that efforts to intensify collection of debt were hampered by travel restrictions imposed on Civil Servants to limit the spread of COVID-19. In 2021, the Ministry applied for authority to travel but was not granted. The Ministry continued to follow-up on defaulters after the travel restriction was lifted and this resulted in recovery of K33,000, as at 22nd August, 2022, leaving a balance of K9,078,900.91. Documents were available for audit verification. In addition, the Ministry of Tourism wrote to the Ministry of Justice Debt Collection Unit to assist with recovery of the outstanding amounts. The Ministry of Justice had since responded requesting for additional information to facilitate the debt collection exercise.

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

- **Hunting and Tourism Concession fees – K 1,258,589 and US\$323,364**

In response, the Controlling Officer submitted that the Ministry was facing challenges in collecting fees for the following reasons.

Firstly, land user fees for Chiawa Game Management Area could not be collected due to the fact that the matter was currently in court. In 2018, operators in Chiawa Game Management Area were served with demand notices for outstanding fees based on Gazette No. 334 of 1998. The operators contended and proceeded to the Courts of Law, through their legal representatives, stating that Gazette No. 334 did not survive following the repealing of the *Finance (Control and Management) Act, of No. 74 of 1969*. This had resulted in the non-payment of the land user fees by the operators.

Secondly, concession fees for national parks could not be collected due to the fact that operators had the understanding that the 50 per cent waiver on concession fees granted in 2020, was also applicable in 2021, which was not the case. The operators could not remit their dues as their operations were adversely affected by the COVID-19 Pandemic. Despite the negative impact of the COVID-19 Pandemic, the operators were expected to pay the normal fees as the waiver was not reflected in the 2021 budget to allow the Ministry effect the 50 per cent reduction in fees. It was a challenge for operators to settle their dues as most had scaled down and a number had closed completely.

The Committee was informed that the Ministry:

- i. had continued to engage the concessionaires on the clearance of their outstanding debts;
- ii. had introduced a clause in the TCAs which provided for advance payment or performance security guarantee against concession fees. This provision would assist the Government in reducing cases of defaulting concessionaires; and
- iii. was in the process of introducing the e-payment system using the GSB, which would enhance revenue collection.

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

- **Hotel Manager Registration Fees – K1,113,000**

The outstanding fees referred to related to practicing licences and exemptions. The Committee was informed that 2021, was a difficult year for most establishments as travel was restricted. Many were operating at a loss due to the substantial scale-down in tourist arrivals from 1.266 million recorded in 2019, to just about 500, 000 in 2021. The reduction in arrivals negatively affected the cash flows of the establishments resulting in default in payment of fees.

The Ministry had continued to issue demand notices to the affected establishments to collect outstanding fees. The National Prosecution Authority (NPA) had also been engaged to assist with the recovery of outstanding fees from non-compliant accommodation establishments. Further, the Ministry of Tourism was in the process of rolling out e-payment system of hotel managers' registration fees and others services through the GSB. Documents were available for audit verification.

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

- **Casinos fees – K37,500**

In response, the Controlling Officer submitted that the K37,500 was made up of three casinos namely:

- **Lotus Valley owing – K13,500**

The Lotus Valley was not in operation and a copy of a letter from the Department of Immigration dated 11th May, 2022, was availed for audit verification to prove that the casino had closed down.

- **Treasure Highland owing – K10,500**

The Controlling Officer submitted that Treasure Highland was operational and a demand letter was sent to its office in Kitwe requesting them to pay the outstanding balance of K10,500.

- **Lisboa Casinos owing – K13,500**

The Committee was informed that Lisboa Casinos was operational and made part payment of K6,000 in August, 2022, leaving a balance of K7,500.

The Ministry of Tourism would continue following up on the non-compliant casinos and was also in the process of implementing the e-payment system to enhance collections of casino fees. Documentation was available for audit verification.

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

MINISTRY OF MINES AND MINERALS DEVELOPMENT

PARAGRAPH 16

16.2 Audit Findings

An examination of accounting and other records maintained at the Project Implementation Unit and selected stations for the Financial Year Ended 31st December, 2021, revealed various irregularities to which the Controlling Officer responded as set out below.

- a. Budget against Actual Collections**

In the Estimates of Revenue and Expenditure for the Financial Years Ended 31st December, 2020, and 2021, a total provision of K105,714,397 (K51,236,183 and K54,478,214 for 2020 and 2021) were made against, which amounts totalling K108,507,322 (K53,823,713 and K54,683,609) were collected, resulting in a total over collection of K2,792,925 (K2,587,530 and K205,395 for 2020 and 2021) respectively.

b. Operational Matters

i. Failure to Collect Outstanding Area Charges

In response, the Controlling Officer submitted that the K32,260,426 outstanding area charges were broken down as follows:

- (i) K18,792,157.87 related to invoices that have since been settled;
- (ii) K10,002,812.76 related to invoices that have not been paid;
- (iii) K3,465,455.17 related to applications that have been approved awaiting to be granted;
- (iv) K18,769.27 related to licenses that have since been terminated; and
- (v) K55,548.80 related to licenses that have expired.

The Committee was informed that for those licenses that had not been paid, the Ministry had challenges to collect area charges because of COVID-19 restrictions, which were imposed by the Ministry of Health 2021. The Ministry could not suspend or revoke mining licenses because the Mines Licensing Committee could not sit during the period under review. For the licenses that had expired and terminated, the Ministry would seek legal advice from the Office of the Attorney General on how to recover the money owed.

Committee's Observations and Recommendations

In noting the submission, the Committee expresses concern at the manner in which the Ministry is handling the issue of revenue collection by being reactive and not proactive. The Committee urges the Controlling Officer to expedite the legal processes that will ensure that funds are collected from mining companies that still owe the Ministry. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

ii. Failure to Bill Active Developers

In response, the Controlling Officer submitted that the Mining Cadastre Department had an effective system of billing the mining right holders. The system automatically sent electronic bills to the clients through emails and mobile messages, informing them of the amount owed and the due dates.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

iii. Failure to Collect Area Charges

In response, the Controlling Officer submitted that the Ministry had written to the ten erring developers to settle the area charges, failure to which, the Ministry through the Office of the Attorney General would take legal action against them.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to expedite the process of collecting the funds from the ten erring developers without undue delay and avail supporting documents to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

MINISTRY OF HOME AFFAIRS – ZAMBIA POLICE SERVICE

PARAGRAPH 17

Audit Findings

a. Budget Against Actual Collections

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31stDecember, 2021, a total revenue provision of K70,030,773, was made out of which amounts totalling K75,920,224 were collected, resulting in an over collection of K5,889,451 representing 8.4 per cent above the target.

In response, the Controlling Officer submitted that the over and under collection of revenue was as a result of the various reasons stated below.

- **Admission of Guilty**

Amounts totalling K1,353,238, was collected through Admission of Guilt which resulted from enhanced crime prevention strategies put in place by the Zambia Police Service from an increased number of reported incidences of crime.

- **Speed Fines Road Transport and Safety Agency**

The Committee was informed that K836,749.00 of the K75,920,224 was collected by the Road Transport and Safety Agency and Zambia Police Service joint operation through static speed cameras. This amount was subsequently credited to the Zambia Police revenue budget line by Ministry of Finance and National Planning.

- **Firearm Licence Fees**

The under-collection of K5,199.00 in firearms fees in 2021, was attributed to security control measures put in place to prevent the proliferation of firearms in communities.

- **Interpol Fees**

Amounts totalling K873,838, was a result of increased volumes of motor vehicle clearances in the year under review. Further, the decentralisation of Interpol services to all provinces contributed to the increase in collections.

- **Police Report**

The police report revenue column did not appear on the approved customised deposit slip, which all commercial banks used for the general public to deposit revenue for the Zambia Police into Control 99. This resulted in fees for police reports being deposited under other fees.

- **Fingerprint fees**

The increase of K726,251.00 was attributed mostly to an increased demand for fingerprint services by members of the public.

- **Other Fees**

Other fees included: police reports, certification of documents, marine fees and anti-stock movements, among others. The over collection of K4,627,951.00 was largely attributed to police report fees which had been reported under other fees.

Further, the Zambia Police Service had been engaging the public through various platforms sensitising them on various crimes. However, revenue collected from Admission of Guilt and Speed Fines were driven by social and behavioural aspects of members of the public, making it difficult to predict with certainty. This may result in a variance between associated fees collected against the Budget.

Furthermore, the Zambia Police requested the Ministry of Finance and National Planning to engage commercial banks on the inclusion of the Revenue Code 123012 Police Report on the deposit slip. This would ensure police report fees were reported separately and compared to the year's estimate in the Yellow Book.

Committee's Observation 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. The Committee awaits a progress report on the matter.

b. Accounting and Other Irregularities

i. Unauthorised Award of Contract

In response, the Controlling Officer submitted that the road traffic offence document, referred to as ZP Form 126, was not an accountable document. It was an operational tool which was stocked by the Zambia Police Service under the office of the Quartermaster (Stationary) at the Zambia Police Service Headquarters and had been used from time immemorial in carrying out its mandate.

In this regard, the Zambia Police Service did not require authority from the Secretary to Treasury to procure the ZP Form 126, because it was neither an accountable document nor a receipt form, but an internal operational document for the Zambia Police Traffic operations.

The Road Traffic Offence Report was not obtained from the strong room at the Ministry of Finance and National Planning as reported. The Zambia Police Service was mandated to make its own arrangements to procure the said books. The contract value of K480,000 was an accumulative value by different single awards, which were committed over a period of time on different dates.

Committee's Observation 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. The Committee awaits a progress report on the matter.

ii. Accounting Irregularities in the Management of Revenues - Loss of Revenues through Undercharging of Traffic Fines

In response, the Controlling Officer submitted that the Zambia Police Service was guided by the law under *Criminal Procedure Code Act Chapter 88 of the Laws of Zambia*, sections 221-222, which provided guidance on "Payment by accused persons of fines which may be imposed for minor offences without appearing in court." This was delegated authority by the Court. Therefore, the penalty fee was limited to only 1500 penalty units which translated into K450 that an officer could charge an offender if found guilty.

The Act clearly stipulated that if an offender admitted being guilty, they could pay for the offence and would not be taken to court. In view of the above, the Zambia Police Service would continue to apply the law as stipulated in the Act. Documentation was available for audit verification.

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

iii. Register of Accountable Documents.

In response, the Controlling Officer submitted that the register for accountable documents was misplaced during the time of audit. The issue was immediately brought to the attention of the auditors. Unfortunately, the book had not been traced up to now. However, because of the importance of the document in the administration of the collected Government revenue, the book had since been replaced, updated and currently being used.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place to augment stores and records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

MINISTRY OF WORKS AND SUPPLY (IN DISSOLUTION)

PARAGRAPH 18

Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and selected stations for the Financial Year Ended 31st December, 2021 revealed various irregularities to which the Controlling Officer responded as set out below.

a. Budget Against Actual Revenue Collections

In the Estimates of Revenue and Expenditure for the Financial Years Ended 31st December, 2021, revenue provisions in amounts totalling K26,309,333 was made, against which amounts totalling K23,443,693 were collected, resulting in a total under-collection of K2,865,640, respectively.

In response, the Controlling Officer submitted the following as the reasons for the under-collection for each revenue stream.

- **Real Estate Consultancy Services: Real Estate Consultancy Services**

The Committee was informed that the budget collection estimates of K428,500 were projected to be realised from revenue through the actualisation of the statutory instrument on scale of fees of valuation services. However, the statutory instrument had not been actualised because it was dependent on the enactment of the Zambia Institute of Valuation Surveyors Bill, which was still being formulated.

- **Government Transport Management Fees**

The under collection for the stream was attributed to decreased uptake of the fleet management tools. The main source of revenue for the stream was the weekend passbooks. During the period under review, there was restricted travel due to the evocation of the *Public Health Act, Chapter 295 of the Laws of Zambia*, following the outbreak of COVID-19 in the country. Therefore, there was reduced demand for weekend pass books among MPSAs, hence the under collection of revenue for the stream.

- **Valuation Fees**

A total of K479,150 in valuation fees revenue was collected during the period under review. This was below the estimated amount. The under collection was attributed to the constrained economic environment due to the COVID-19 Pandemic. This resulted in reduced levels of valuation consultancy services that were offered to the public.

- **Miscellaneous (Other Fees)**

The under-collection was attributed to unrealistic targets for 2021.

- **Rent of Government Properties**

The under-collection of revenue in provinces was attributed to revenue being collected and reported in the provinces and districts.

- **Proceed from Sale of Government Properties**

The under-collection for the stream was due to the decrease in the number of properties authorised for disposal.

- **ESCO**

The main source of revenue was the Kazungula crossing point. The commissioning of the Kazungula Bridge led to the decommissioning of pontoon services at the crossing point. This led to the decrease in revenue collected for ESCO during the period under review.

- **Flower Sales**

The COVID-19 guidelines restricted all social gatherings and functions in the country. Ultimately, the collection of revenue under the stream was adversely affected for the period under review.

- **Office Equipment and Maintenance Services**

The COVID-19 guidelines restricted staff movements to MPSA to maintain or repair office equipment. Secondly, MPSA whose office equipment had been repaired did not pay for services rendered on time.

- **Misuse of Government Vehicles**

While it was true there was an under collection, the implication of the under collection was actually a reflection of effective management of the Government fleet because there was adherence to regulation pertaining to the use of vehicles.

Over collection

- **Proceed from Sale of Government Vehicles**

The over collection was attributed to over subscription from various bidders that participated in the public auction of the sale of obsolete moveable assets for the Government.

- **Registration fees**

The Ministry collected K535,700 above the target. The over collection was attributed to unforeseen increase in purchase of moveable assets by other Government departments.

- **Printing Supplies**

The over collection of revenue was attributed to circular granting the Government Printer monopoly for printing all Government jobs. Therefore, there was increased uptake of printing services by various Government departments.

- **Damage to Government Property**

The over collection of revenue under the stream was attributed to increased compliance by MPSAs regarding reporting of accidents for assessment.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail all relevant documentation to the Auditor General's Office for audit verification and resolves to await a progress report on the matter.

b. Accounting Irregularities

- i. Failure to Collect Revenue from Rentals**

In response, the Controlling Officer submitted that the lease agreements had been approved by the Attorney General and administered at SEDB House, Kwacha House Annex and tenants at Government Complex. Tenants signed to acknowledge receiving the lease agreements. The exercise was ongoing to cover the remaining tenants. The Ministry could not collect revenue in Lusaka because the process to normalise lease agreements took longer than expected due to the consultations which were taking place. The process prolonged further due to restricted movements under the COVID-19 control measures, which inhibited valuation officers from inspecting and assessing properties for rent review purposes during the period of Audit. The figure cited by the Auditor General of K767,400 was the total estimate for all leases for Lusaka done by the Government Valuation Department. Once the lease agreements were administered, this would ensure that all outstanding rental payments were collected. The failure to collect revenue in provinces was because revenue was being collected and reported in the provinces and districts. The Ministry had written to all provinces on how revenue collected was to be reported for accountability purposes. There was also a letter from Permanent Secretary, Southern Province to all district commissioners in the Province guiding them on rental collection.

To address the above challenges, the Ministry of Infrastructure, Housing and Urban Development, as guided by its mandate under Gazette Notice No. 1123 of 2021, was undertaking enhancement of systems for property management countrywide. This involved:

- i. Valuation Department being reorganised to strengthen management of Government properties (monitoring and supervision of rental collection); and
- ii. Standard Lease Agreement being approved by the Attorney General. The Valuation and Property Management Department would focus on administering the Lease Agreement. Relevant documents approved lease agreements were available for audit verification.

In order to avert future recurrence of such anomalies, the Ministry had:

- i. created a database for rented Government buildings; and
- ii. registered lease agreements in the Lands and Deeds Registry at Ministry of Lands.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail all relevant documentation to the Auditor General's Office for audit verification and resolves to await a progress report on the matter.

ii. Management of Receivables – Contract with Sandridge Associates Limited – K3,124,606

In response, the Controlling Officer submitted that the non-collection of service charges from the sixteen Government institutions occupying offices at the Government Complex was due to failure to prioritise payment of service charges by ministries housed at the Complex.

Reminders had since been sent to all defaulting Government institutions. At the time of audit, the amount owed for service charges was K2,848, 495.00. Out of the sixteen institutions, eleven had made payment and as at 17th October, 2022, amounts totalling K929, 824.63 had been collected, leaving a balance of K1,918, 670.86, out of which K1,531, 575.36 was owed by the Ministry of Labour and Social Security; K164,465.86 was owed by the Ministry of Gender; K23,104.36 was owed by the Ministry of Mines and Mineral Development K23,095.85 was owed by the Ministry of Mines and Mineral Development (HRA); K9,901.35 was owed by Ministry of Energy; and K166,528.08 was owed by the Ministry of Local Government-Service Commission.

The K276,111 indicated to be service charge arrears owed by private institutions were actually rental arrears owed by private institutions. ZAMNET was the only private institution that had rental arrears and it had since paid the amount and proof of payment and attachments from the property manager, schedule summary of rental and service charge payments were available for audit verification.

To avert the recurrence of this anomaly, it was recommended that the Secretary to the Treasury may consider recovering the outstanding amounts and paying future service charges at source. Copies of reminders and a letter of recommendation to Secretary to the Cabinet to make deductions at source were available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail all relevant documentation to the Auditor General's Office for audit verification and resolves to await a progress report on the matter.

iii. Sale of Personal to Holder Motor Vehicles

In response, the Controlling Officer submitted that out of the K1,410, 666.00 cited involving twenty-three officers, twenty officers with amounts totalling K1,405,925.27 was collected, leaving a balance of K9,984.33 involving three officers who were yet to make a payment. Further, the failure to collect revenue was due to challenges faced by officers because most of them had been waiting for their retirement packages.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail all relevant documentation to the Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

iv. Failure to Collect Revenue from Printing Services

In response, the Controlling Officer submitted that at the time of audit, the initial amount outstanding was K4,141,328, out of which K3,599,188 was paid leaving a balance of K542,140. So far, the Ministry of Agriculture had paid K1,600 leaving a reduced balance of K540,540. Reminder letters had been sent to the owing institutions and were available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail all relevant documentation to the Auditor General's Office for audit verification and resolves to await a progress report on the matter.

iv. Unaccounted for Revenue Collections – Mazabuka

In response, the Controlling Officer submitted that the buildings in Southern Province were under the jurisdiction of Permanent Secretary for Southern Province. The revenue collected from the Province and districts was supposed to be deposited in Control 99. The audit query was brought to the attention of the Permanent Secretary for Southern Province and the process to discipline the officer commenced. The Ministry had since written to the Southern Province Permanent Secretary to provide an update on the progress made.

Committee's Observations and Recommendations

The Committee is deeply saddened at the wilful violation of the Public Finance Management (General) Regulation No. 1 of 20, which demands that an office holder who collected revenue should account for it on a daily basis. The Committee is of the view that this is purely a result of failure to supervise and weakness in the internal audit processes, which should have brought the anomaly to the attention of the Controlling Officer. The Committee urges the Controlling Officer to ensure that officers strictly adhere to Public Finance Management Regulation, without exception. The Committee implores the Controlling Officer to institute punitive measures against all officers involved and avail supporting documents to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

EXPENDITURE SECTION

MINISTRY OF HOME AFFAIRS – ZAMBIA POLICE SERVICE

PARAGRAPH 19

Audit Findings

An examination of accounting and other records maintained at Headquarters and selected stations for the Financial Year Ended 31st December, 2021, revealed various irregularities to which the Controlling Officer responded as set out below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a total provision of K1,988,404,907, was made to cater for various activities against which amounts totalling K1,857,441,310 were released resulting in an under funding of K130,963,597. Although the Service was underfunded, as at 31st December, 2021, amounts totalling K1,856,897,732 had been spent, leaving a balance of K543,578.00.

In response, the Controlling Officer submitted that the amounts totalling K543,578.00 were not spent because of late release of funds from the Treasury during the year under review. This late funding resulted in inadequate time to exhaust relevant procedures followed in order to spend funds. The Ministry would continue to engage the Treasury on the need to release funding on time so that all budgeted programmes were implemented as planned.

Committee's Observations and Recommendations

The Committee notes the response, and urges the Secretary to the Treasury to ensure that funds are released on time so that all planned activities are implemented as provided for in the budget. The Controlling Officer is also hereby implored to be proactive to ensure that funds are spent timely and as appropriated by Parliament.

b. Operational Matters

i. Disbursement of Election Funds to Divisions

• Questionable Signatures for Payment of Election Funds to Individual Officers - K2,908,500.00

In response, the Controlling Officer submitted that due to the urgency and sensitive nature of operations during election time, officers were deployed early to various duty stations before they could be paid their allowances. Therefore, some officers signed and collected allowances on behalf of their colleagues because they could not leave their operational areas. However, there had been no complaints from any of the officers from State House Division who complained about not receiving their allowances during the election period.

Management had since engaged all officers from State House who were on duty and received allowances to sign on the acquittals forms. It had taken a bit of time due to some transfers and movements of some officers from State House to other divisions. Further, responsible officers have been guided to follow financial regulations at all times on matters relating to finances. Where officers were deployed before for allowances were ready, logistics would be put in place to follow

officers to their duty stations to ensure that each officer signed for their allowance. The acquittals for were available for audit verification.

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

ii. Contract Management – Procurement of Goods and Services

- **Contract for the Supply and Delivery of Various Police Uniforms and Equipment for Zambia Police – US\$59,997,107**
- **Supplier Credit Agreement**
- **Awarding of Contract Before Confirmation of Funds – US\$9,899,522.73**

In response, the Controlling Officer submitted that the decision to go ahead with the contract was made after Treasury authority was granted. Management would continue to seek clearance and guidance from relevant authorities before committing public funds through contracts. Documentation from the Secretary to Treasury indicating Government's position on the offer was available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern at the Ministry's failure to conduct due diligence to ensure availability of resources before signing the contract, as provided-for under Section 54(2)(d) of the *Public Procurement Act No. 12 of 2008*, causing a strain on the Government meagre resources. The Committee urges the Controlling Officer to avail all supporting documents to the Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

• Delivery of Equipment Outside the Contract Period

In response, the Controlling Officer submitted that the reason for the delivery of equipment outside the contract period was because the Zambian Government had been defaulting on payments. Significant payments for the equipment had been made by the supplier, but the financing bank had not released the final payment due to default payments by the Government of the Republic of Zambia as per financing agreement. Further, the contract included a pre-inspection requirement that rendered the six to eight weeks period not practical. However, Management was in constant engagement with the supplier who was making frantic efforts to arrange the shipment of the equipment. The letter from Mikalile, Trading stating the reason for the late delivery of equipment outside the contract period was available for audit verification.

Committee's Observations and Recommendations

The Committee is deeply saddened at the the laissez faire attitude being exhibited by procurement officers at the Ministry for failing to ensure that the supplier delivered goods within the contract period. The Committee urges the Controlling Officer to also take keen interest in the contract and ensure that the supplier meets the contractual obligations and goods are supplied according to the prescribed standards. The Committee implores the Controlling Officer to avail supporting documents to the Officer of the Auditor General for audit verification and awaits a progress report on the matter.

i. Infrastructure Development – K262,095,507

i. Failure to Settle Interim Payment Certificates

In response, the Controlling Officer submitted that failure to settle Interim Payment Certificates (IPCs) was due to lack of funding. Management had been engaging the Ministry of Finance and National Planning to mobilise funds to pay off outstanding IPCs for on-going projects. Arising from the engagement, a total of K1,631,285.71 had been released and used to liquidate some IPCs. Management would continue to engage the Treasury on the matter. Letters of funding request to the Treasury were available for audit verification.

Further, the directive to focus on projects that were at 80 per cent and above, completion affected projects which were below the threshold. Management engaged the Office of the Attorney General to give guidance on the matter, who guided that since the projects had been delayed due to inadequate funding and not legal matters, an opinion should be sought from the Ministry of Finance and National Planning, who should assess each project on a case by case basis and guide accordingly. A letter had since been written to the Treasury over the matter. The letter to the Attorney General and response, as well as the letter to the Ministry of Finance and National Planning were available for audit verification.

Committee's Observation and recommendations

The Committee expresses concern at the delay in offsetting the Interim Payment Certificates and fear that the Government will lose money in interest claims if payments are not made within the contract period. The Committee, therefore, urges the Secretary to the Treasury to prioritise offsetting claims on Interim Payment Certificates submitted by contractors without delay. The Committee will await a progress report on the matter.

• Delayed Completion of Projects

In response, the Controlling Officer submitted that the delay in completing the projects was due to lack of funding from the Treasury. However, Datong Construction Limited, the Company engaged to construct housing units and a police station in Serenje, was not owed any amount as there had been no further certified works done.

Mwamona Construction Company was also constructing the Liteta Police Post and had been paid a part payment of K100,000.00, out of a total of K231,237.91 on 27th October, 2022 and the contractor was back on site. Documentation was available for audit verification. Management had continued to engage the Ministry of Finance and National Planning to secure funds for payment of outstanding amounts to contractors and funds were being released though slowly to clear the outstanding IPCs.

Committee's Observation and recommendations

In noting the submission, the Committee urges the Secretary to the Treasury to prioritise offsetting of claims on Interim Payment Certificates submitted by contractors and will await a progress report on the matter.

MINISTRY OF MINES AND MINERALS DEVELOPMENT

PARAGRAPH 20

Departments: Zambia Mining Environmental Remediation and Improvement Project (ZMERIP)

The project was financed by a loan of US\$65,600,000 from the International Development Association (IDA) in 2017.

Audit Findings

An examination of accounting and other records maintained at the Project Implementation Unit and selected stations for the Financial Year Ended 31st December, 2021 revealed various irregularities to which the Controlling Officer responded as set out below.

a. Budgeted and Income-Under Absorption of Funds

During the Financial Year Ended 31st December 2021, an income budget of K377,533,247 (US\$19,870,170.89.), was made to cater for various activities of the Project, against which amounts totaling K140,723,756 (US\$6,682,741.08.) were funded, resulting in under funding of K236,809,491 (US\$13,187,429.83.) at the three implementing units.

In response, the Controlling Officer submitted that as at 31st December, 2021, amountstotallingK61,341,342 had been spent, representing an absorption rate of 45 per cent. However, restrictions related to COVID-19 delayed the completion of consultancy works for almost a year, especially for foreign based firms.

In order to implement the outstanding activities, the Project requested the World Bank for project extension. Further, the Project reviewed and realigned the Project Implementation Plan in order to achieve the set objectives within the remaining project life. Documents were available for audit verification.

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

b. Failure to Recover the Advance Payments from SMR Construction Limited

In response, the Controlling Officer submitted that the advance payment of K690, 738.46, which was made to the contractor on 11th February, 2020, for mobilisation had been recovered fully as evidenced by deposited refunds into the project bank account highlighted on the bank statement. The contractor had set up camp during the mobilisation and had also purchased pipes for use in the equipping of the boreholes, which have been returned to the council as evidenced by a report issued by the contract manager. A summary of the recoveries was as follows:

Total Advance to SMR	K690, 738.45
Deposited refund	(K174, 438.45)
Deposited refund	(K184, 840.00)
Less expenses for pipes	(K130, 000.00)
Less site expenses	(K 32, 500.00)
Last deposit refund	(K168, 960.00)
Balance owing	0

Committee’s 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. The Committee will await a progress report on the matter.

c. Failure to Implement Engineering Intervention on the Kabwe Canal

In response, the Controlling Officer submitted that the delay was a result of the lengthy procurement processes. However, the construction to undertake civil works had commenced, as evidenced by the signed contract and payment made towards mobilisation. Documentation was available for audit verification.

Committee’s 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. The Committee will await a progress report on the matter.

d. Failure to Close Tailings Dump and Overburden Dump

In response, the Controlling Officer submitted that the contractor to undertake civil works at the Tailings Dump (TD10) had been engaged, as it was prioritised in the World Bank’s Aide Memoire. The works at TD10 were going-on smoothly and were expected to be completed within the authorised extended Project period of two years.

The works at the Overburden Dump (OB 54), had been halted by the World Bank (WB) because it posed minimal health, safety and environmental risks documents were ready for audit verification.

Committee’s Observation 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. The Committee will await the progress report on the matter.

e. Expenditure

In response, the Controlling Officer submitted that the 20,236 doses expired, resulting into wasteful expenditure due to the challenges posed by the COVID-19 Pandemic. It was, therefore,

difficult to mobilise children and administer the drugs. As a result, there was a failure to distribute 20,236 drugs to children found with lead in their blood stream.

Committee's Observation and recommendations

The Committee is deeply saddened at the wasteful expenditure caused by the failure to administer 20,236 doses of drugs on the children who were found with lead in their blood stream. The Committee urges the Controlling Officer to ensure that the Ministry embarks on a vigorous campaign to ensure that children are tested and those who are found with lead in their blood streams are given the drug. The Committee wants to know whether or not some more drugs would be procured to ensure that children with lead in their blood stream are vaccinated. The Committee further recommends that the Controlling Officer should avail supporting documentation to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

MINISTRY OF HOME AFFAIRS – ZAMBIA POLICE SERVICE

PARAGRAPH 21

Audit Findings

An examination of accounting and other records maintained at Ministry Headquarters and selected stations for the Financial Year Ended 31st December, 2021 revealed various irregularities to which the Controlling Officer responded as set out below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, the Ministry of Home Affairs had a total provision of K240,912,725, against which amounts totalling K230,301,715 were released, resulting in an underfunding of K10,611,010. Out of the K230,301,715 funded, the Ministry spent amounts totalling K210,279,982, leaving a balance of K20,021,733 as at 31st December, 2021.

In response, the Controlling Officer submitted that the underfunding arose because the Treasury did not release the total budget as appropriated, while the unspent balance was as a result of the Ministry not being able to close out commitments due to the lapse of time at the year end. The Ministry applied to the Ministry of Finance and National Planning to retain part of the unspent funds. Authority was granted for amounts totalling K4,944,737.75 to be retained.

Committees Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documentation to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

b. Contract for Handling of Motor Vehicles – Mika Motors

i Questionable Change of Principal Address

In response, the Controlling Officer submitted that there was an omission on the part of Management to capture the correct address of the vendor during the drafting of the initial contract.

When the vendor noticed this omission, the matter was brought to the attention of the Ministry for change of address.

Committee's Observations and Recommendations

The Committee is deeply saddened at the impunity with which procurement regulations are being abrogated. The Committee is of the view that the procurement officers did not conduct due diligence in order to identify the anomaly. Further, procurement officers deliberately ignored the provisions of *the Public Procurement Act No. 12 of 2008*, which requires a procuring entity to obtain approval from the Zambia Public Procurement Authority and the advice of the Attorney General before entering into any international procurement agreement. The Committee, therefore, strongly cautions the Controlling Officer for the omission and urges him to put in place measures that will ensure strict adherence to procurement regulations. Further, the Controlling Officer should institute disciplinary measures against all procurement officers involved and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Uncompetitive Procurement

In response, the Controlling Officer submitted that the decision to direct bid Mika Motors was informed by the challenges experienced with ZamCargo that had demonstrated lack of capacity when engaged earlier for port handling of shipments of a similar consignment. Additionally, the Ministry had to engage a service provider for port handling at short notice considering that the goods involved were security equipment, and submitted the same to the Defence Attaché at the Zambian Mission in Tanzania to facilitate for security clearance and security logistical movement of the goods to the border. However, the Ministry applied to the Zambia Public Procurement Agency (ZPPA) for a "No Objection" to direct bid Mika Motors for the contract to transport various security equipment from Dar-es-Salaam to Lusaka and authority was duly granted by ZPPA.

Committee's Observations and Recommendations

In noting the submission, the Committee urges 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. Award of Contract to Ineligible Bidder Clause

In response, the Controlling Officer submitted that the evidence of experience submitted in the document related to Mikalile Trading rather than Mika Motors. The Committee may wish to note that the above notwithstanding, Mika Motors executed the contract according to the terms and specifications.

Committee's Observations and recommendations

The Committee is deeply saddened at the impunity with which procurement regulations are being abrogated with impunity. The Committee is of the view that the procurement officers did not conduct due diligence to ensure that Mika Motors met all the bid requirements. Further, procurement officers deliberately ignored the fact that the certificate of incorporation and tax clearance certificates attached were for Mikalile Trading and not Mika Motors Ltd, which should have rendered the bidder ineligible. The Committee urges the Controlling Officer to put in place measures that will ensure strict adherence to procurement regulations. Further, the Controlling Officer is implored to institute disciplinary measures against all procurement officers involved for

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

c. Contract for Design and Construction of 2,350 Housing Units for Security Wings – Ministry of Home Affairs – AVIC International

- **Industrial Commercial Bank of China**
- **China Minsheng Bank**

i. Questionable Selection of Bidder

In response, the Controlling Officer submitted that the evaluation report had not been availed for audit. The Ministry had not been able to find the report due to poor record keeping. Going forward, the Ministry had put in place appropriate measures to ensure that procurement and project implementation documents were properly retained until a project was fully closed.

Committee's Observations and recommendations

The Committee expresses displeasure at the impunity with which procurement officers are abrogating procurement regulations. Failure to provide documents at the time of audit is a serious offence under the *Public Financial Management Act, No. 1 of 2018*. The Committee, therefore, urges the Controlling Officer to put in place measures that will ensure strict adherence to financial regulations. Further, the Controlling Officer is implored to institute disciplinary measures against all procurement officers involved and 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 Contract before Confirmation of Funds

In response, the Controlling Officer submitted that at the time of audit, the auditors were not availed with a copy of the letter from the Treasury where a commitment was made to mobilise the required finances for the construction of the housing project under the Ministry of Home Affairs. This was attributable to poor record keeping. However, the Ministry had managed to retrieve some documents pertaining to the tendering process and award of the Contract to Avic International. Among the documents, was a letter dated 15th December, 2014, from the Treasury confirming their commitment to mobilise the required finances for the construction of the housing project for the Ministry of Home Affairs. With the commitment, the Treasury guided the Ministry to proceed with the execution of the contract for the implementation of the housing project.

Committees Observations and Recommendations

The Committee finds it unacceptable that the Ministry entered into a contract based on a letter that expressed commitment and not that the funds were available. The action by the Ministry resulted into the Government incurring additional costs of US\$63,264,394 in respect of interest charges. This cost could have been avoided if due diligence was conducted and procurement regulations followed to the latter. In view of the foregoing, the Controlling Officer is implored to institute disciplinary measures against all erring officers for the omission. Further, the Controlling Officer is encouraged to take keen interest in the procurement procedures and also strengthen internal control mechanisms in order to monitor the systems regularly. The Controlling Officer should avail supporting documents to the Office of the Auditor General for Audit verification. The Committee will await a progress report on the matter.

iii. Default on Loan Repayment

- **China Minsheng Bank Loan (15 per cent of Total Cost)**
- **Industrial Commercial Bank (85 per cent of Total Cost)**

In response, the Controlling Officer submitted that the debt service due to China Minsheng Bank and Industrial Commercial Bank, with respect to the financing of the housing project had not been paid since 2020. On 15th October, 2020, the Minister of Finance and National Planning then, presented a Ministerial Statement to the National Assembly of Zambia on the country's Public Debt Management Strategy. In the statement, the Minister indicated that the country, through the Treasury, was, at the time, in the process of implementing a liability management exercise aimed at restoring debt sustainability. As part of that process, the Government was engaging its creditors to seek their approval for suspension on debt service payments for a period of six months. Therefore, the debt service stand-off was still in effect. The mandate for acquiring and servicing debt was with the Ministry of Finance and National Planning. The Ministry of Home Affairs awaited guidance on the way forward as regards the debt restructuring process and its implications on the institutions that provided financing to the housing project.

Committees Observations and Recommendations

The Committee is deeply saddened at the wanton and wasteful expenditure by the Ministry of Home Affairs. The Committee notes that this is a result of, purely, failure to conduct due diligence to appreciate the terms and conditions of the loan. As a result, the Government is losing colossal sums of money in interest claims. The Committee urges the Controlling Officer to appeal to the Secretary to the Treasury to ensure that the loan is serviced without undue delay to avert further interest claims. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

d. Failure to Recover Costs and Reimbursable Expenses – Contract with Lodestar International Limited

In response, the Controlling Officer regretted that the authority of the Secretary to the Treasury to forgo the award of costs had not been obtained. This was an oversight on the part of the Ministry to rely on the letter from the Solicitor General, at the time. The matter had since been brought to the attention of the Secretary to the Treasury for guidance as advised by the Solicitor General and the Ministry of Home Affairs awaited a feedback from the Secretary to the Treasury.

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 and will await a progress report on the matter.

e. Procurement Contracts Awarded without Competition

In response, the Controlling Officer submitted as stated below.

- **Mikalile – 1,500,000 Security Pouches**

The Committee was informed that the decision to direct bid Mikalile Trading Limited for the supply and delivery of 1,500,000 security pouches was in line with the ZPPA Circular No.3 of

2017, which provided guidance on direct bidding without prior authority and "No Objection" by the Authority. Item "c" under the circular applied and stated that:

“procurements where standardisation and compatibility were required and very important i.e where additional goods, works or services must be procured from the same source because of the need for compatibility, standardisation or continuity”

In this case, the engagement of Mikalile Trading was a continuation from an earlier award to supply 1,000,000 security pouches in 2019.

- **International Trade Network – 150 Photo Kiosks**

The decision to direct bid International Trade for the supply and delivery of 150 portable photo kiosks was based on the position that the required brand from Fujifilm was only distributed in the region under a sole distributorship awarded to International Trade Network. On that basis, an application was made to ZPPA for a No Objection to direct bid International Trade Network. Having considered the application, ZPPA issued the "No Objection."

- **Ethernet Digital Solutions – 280 Portable Laminators**

The Committee was informed that initially there was an award, through limited tender, to Ethernet Solutions to Supply and Deliver 400 portable laminators. However, due to challenges with release of funds and lapse of time, the supplier's source in South Korea could not confirm the supply as they had run out of laminators.

Given the foregoing, the Ministry extended an invitation to the other participants for the supply and delivery as per the specification but due to the tight delivery schedule, the other participants could not commit to deliver within the intended lead-time.

On the other hand, Ethernet Digital Solutions offered an alternative type of laminator to be sourced from South Africa. However, this type had higher specifications. Therefore, it was more expensive and meant that fewer quantities were procured. At that point, the Ministry did not have many options but to engage Ethernet Solutions through single sourcing. Accordingly, an application for a "No Objection" was made to ZPPA advancing the circumstances. Having considered the justification, ZPPA granted the "No Objection." Documentation was available for audit verification.

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 and resolves to await a progress report on the matter.

MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL CORPORATION

PARAGRAPH 22

Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters for the Financial Year Ended 31st December, 2021 revealed various irregularities to which the Controlling Officer responded as set out below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a provision of K1,600,812,162 was made to cater for the operations of the Ministry, against which amounts totalling K1,524,433,375 were released, resulting in an under funding of K76,378,787. As at 31st December 2021, amounts totalling K1,524,433,375 had been spent.

In response, the Controlling Officer submitted that the contents in the above query were correct, except that the issue was resolved in the Status Report NO. OAG/101/36/39 dated 9th September, 2022. Documents were available for audit verification.

Committee's Observations and Recommendations

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

b. Failure to Collect Vehicles in the Garage

In response, the Controlling Officer submitted that the Mercedes Benz Registration No. GRZ 324CJ, which was involved in a road traffic accident and was taken to Veepee Motors for repair, through the Zambia States Insurance Corporation (ZISC) had been fully repaired.

However, it was regrettable that the garage held on to the vehicle and was unwilling to release the vehicle despite several engagements with the Ministry. The Ministry engaged ZISC on the claims by Veepee Motors. The Insurance Company had since provided proof of payment against the invoice issued by Veepee Motors. Further, the Ministry had since paid Veepee Motors the excess 10 per cent amounting to K6,065.80.

The Ministry paid an amount of K24,281 on 27th December, 2018, against the invoice issued by the Garage for the Toyota Hiace GRZ 384 CJ. However, Veepee Motors remained adamant and refused to release the vehicle claiming that there were some outstanding invoices, which the Ministry was not aware of and neither the garage had copies to substantiate the claims. It was, therefore, hoped that after the payment of K6,065.80, Veepee Motors would be engaged through the Zambia Police to resolve the matter. The vehicles had since been collected and 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 put measures in place to enhance the management of assets and resolves to close the matter subject to audit verification.

c. Infrastructure Development

i. Mortgage Finance Credit Facility: Unfavourable Interest Rate in the Agreement

In response, the Controlling Officer submitted that a letter had since been written to Ministry of Finance and National Planning regarding the review of the Credit Facility conditions as the mandate for contracting loans fell under the Ministry of Finance and National Planning in line with Chapter 366 of the Laws of Zambia. A letter to Ministry of Finance and National Planning was available for audit verification.

Committee's Observations and Recommendations

The Committee bemoans the violation of the procurement regulations on the contracting of the credit facility. The Committee expresses extreme displeasure that the country was losing a lot of money in interest charges due to gross negligence by the institution mandated to manage the country's public resources. In this regard, the Committee urges the Treasury to engage the Attorney General on the matter, with a view to renegotiating for a win-win situation with the creditor, so as to prevent the further wastage of public resources. The Committee will await a progress report on the matter.

ii. Project Status of the Works

In response, the Controlling Officer submitted that efforts were being made by the Ministry to ensure that all works were completed in good time. However, the current status for each Mission was as set below.

i. Harare – Chancery

- Rehabilitation works on the Chancery
- Rehabilitation works on four residential houses

In response, the Controlling Officer submitted that the contractor has failed on his part to execute works. Despite several extensions of time for completion of the project, no tangible progress had been made. Further, the Contractor had no capacity and technical expertise to complete the works as indicated in a letter from the Ministry of Infrastructure, Housing and Urban Development. Even where the works had been completed, they were poorly executed and below reasonable standard.

The project had since stalled and there was no activity taking place and the sites had been abandoned. As such, it was recommended that the contract be terminated and a new contractor be engaged to complete the works. A recommendation report from the Ministry of Infrastructure, Housing and Urban Development was available for audit verification. Additionally, a technical team travelled to Harare to determine the liquidated damages, which would be passed on to the contractor and deducted from the outstanding contract sum.

• Failure to Claim VAT Refunds

The Committee was informed that the Mission submitted the Value Added Tax claim to the Zimbabwe Revenue Authority (ZIMRA) on 24th August, 2022, and awaited execution by the Revenue Authority. As at 6th January, 2023, the claim had not been honoured. Documents were available for audit verification.

Update

The latest inspection was done by a team of officers from the Ministry of infrastructure, Housing and Urban Development and the Ministry of Foreign Affairs and International Cooperation in November, 2022 and assessment was that Messers Reliance Construction Limited was unable to deliver on the two contracts. A letter from Ministry of Infrastructure, Housing and Urban Development was available for audit verification.

Committee's Observations and Recommendations

The Committee expresses displeasure at the poor workmanship at the Harare Chancery and staff houses. The Committee also expresses concern that some of the poorly done works were paid for and certified as completed. In this regard, the Committee urges the Controlling Officer in the Ministry of Infrastructure, Housing and Urban Development to institute disciplinary action against the officers behind the certification of the shoddy works done on the projects in Harare. The Committee also urges the Controlling Officer in the Ministry of Infrastructure, Housing and Urban Development to take the monitoring of projects in missions very seriously and put measures in place to enhance certification process of works undertaken on projects in missions abroad. The Committee also implores the Controlling Officer to replace the contractor without any further delay and resolves to await a progress report on the matter.

iii. Maputo

The Committee was informed that the works at the Maputo Mission were at 95 per cent completion. The remaining works waited certification and site handover by the Ministry of Infrastructure, Housing and Urban Development.

Additionally, the funds amounting to USD41,706.67 plus USD12,663.63= USD54,370.30, had since been added back to the Mortgage Finance Ledger, giving a total of USD126,273.10 funds available. The available funds would be used to offset the project shortfall of USD 41,531.00. Documents were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer and the counterpart in the Ministry of Infrastructure, Housing and Urban Development to be proactive and ensure that the works are completed without undue delay and will await a progress report on the matter.

iv. Windhoek – Chancery

- Rehabilitation works on the Chancery
- Rehabilitation works on Three residential houses

The works at the Windhoek Chancery were at 55 per cent completion. However, the works were still in progress and were expected to be completed within the scheduled time. The delay in the completion of works was due to the COVID-19 outbreak.

Following authority granted by Ministry of Infrastructure, Housing and Urban Development, the High Commissioner and Third Secretary (Accounts) had since occupied the houses. Further, the drawings that were not availed to the contractor had since been made available. Documents and copies of the drawings were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officers at the Ministry of Foreign Affairs and International Corporation and the Ministry of Infrastructure, Housing and Urban Development to be proactive and ensure that the works are completed without any further delay and will await a progress report on the matter.

v. Addis Ababa

In response, the Controlling Officer submitted that the delay in the works was due to the process of importation of equipment and other building materials.

However, the Mission requested for the building permit on 16th December, 2020, and several attempts had been made but the permit had still not been issued. However, a note verbal was written to the Ministry of Foreign Affairs in Ethiopia to assist in securing a permit and a consent was given to go ahead with the construction through Note Verbal N0. DMZ/1/7/2/14 dated 7th April, 2022.

Further, pertaining to the project shortfall of US\$2,740,726 cited in the auditor's report, the Controlling Officer submitted that it was not a shortfall but funds needed for the next phase of the project, which had not started. Hence, the Ministry would engage the Treasury at Ministry of Finance and National Planning to supplement. The contract for the consultant was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges Controlling Officers at the Ministry of Foreign Affairs and International Corporation and the Ministry of Infrastructure, Housing and Urban Development to be proactive and ensure that the works are completed without undue delay and resolves to wait a progress report on the matter.

vi. Abuja

- Rehabilitation of the four storey Chancery building

In response, the Controlling Officer submitted that according to the records maintained at the Mission, there was no request from the Mission for additional works, neither was there authority granted from the Ministry of Foreign Affairs and International Cooperation. However, there was a site copy signed by an official from the Ministry of Works and Supply authorising the change to the scope of works.

With regard to the delays in the completion of rehabilitation works at the Chancery for over three years, the Controlling Officer submitted that the project was negatively affected by the effects of the COVID-19 Pandemic, which also caused a total lockdown and prevented workers from reporting to the site. Additionally, the evaluation team from Lusaka was unable to travel to Abuja, which also slowed down the progress on the project.

As regards cash withdrawn and paid to the contractor, the Controlling Officer submitted that the Ministry had since written to the responsible officers to exculpate themselves and responses were still being awaited. Letters to the officers were available for verification.

Value Added Tax

Further, Management acknowledged that Value Added Tax was not claimed because the Contract sum was VAT exclusive. Documents were available for audit verification.

Committee's Observations and Recommendations

The Committee urges Controlling Officers at the Ministry of Foreign Affairs and International Corporation and the Ministry of Infrastructure, Housing and Urban Development to be proactive and ensure that the works are completed without undue delay and will await a progress report on the matter.

vii. Washington

The Committee was informed that the works were at 80 per cent completion and works were still in progress.

Committee's Observations and Recommendations

The Committee urges Controlling Officers at the Ministry of Foreign Affairs and International Corporation and the Ministry of Infrastructure, Housing and Urban Development to be proactive and ensure that the works are completed without undue delay and will await a progress report on the matter.

viii. Geneva

The Controlling Officer submitted that the Ministry made an outright purchase of the property and the Ambassador had taken residence.

Committee's Observations and Recommendations

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

ix. New York

• Rehabilitation of Chancery

In response, the Controlling Officer submitted that the delay to commence works was due to COVID-19 coupled with complications in the tendering procedures by the host nation. However, the tendering process had started and the terms of reference had since been cleared by Ministry of Infrastructure, Housing and Development. Further, the reimbursement of USD1,000,000.00 had since been done for the borrowed funds. Documents were available for audit verification.

Committee's Observations and Recommendations

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

x. New Delhi

In response, the Controlling Officer submitted that the procurement process was in progress and had reached the level of prequalifying stage.

Committee's Observations and Recommendations

In noting the submission, the Committee resolves to await a progress report on the matter.

xi. Brussels

• Rehabilitation of Chancery

In response, the Controlling Officer submitted that the status was the same as reported by auditors because the contractor was declared bankrupt in March, 2022. The Contractor had a joint account with the Embassy for rehabilitation works. In the account, there was a balance of ₺22,426.33 retention fees, which was meant for works and defects after completion of the rehabilitation of the Embassy. However, the joint rehabilitation account was frozen because the contractor had been declared bankrupt and this affected the joint rehabilitation account because it was a co-debit account with the Embassy.

Further, the Mission had written to the Belgium Ministry of Foreign Affairs and International Trade for the intervention on the matter. The contractor still owed the Embassy VAT refund, as the funds were still locked up in the frozen account. The correct amount paid as VAT was ₺136,108.66. The contractor refunded €44,528.31, before he was declared bankrupt, leaving a balance of ₺91,580.35. The Embassy awaited the appointment of the guarantor where the Mission could claim the VAT refund and expected the receiver to pay back. Documents were available for verification.

xii. Procurement of Chancery Properties – Ankara, Turkey

In response, the Controlling Officer submitted that the matter was still under investigation and also in the Courts of Law. In addition, documentation relating to this matter was handed over to the Law enforcement agencies.

Committee's Observations and Recommendations

In noting the submission, the Committee resolves to await a progress report on the matter.

xiii. Failure to Construct Conference Hall

In response, the Controlling Officer submitted that the required construction works had not started due to non-provision of the drawings, bill of quantities and engineers estimate for the construction of the Conference Hall. A follow up letter was written on 22nd July, 2022, to the Ministry of Infrastructure, Housing and Urban Development requesting for submission of the documents. On 5th August, 2022, a response was received from the Ministry of Infrastructure, Housing and Urban Development indicating that the drawings and bills of quantities were still in progress.

Furthermore, on 14th August, 2022, the Ministry wrote to the Ministry of Infrastructure, Housing and Urban Development requesting them to expedite the preparation of the mentioned documents. Documentation was available for audit verification.

Committees Observations and Recommendations

The Committee bemoans the Laissez Faire attitude adopted by the Ministry of Foreign Affairs and International Corporation and the Ministry of Infrastructure, Housing and Urban Development, on the construction of a Conference Hall. The Committee finds it unacceptable that the Ministries were not giving the matter the utmost attention it deserves. In this regard, the Committee urges the Secretary to the Treasury to ensure that those causing the delay to effect the construction of the facility are disciplined without fail. The Committee also urges that the Ministry of Infrastructure, Housing and Urban development to urgently submit the required documents and

have the construction works commence without delay. The Committee will await a progress report on the matter.

d. Failure to Re-deploy Recalled Diplomats

In response, the Controlling Officer submitted that the current status regarding the thirteen diplomats cited above was as set out below.

- i. Mr Kellys Kaunda, former First Secretary ó Press in Berlin, resigned from the civil service effective 25th March, 2022, and had since been terminated from payroll.
- ii. Mr Peter Shituluka, former Vice Consul General, Guangzhou had since been deployed in the Ministry of Foreign Affairs and International Cooperation as Deputy Chief of Protocol (Consular) and was currently working.
- iii. Mr Stanely Mwape, former Third Secretary ó Communications, Luena, had since been deployed in the Ministry as Communications Officer and was currently working.
- iv. Mr Sam Sankenga, former Second Secretary ó Accounts, Ankara, had assigned duties under the Ministry of Foreign Affairs and International Cooperation, whilst the recommendation for re-deployment had been made to Ministry of Finance and National Planning.
- v. Ms Rose Mweemba, former Third Secretary ó Personal Secretary, Washington DC, had since been retired from the Civil Service.
- vi. Ms Kezya Nakazwe, former First Secretary ó Political and Administration, Ankara, had since been recommended for redeployment to PSMD.
- vii. Ms Kunda Chimbwali, former Third Secretary ó Communications, Brasilia, had since been recommended for redeployment to PSMD.
- viii. Mr Benjamin Katongo, former First Secretary ó Political and Administration ó Kuala Lumpur, had since been recommended for redeployment to PSMD.
- ix. Mr Kasabo Kalusa, former First Secretary ó Press, Gaborone, had since been recommended for redeployment to PSMD.
- x. Mr Yotam Mugara, former First Secretary ó Press, Tokyo, had since been recommended for redeployment to PSMD.
- xi. Ms Martha Mwitumwa, former Ambassador, Geneva ó had been recommended for redeployment to PSMD.
- xii. Dr Maximillian Bweupe, former Counsellor Health ó Washington DC, had since returned to Ministry of Health where his payroll position had always been.
- xiii. Ms Inutu Mwanza, First Secretary ó Press, had been re-appointed to serve at the same Mission in Addis Ababa, Ethiopia after her initial contract was terminated.

The recalled diplomats cannot be removed from the Payroll until they were placed elsewhere. Documents were ready 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 urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

c. Pretoria Mission

i. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure, amounts totalling K39,152,510.39 were appropriated by Parliament to meet expenditure relating to personal emoluments and Recurrent Departmental Charges (RDCs), for the Zambian High Commission in Pretoria for the Financial Year Ended 31st December 2021, against which amounts totalling K39,105,081 were funded. In addition, the Mission had brought forward an amount of K3,698,227, bringing the total available fund to K42,803,308.

In response, the Controlling Officer submitted that the contents in the above query were correct except that the issue had been resolved in the Status Report No. OAG/101/36/39 dated 9th September, 2022.

Committee's Observations and Recommendations

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

ii. Staff matters - Outstanding Bills Not Cleared by Re-called Diplomat

In response, the Controlling Officer submitted that the uncleared bills for the Deputy High Commissioner were included in the casualty forms and had since been submitted to Ministry of Finance and National Planning for recovery once gratuity was paid. Documents 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 urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

c. Infrastructure – Mission Properties

i. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure, amounts totalling K39,152,510.39, were appropriated by Parliament to meet expenditure relating to personal emoluments and Recurrent Departmental Charges (RDCs) for the Zambian High Commission in Pretoria, for the Financial Year Ended 31st December 2021, against which amounts totalling K39,105,081 were funded. In addition, the Mission had brought forward an amount of K3,698,227 bringing the total available fund to K42,803,308.

In response, the Controlling Officer submitted that the issue was resolved in the Status Report No. OAG/101/36/39 dated 9th September, 2022. Document (Status Report) was available for verification

ii. Failure to Rehabilitate the High Commissioner’s Residence

In response, the Controlling Officer submitted that the property in question was located in a high-risk crime area, which put the High Commissioners’ life at risk. The Ministry gave authority for the High Commissioner to relocate to a safer residential area. Further, the Ministry sent a Cab Memo recommending to Cabinet Office the sale of the property. Documentation was available for audit verification.

Committee’s Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to be proactive and submit a technical report on the dilapidated and insecure residence to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iii. Failure to Avail Title Deeds for Mission Properties

In response, the Controlling Officer submitted that at the time of audit, the Title Deeds were still locked up in the safe. However, the Title Deeds had since been retrieved upon opening the safe and documents were available for audit verification.

Committee’s Observations and Recommendations

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

iv. Failure to Fix an Elevator – Chancery

In response, the Controlling Officer submitted that the Mission had since sought Ministerial Tender Authority to repair the elevator and funds were available for the undertaking.

Committee’s Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

DISASTER AND MITIGATION UNIT

PARAGRAPH 23

Audit Findings

An examination of accounting and other records maintained at the Unit Headquarters and selected stations for the financial year ended 31st December, 2021 revealed various irregularities to which the Controlling Officer responded as set out below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a provision of K70, 690,294, was made to cater for operations of the Unit against which amounts totalling K57, 179,033 were released. Additionally, amounts totalling K967, 270,540 were funded under the Emergency Account, thereby bringing the total available funds to K1,024,449,573.

As at 31st December 2021, amounts totalling K1,019,472,274 had been spent, leaving a balance of K4,977,299.

In response, the Controlling Officer submitted that DMMU had a provision of K70,690,294, out of which K57,179,033 was released. In addition, a total of K967,270,540 was released as third party funds from Head 99 and Head 21 Financial Restructuring. In this regard, a total of K650,500.00 was allocated, mainly to COVID-19 emergence response, whereas K368,972,274 was allocated to other humanitarian responses and operations, constructions and acquisition of vehicles leaving a balance of K4,977,299.

Further, between September and October 2021, the Secretary to the Treasury issued a circular halting all payments to suppliers and that all new contractual obligations would be cleared by Ministry of Finance and National Planning. These developments significantly slowed down the operations of the Unit, resulting into the unspent balance as at 31st December, 2021. The query arose because DMMU had unspent balances of K4,977,299 as at 31st December, 2021. Authority to retain the funds was sought from the Secretary to the Treasury and documentation was available for audit verification.

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

b. Procurement of Relief White Mealie Meal from Food Reserve Agency

i. Lack of Competition in Engagement of Millers

In response, the Controlling Officer submitted that the query arose because of lack of evidence for competition in the engagement of millers. Going forward, all contracts for millers would be subjected to competition and validated by the Attorney General, should their services be required. However, some contracts for millers were subjected to competition as per retrieved evaluation report for 2019. Documentation was available for audit verification.\

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

i. Failure to Avail Contracts

In response, the Controlling Officer submitted that the query arose because DMMU did not avail contracts for four millers during the time of audit. The DMMU had since appointed a contract manager who would ensure that contracts were in place and validated at all time. Documentation was available for audit verification.

Committee's 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 and awaits a progress report on the matter.

a) Questionable Warehouse Storage Charges for Donated Yellow Maize – Failure to Avail Contract

In response, the Controlling Officer submitted that it was true that Zdenakie Limited was initially contracted for a period of three months at a total cost of K438,480, which was paid to the supplier. This was also the basis for the storage charges in the new contract which had since been cleared by the Attorney General. This was because DMMU accumulated amounts totalling K1,494,841 to Zdenakie in respect of storage charges for the period under review. After clearance of the contract by the Attorney General, the supplier had since been paid K1,023,119.96 in respect of storage charges. Documentation was available for audit verification.

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

c. Management of Liabilities – Failure to Settle Obligations

As at 31st August 2022, the Unit owed various suppliers amounts totalling K620,902,710 in respect of various goods and services, some of which had been outstanding for periods of over twenty four months.

In response, the Controlling Officer submitted that DMMU was committed to the dismantling the arrears and had since engaged the Ministry of Finance and National Planning, through the Treasury and a total of K240,670,659.35 had been released, as at 30th October, 2022, for clearing part of this debt. Going forward, the Unit had since put in place systems and other measures to control the accumulation of debt.

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

d. Failure to Utilise Funds for Rehabilitation of Collapsed Shelters – Serenje District - Site Inspections

In response, the Controlling Officer submitted that funds amounting to K200,000 for rehabilitation of collapsed shelters at Serenje Main Market had not been utilised as at 31st July, 2022. However, following parliamentary approval for Supplementary Budget, the funds had since been spent towards the shelters at Serenje Main Market.

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

e. North Western Province – Ikelengi District

• Undelivered Mealie Meal

An examination of records revealed that the miller was expected to deliver 17,920 x 12.5 kg bags of mealie meal to the District by 31st September 2021. However, the miller only delivered 17,208 x 12.5 kg bags of mealie meal leaving a balance of 712 x 12.5 kilogramme undelivered as at 30th June 2022, which was nine months after the expected delivery date.

“ Unacquitted for Mealie Meal

In response, the Controlling Officer submitted that acquittal sheets and delivery notes that were not available during the time of audit had been retrieved from the province and were available for audit verification.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place to augment stores and records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii Mwinilunga District

“ Undelivered Mealie Meal

In response, the Controlling Officer submitted that acquittal sheets and delivery notes that were not available at the time of audit had been retrieved from the Province and were available for audit verification.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place to augment stores and records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

“ Unaccounted for Mealie Meal

In response, the Controlling Officer submitted that acquittal sheets and delivery notes that were not available at the time of audit were retrieved from the Province and were available for audit verification.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place to augment stores and records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iii Luapula Province – Procurement of 1500 Raincoats for Lunga District

In response, the Controlling Officer submitted that out of the 720 rain coats received, 470 were issued to the casual workers, 250 were still in the stores. Disposal details for issued coats were available for audit verification. The remaining 250 rain coats would be issued from stores once works resumed.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place to augment stores and records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

iv Unaccounted for Roofing Sheets Procured for Vubwi District - Eastern Province

In response, the Controlling Officer that the lack of receipt and disposal details from the 1,500 roofing sheets supplied to DMMU by Tashmac Enterprises at the time of audit were not available. However, the disposal details for roofing sheets not available at the time of audit had since been retrieved.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place to augment stores and records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

v Southern Province – Unaccounted for Cement Procured for Nanga in Mazabuka District

In response, the Controlling Officer submitted that the DMMU engaged Lake Tech Enterprises Limited for the supply of 2,000 bags of Dangote Cement and 1,800 bags were delivered leaving a balance of 200 bags. A letter had been written to the supplier to deliver the remaining 200 bags of cement.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to ensure that the 200 bags of cement are delivered without undue delay and avail the retrieved accountable documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

MINISTRY OF FINANCE AND NATIONAL PLANNING – LOANS AND INVESTMENTS

PARAGRAPH 24

Audit Findings

An examination of accounting and other records for the Financial Year Ended 31st December, 2021 for Head 21 ó Loans and Investments maintained at the Ministry of Finance and National Planning revealed various irregularities to which the Controlling Officer responded as set out below.

a. Budget and Income

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a total authorised budget provision of K22,166,995,044 was made to cater for programmes under Head 21 ó Loans and Investments against which amounts totalling K20,591,900,788, were released resulting in an under funding of K1,575,094,255. The underfunding represented 7 percent per cent of the total authorised provision as shown in the table below.

Budget Funding and Expenditure

21/2101 LOANS AND INVESTMENTS, MINISTRY OF FINANCE						
No	Description	Authorised Provision	Supplementary Provision K	Total Authorised Provision K	Expenditure K	Variance K
1	Financial Investment Management	2,067,329,017	4,067,000,000	6,134,329,017	5,840,179,998	(294,149,019)
2	Project Investment Management	8,298,498,989	200,000,000	8,498,498,989	7,214,472,777	(1,284,026,212)
3	Centralised Strategic Investment Management	3,190,032,122	4,344,134,916	7,534,167,038	7,243,652,562	(290,514,476)
	Head Total	13,555,860,128	8,611,134,916	22,166,995,044	20,298,305,337	(1,868,689,707)

As at 31st December 2021, amounts totalling K20,298,305,336 had been spent.

In response, the Controlling Officer submitted that the observations made by the auditors were factual.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to lobby the Secretary to the Treasury to release funds as appropriated by Parliament in order to ensure that planned activities are implemented timely. The Committee will await a progress report on the matter.

b. Operational Matters – Financial Investment Management

i. Questionable Facility Agreement – Funding to Konkola Copper Mines – K1,000,000,000 (US\$44,592108.46)

• Failure to Monitor or Verify the Utilisation of the Borrowed Funds

In response, the Controlling officer submitted that the Ministry of Finance and National Planning embarked on the monitoring assignment on the application of funds lent to KCM in March 2022. However, the team of officers were denied access to financial records, but referred to the liquidator (former) for the information being requested. The Ministry would now use the *Public Finance Management Act*, No. 1 of 2018, to compel the Liquidator for information.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer avail supporting documents to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

- **Failure to Collect Interest on Amounts Drawn by Konkola Copper Mine – K23,333,333**
In response, the Controlling Officer submitted that the Government of the Republic of Zambia had total control of KCM through the Acting Official Receiver and KCM Provisional Liquidator (Without Personal Liability) who reported to the Administrator General.

Following the recommendation to redeem the pledged shares in KCM, the Ministry of Finance and National Planning would evaluate the process by which this could be done in liaison with Attorney General's chambers.

Committee's 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. The Committee awaits a progress report on the matter.

- **Failure to Recover the Loan**

In response, the Controlling Officer submitted that due to financial difficulties KCM was facing, it was not in a position to make any principal repayments on the loan advanced to it. Further, the status quo was that the Government of the Republic of Zambia had total control of KCM through the Acting Official Receiver and KCM Provisional Liquidator (Without Personal Liability) who reported to the Administrator General and would enforce the rights to the shares even at the time of divesting of the shares at KCM. Following the recommendation to redeem the pledged shares in KCM, the Ministry of Finance and National Planning was in the process of contacting the Attorney General.

Committee's 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. The Committee awaits a progress report on the matter.

- **Pledging of Security of an Asset Under Sale**

In response, the Controlling Officer submitted that a team of officers from Ministry of Finance and National Planning was denied access to financial and other records of KCM and were advised to engage the liquidator. Efforts to engage the liquidator proved futile as he was appearing before the Courts of Law. Further, the debt to KCM was secured and therefore, at the time of sale, the Government would register its rights and get value from the sale.

Committee's 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. The Committee awaits a progress report on the matter.

i. Irregularities in the Procurement of the Zambia Chancery in Turkey

- **Lack of Written Advice to Sign Contract and Approval by Permanent Secretary**

In response, the Controlling Officer submitted that a letter requesting for information was written to the Ministry of Foreign Affairs and International Relations, who verbally indicated that the matter was under investigations before the courts of law and therefore, could not be avail any documentation to the officers.

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. The Committee awaits a progress report on the matter.

- **Lack of Documents to Support Expenditure Details**

In response, the Controlling Officer submitted that a letter requesting for information was written to the Ministry of Foreign Affairs and International Relations who verbally indicated that the matter was under investigations before the Courts of Law and therefore could not avail them with any documentation.

Committees Observations and Recommendations

In noting the submission, the Committee finds it irregular that a written request should receive a verbal response and, therefore, urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

- **Wasteful Expenditure- Irregular Payment of Penalty to Seller's Lawyer for Delay in Completing Contract**

In response, the Controlling Officer submitted that a letter requesting for information was written to the Ministry of Foreign Affairs and International Relations who verbally indicated that the matter was under investigations before the Courts of Law and therefore could not avail us with any documentation.

Committees Observations and Recommendations

In noting the submission, the Committee finds it irregular that a written request should receive a verbal response and, therefore, urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT

PARAGRAPH 25

Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters for the Financial Year Ended 31st December, 2021 revealed various irregularities to which the Controlling Officer responded as set out below.

- a. Budget, Funding and Expenditure**

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a provision of K1,520,710,885, was made to cater for various activities against which amounts totalling K1,501,064,515 were released, resulting in an underfunding of K19,646,370. Although the Ministry was underfunded, as at 31st December, 2021, amounts totalling K1,501,047,188 had been spent leaving a balance of K17,327.

In response, the Controlling Officer submitted that a total provision of K1,520,710,885 was made in the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021.

The Ministry received funding totalling K1,501,064,515 from the Treasury. Emoluments amounting to K18,917,736, were paid directly by the Treasury to the employees.

The total expenditure was K1,519,964,924. Therefore, the total funding and expenditure under Head 29 of Ministry of Local Government and Rural Development were as indicated in the table below.

Table Showing Total Funding and Expenditure

Details	Amount ZMW
Funding to Ministry	1,501,064,515
Emoluments (Wages & Salaries)	18,917,736
Total Funding	1,519,982,251
Expenditure	1,519,964,924
Unspent Funds	17,327

The underfunding by the Treasury was K728,634 and not K19,646,370 as shown in the table below.

Table showing the Underfunding

Details	Amount ZMW
Total Budget Provision	1,520,710,885
Expenditure	1,519,982,251
Variance (Under funding)	728,634

The unspent balance of K17,327 was meant for the following programmes indicated in the table below.

Table Showing Unspent Funds

Details	Amount ZMW
Grants of LGEF	9,377
Executive Office Management	3,000
Planning, Policy Co-ordination	4,950
Total	17,327

Committee's Observations and Recommendations

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

b. Operational Matters–Infrastructure Development

i. Failure to Avail Information

In response, the Controlling Officer submitted that the account ledgers for road contractors were maintained at the National Roads Funds Agency (NRFA), the managers of the Fund. The account ledgers had since been shared with the Ministry. The other documents such as the progress reports, Interim Payment Certificates and evaluation reports were misplaced because of shifting to the new office building, which happened in October 2021. However, all the documents were available for verification as provided in the table below.

The Committee was further informed that the Ministry was planning to develop an electronic filing system to avoid the misplacement of records.

Table Showing Road Contractors – National Roads Fund Agency

S/ N	Contractor	Project	District	Contract Sum (K)	Contract Period	Information not Availed	Controlling Officer's Submission
1	Exoline Investment Ltd	Periodic maintenance of 50.2 km of Munkulungwe	Masaiti	60,117,470.63	14/11/2020 to 14/11/2021	Progress report, IPCs, updated ledgers	Progress report, IPCs, updated ledgers were available for verification.
2	SIBAC LTD	Periodic maintenance of 25 km of Chowa Feeder Road	Mpongwe	28,398,248.38	14/11/2020 to 14/11/2022	Updated ledgers, progress reports.	Updated ledgers and progress reports were available for verification.
3	Nakangea Construction Ltd	Rehabilitation of 16.1 km of selected urban roads	Mwinilunga	115,739,492.90	11/7/2018 to 11/8/2019	Progress reports, updated project ledgers.	Updated ledgers and progress reports were available for verification.
4	Build Trust Construction Ltd	Rehabilitation and upgrade of selected urban roads 15km to bituminous standard	Sinda	95,533,521.73	1/2/2015 to 2/2/2017	Updated project ledgers	Updated ledgers were available for verification.
5	Unik Construction Ltd	Rehabilitation of 15km of selected urban roads	Nchelenge	69,053,940.21	14/9/2015 to 14/9/2016	Site possession certificate, suspension letter of the contract, final accounts.	Site possession certificate, suspension letter of the contract, final accounts were available for verification.

6	Unik Constructi on and Engineerin g Zambia Ltd	Rehabilitation and upgrading of 15.3 km of selected urban roads	Mwense	74,083,839.25	13/3/2015 to 16/9/2016 revised completion	suspension letters for the contract, final accounts.	suspension letters for the contract, final accounts were available for verification.
7	Suppwork s Zambia Ltd	Periodic maintenance of 32 km of U10 15 miles DMI University Junction T2 and Lyansa School Road	Chibombo	55,130,702.88	14/8/2018 to 13/8/2019	updated ledgers	Updated ledgers were available for verification.
8	Jonda Contractor s Ltd	Perodic Maintenance of 32 km of Beenje village to Chifunda Road	Chipata	53,822,751.20	7/9/2019 to 7/5/2020	updated ledgers	Updated ledgers are available for verification.
9	Andrich Freight	Periodic Maintenance of 49 km of Chongo to Chinuda to Msorow	Kaseneng wa	47,325,656.74	7/4/2020 to 6/4/2021	updated ledgers	Updated ledgers were available for verification.
10	Profession al Engineerin	Perodic Maintenance of 20 km of	Kapiri Mposhi	34,563,082.47	21/5/2021 to 21/1/2022	updated ledgers	Updated ledgers were available for verification.

	g Constructi ons	Depot Chankomo RHC	-		2				
11	Better Changes Enterprises	Periodic Maintenance of 22 km of the Kasanta Road	Lufwany ma	31,469,143.7 0	26/7/202 1 to 30/8/202 2	updated ledgers	Updated ledgers were available for verification.		
12	KDW Engineerin g	Perodic Maintenance of 61.8km of St. Marys and Chinemu Road	Lufwany ma	95,902,918.2 3	22/7/202 1 to 22/7/202 2	updated ledgers	Updated ledgers were available for verification.		
				1,110,581,71 1.05					

Committee's Observations and Recommendations

The Committee finds it unacceptable that important documents were not electronically stored hence the Ministry's failure to trace them during the time of audit. The Committee urges the Controlling Officer to expedite the process of developing an electronic filing system to avoid misplacement of records and avail the documents to the Auditor General's Office for audit verification. The Committee awaits a progress report on the matter.

ii. Markets, Bus Station and Fire Stations

- **Questionable Commencement of Project**

In response, the Controlling Officer submitted that the 2020 Budget allocation was used on the Kapalala Project instead of the already on-going projects because the market was gutted by fire. As a result, a lot of traders were displaced and were left with no trading space, hence the urgency to commence the construction of the market.

Therefore, the Ministry requested for supplementary funding for the construction of the Kapalala Market. However, the supplementary budget was not granted, but the Treasury funded K14,000,000 specifically for the construction of the market using the available budget provision at the time. The physical progress of the new Kapalala Market stood at 95 percent complete. In addition, the Ministry liquidated outstanding IPCs amounting to K14,759,000.

Committee's Observations and Recommendations

The Committee is deeply saddened that the Ministry commenced the project without ascertaining the availability of funds leading to accumulation of amounts totalling K14,797,803 in interests, thereby putting a further stain on the public meagre resources. Further, it is extremely disappointing that the contracts were signed without conducting due diligence to ensure that funds were available. This is a serious abrogation, with impunity by officers responsible, of the Public Procurement Regulations. The Controlling Officer is urged to ensure that all outstanding amounts are paid without any further delay. Furthermore, the Controlling Officer should institute disciplinary measures against all erring officers for this omission. The Controlling Officer is also encouraged to take keen interest in procurement matters and enhance internal control systems in order to avert the recurrence of such queries. In this regard, the Controlling Officer is urged to avail supporting documents to the Office of the Auditor General. The Committee will await a progress report on the matter.

- **Project Status**

A physical inspection carried out in January 2022, revealed that no building had been completed and in most cases, the contractors were not on site.

The table below showed the status of the ten projects on markets, bus and sub-fire stations as at 30th June, 2022.

Table Showing Project Status on the Selected Projects

No.	Contractor	Project Name	Contract Sum K	Start and Revised End Date	Observations	Controlling officer's Submission
		Mufulira District				
1.	Construction for Africa	Construction of a Modern Market and Bus Station at Kamuchanga in Mufulira	Contact Sum K15,766,196.8 Certified Amount K9,054,392.97 Amount Paid K9,054,392.97	1/09/2014 29/06/2018	<p>The initial contract price had been revised from K12,721,108 to K15,776,997 resulting in an increase of K3,045,089 due to delayed completion.</p> <p>The contract was terminated in July 2019 after the contractor abandoned the site which was 85 per cent complete.</p> <p>The Council was granted authority to complete the works on 16th July 2019 under Force account.</p> <p>The Council requested for K3,000,000 to complete the works and only K800,000 was funded in June 2020.</p> <p>As at 31st May 2022, the project had been delayed for a period of 9.5 years.</p> <p>Physical inspection of the project carried out in January 2022 revealed that the works had stalled.</p>	<p>Cause for the Query The Works delayed to complete due to inadequate funds and subsequently the contract expired.</p> <p>Action taken The Ministry had since transferred the remaining K 2,200,000 to the Local Authority and works have since commenced and expected to be completed by first quarter of 2023.</p> <p>Remedial Measure The Ministry would ensure that projects were only undertaken upon confirmation of funds based on budget provision.</p>

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No.	Contractor	Project Name	Contract Sum K	Start and Revised End date	Observations	Controlling officer' Submission
2.	PJP Associates	Consultancy Service for the Design of a Multi-Storey Market and Bus Terminus in Solwezi District	Contact Sum K2,010,529.26 Certified Amount K2,010,529.26 Amount Paid K1,005,264.63	25/03/2015 25/09/2015	As at 31st May 2022, amounts totalling K1,005,265 had been paid leaving a balance of K1,442,129 which included interest in amounts totalling K436,864. The consultant had fully performed. However, no contractor had been engaged seven (7) years after the design. A physical inspection on the project carried out in January 2022 revealed that the land earmarked for construction was occupied by the Zambia National Service.	Cause for the Query The Ministry reported that the delay in funding the consultancy project resulted into accrual of interest. Further, lack of ownership of land and finances caused the delay to engage a contractor. The council could not get title deed for the land in question as it was owned by Zambia National Service. Action Taken The Ministry paid the consultant the outstanding principal amount of K1,005,265 leaving a balance of K436,864 of claimed interest. Zambia National Service and the Ministry of Defence have no objection for the Local Authority's acquisition of land for the purposes of constructing a market. However, acquisition of Title Deed would only be finalised once the processes of decommissioning were completed as the land was currently classified as a military cantonment Remedial Measure The Ministry would ensure that future

					The Ministry did not have title for the land.	development of projects was done on secured land.
3.	Horizon Properties limited	Rehabilitation and Construction of Buteko Market in Mufulira	Contact Sum K16,997,544.81 Certified Amount K6,715,628.97 Amount Paid K6,715,628.97	19/02/2018-18/8/2021	The project progress was 35% complete nine (9) months after the revised expected completion period of August 2021. As at 31 st May 2022, the contract had expired.	Cause for the Query The project completion was delayed and contract expired due to inadequate funds. Action Taken The Ministry had commenced the renewal process of the contract and was awaiting clearance from the office of the Attorney General. Remedial Measure The Ministry would ensure that projects would only be undertaken upon confirmation of availability funds based on budget provision.

4.	Tripple Properties V	Construction and Rehabilitation	<p>Contact Sum K13,403,407.70</p> <p>Certified Amount K6,027,332.80</p> <p>Amount Paid K5,201,383.87</p>	1/8/2016 to 27/3/2017	<p>The Ministry terminated the contract on the grounds that the contract duration had expired. Project progress at the time of termination was 48%.</p> <p>The contractor took the matter to Arbitration and was awarded K6,012,398.</p> <p>As at 8th April 2021, amounts totalling K2,511,400 had been paid leaving a balance of K3,500,998 outstanding.</p> <p>Physical in section of the project carried out in June, 2022 revealed that the works were being carried out by Ndola City Council. However, the property had been vandalised in that grill doors, lighting panels, sockets in different shops were stolen.</p>	<p>Cause for the Query As observed by the auditors, the contract expired which led to its subsequent termination.</p> <p>Action Taken The balance of K3,500,998 on arbitration awarded to the contractor was paid. After the contract was terminated the Ministry and NCC re-scoped the works on the project. In this vein, an amount of K1,000,000.00 was transferred to Ndola City Council for completion of the re-scoped works.</p> <p>Remedial Measure The Ministry would ensure Councils provide security on project sites.</p>
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No.	Contractor	Project Name	Contract Sum K	Start and Revised End Date	Observations	Controlling Submission Officer'
		Old Mushili Market in Ndola			<p>Project progress at the time of termination was 48 per cent</p> <p>The contract or took them after to Arbitration and was awarded K6,012,398.</p> <p>As at 8th April 2021, amounts totalling K2,511,400 had been paid leaving a balance of K3,500,998 outstanding.</p> <p>Physical inspection of the project carried out in June 2022 revealed that the works were being carried out by Ndola City Council. However, the property had been vandalized in that grill doors, lighting panels, sockets in different shops were stolen.</p>	

5.	Stoutone Investment Limited	Construction of a Modern Market and Bus Station at Sinazeze in Sinazongwe District	Contact Sum K18,716,858.31 Certified Amount K14,072,058.81 Amount Paid K14,072,058.81	10/12/2013 to 12/08/2017	The project progress was 80% complete five (5) years after the expected completion date of 12/08/2017. As at 31 st May 2022, the contract had expired and work had stalled.	Cause for the Query As observed by the auditors, the contract expired and could not be renewed due to inadequate funds. Action Taken The Ministry reported that funds have since been secured and necessary procurement processes to renew the Contract have been undertaken with the draft Contract submitted to Attorney General's Office for review and approval. Remedial Measure The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.
6.	Stoutone Investment Limited	Construction of a Modern Market in Mungwi District	Contact Sum K17,983,166.25 Certified Amount K10,843,466.68 Amount Paid K10,843,466.68	4/4/2015 to 12/09/2017	The project progress was at 59 per cent complete 5 years after the revised expected completion date of 12 th September, 2017. The contractor had been paid an amount of K818,509 in respect of accrued interest. As at 31 st May, 2022, the contract had expired and	Cause for the Query As observed by the Auditors, the contract expired and could not be renewed due to inadequate funds. Action Taken The Ministry had budgeted for completion of this project in the 2023 Budget and procurement

					work shad stalled.	process had commenced. Remedial Measure The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.
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No.	Contractor	Project Name	Contract Sum K	Start and Revised End Date	Observations	Controlling officer' Submission
7.	Afriwoods and Development Limited	Construction of a Market in Kawambwa District (lot2)	Contact Sum K9,869,498.00 Certified Amount K2,467,374.50 Amount Paid K2,467,374.50	20/10/2020 20/04/2022	The project progress was 70 per cent complete two months after the expected completion period of 20 th April, 2022. As at 31 st May, 2022, the contract had expired and the works had stalled.	Cause for the Query As observed by the Auditors, the contract expired and works stalled. Action Taken The Ministry had started the Procurement processes to renew the Contract by way of single sourcing the same Contractor. Remedial Measure Works were expected to resume at the beginning December, 2022 when the procurement processes would

						be completed.
8.	Zhengtai Group (Zambia) Ltd	Construction of Kalanga Modern Market in Mwense	<p>Contact Sum K3,997,714.75</p> <p>Certified Amount K558,434.41</p> <p>Amount Paid K558,434.41</p>	6/4/2016 14/03/2022	<p>The initial contract of K4,232,688 expired when the works were at 70 per cent and amounts totaling K1,976,100 were paid leaving a balance on the contract sum of K2,256,587.</p> <p>The contractor was re-engaged at a contract sum of K3,997,715 resulting in a cost increase of K1,741,128.</p> <p>The contractor had been paid amounts totalling K558,434 in respect of the new contract. As at 31st May 2022, the works were at 90 per cent complete and the contract had expired.</p>	<p>Cause for the Query As observed by the Auditors, the implementation of the project delayed and the contract expired.</p> <p>Action Taken The Ministry procurement committee approved the extension of the contract subject to clearance by the office of the Attorney General. In this vein, the contractor continued with the works until completion. However, the Office of the Attorney General could not approve the extension as the contract had eventually expired. The Ministry had paid all the outstanding certificates and the contractor had since handed over the market to the Council.</p> <p>Remedial Measure</p>

						The Ministry would ensure that projects would only be undertaken upon confirmation of availability of funds based on budget provision.
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No.	Contractor	Project Name	Contract Sum K	Start and Revised End Date	Observations	Controlling Officer' Submission
9.	Venture Communications and Construction Limited	Construction of Sub-Fire station in Chilenje	Contact Sum K3,721,197.82 Certified Amount K2,678,791.79 Amount Paid K2,678,791.79	14/02//2014 to 1/09//2014	<p>The initial contract price had been revised from K2,748,300 to K3,721,198 resulting in an increase of K972,898 due to delays in completion.</p> <p>The project progress was 50 per cent complete eight years after the expected completion date.</p> <p>As at 31st May, 2022, the project had stalled</p>	<p>Cause for the Query</p> <p>The Ministry notes the auditor's observation and submitted that the delay in completing the project was due to inadequate funding to settle advance payment.</p> <p>Action Taken</p> <p>The Ministry had started necessary procurement processes to renew the Contract and the draft Contract has been submitted to AG's Office for approval.</p> <p>Remedial Measure</p> <p>The Ministry will ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p>

10.	Raytone Construction Limited	Construction of Sub-Fire station in Bonaventure	Contact Sum K3,702,522.79 Certified Amount K2,612,687.93 Amount Paid K2,612,687.93	14 th February, 2014 to 1 st September, 2014	<p>The initial contract price had been revised from K2,452,002 to K3,702,523 resulting in an increase of K1,250,521 due to delays in completion.</p> <p>The project progress was 50 per cent complete eight years after the expected completion date of 1st September, 2014.</p> <p>As at 31st May, 2022, the project had stalled.</p>	Cause for the Query The Ministry notes the Auditors' observation and wishes to submit that the delay in completing the project was due to inadequate funding to settle advance payment. Action Taken The Ministry had sourced funding and the procurement processes had commenced to procure another contractor to complete the works. The draft Contract had been submitted to Auditor General's Office for review and approval.
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Committee's 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 and awaits a progress report on the matter.

c. Feeder Road Periodic Maintenance Projects

i. Over-commitment and Lack of Confirmation of Availability of Funds

In response, the Controlling Officer submitted that the 190 feeder road contracts that were signed during the period under review, totalling K9,835,013,156 against a total budget provision of K401,099,160, resulted in over commitment of K9,433,913,996. Further, the Ministry had forty-two projects brought forward from previous years with a contract sum of K2,895,224,963, bringing the total contract sum to K12,730,238,118. This was in an effort to address the poor and deplorable state of feeder road network as reported in the Road Sector Report of 2016, that 82 per cent of the primary feeder road network required urgent attention. In procuring these contracts, necessary approvals were sought from the National Road Fund Agency (NRFA) where No Objections were granted.

Further, the Ministry analysed all the contracts to rationalise the existing contracts and subsequently terminated 198 contracts following approval by the Procurement Committee as well as clearance by the Attorney General. In future, the Ministry would ensure that budget provisions were followed in undertaking contracts and where necessary, supplementary provisions would be sought from the Treasury.

Committee's Observations and Recommendations

The Committee finds it unacceptable that the Ministry over-committed the Government beyond what was appropriated by Parliament, which is a serious omission. This omission was done with impunity because procurement officers are well aware that before entering into any contract, they need to ascertain the availability of funds as guided by the Public Procurement Regulations. Such action will cause the Government to lose colossal sums of money in terms of interests as well as termination of contracts. In this regard, the Committee sternly cautions the Controlling Officer against such omissions and urges him to ensure that due diligence is undertaken before committing Government to any project regardless of the urgency. The Committee, further, urges the Controlling Officer to institute disciplinary measures against officers for the omission and avail supporting documents to the Office of the Auditor General. The Committee will await a progress report on the matter.

ii. **Project Status-Feeder Road**

Table4 below shows the Project status on the twelve projects sampled as at 31stJuly, 2022.

Table4: Project Status on the Selected Feeder Roads

No.	Contractor	Project Name	Contract sum K	Start and Revised End Date	Observations	Controlling officer's Submission
1	Global Banners Limited	Periodic Maintenance of 22 km of Kale Zone 4 to Musaika Farmblock via Kabende School, Kasongole to Kabende Road ó Mansa District of Luapula Province.	Contract sum K43,455,855.67 Certified Amounts K4,345,585.67 Paid K1,379,310.34	6/11/2020 65/11/2021	<p>The project had been delayed for a period of 6 months after the expected completion date of 5th November, 2021.</p> <p>The project was 10 per cent complete, contract had expired and works had stalled.</p> <p>Out of the certified amount of K4,345,587 only amounts totaling K1,379,310 had been paid leaving a balance of K2,966,275 outstanding for a period of over 6 months.</p> <p>Physical inspection carried out in January 2022 revealed that a stretch of 10 kilometres was graded, however, embankment in swampy areas had not been done.</p> <p>The top soil had not been removed in readiness for road formation.</p>	<p>Cause for the Query</p> <p>The Ministry acknowledges the observation by the Auditor General and wishes to report that the contract works delayed and stalled due to lack of funds resulting into expiry of contract.</p> <p>Government still owed the contractor and had not renewed the contract after expiry.</p> <p>Action Taken</p> <p>The Ministry has since</p>

						<p>terminated the contract.</p> <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract management at all levels</p>
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No.	Contractor	ProjectName	Contract ValK	Start and Revised End Date	Observations	Controlling officer' Submission
2	GandGNational Wide(Z)Ltd	Periodic Maintenance of 45 km of Chabanya Farm Block to Buy okato Harbour In Kawambwa to M 13	<p>Contract sum K49,447,989.88</p> <p>Certified Amounts K4,944,798.99</p> <p>Paid</p>	12/10/2020 ó 11/10/2021	<p>The project had been delayed for a period of 7 months after the expected completion date of 11th October 2021.</p> <p>The project was 10 per cent complete, contract had expired and works had stalled.</p>	<p>Cause for the Query</p> <p>The Ministry acknowledged the observation by the Auditor General and reported that the contract works</p>

		Roadsó Kawambwa District of Luapula Province.	K4,262,758		<p>Out of the certified amount of K4,944,799 only amounts totaling K4,262,758 were paid leaving a balance of K682,041 outstanding for a period of over seven months. Physical inspection carried out in January 2022 revealed that only a stretch of 12.4 km of clearing and grabbing had been done.</p> <p>Although Contractor was on site, the contract expired in October 2021, therefore contractor was working without a contract.</p>	<p>stalled due to lack of funds resulting into expiry of contract.</p> <p>Government still owed the contractor and had not renewed the contract after expiry.</p> <p>Action Taken</p> <p>This contract had since been terminated by the Ministry.</p> <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract management at all levels</p>
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3	Tonlex Investments Limited	Periodic maintenance of 55 Km Mukubwe Ngabwe Feeder Road in Ngabwe District of Central Province	<p>Contract sum K56,668,367.64</p> <p>Certified Amounts 19,761,684</p> <p>Paid K14,095,296.91</p>	20/04/2020 to 20/06/2021	<p>The project had been delayed for a period of eleven (11) months after the expected completion date of 20th June 2021.</p> <p>The project was at 33 per cent complete, contract had expired and works had stalled.</p> <p>Out of the certified amount of K19,761,684 amounts totaling K14,095,297 had been paid leaving a balance of K5,666,387 outstanding for a period of over eleven (11) months.</p>	<p>Cause for the Query</p> <p>The Ministry acknowledged the observation by the Auditor General and reported that the contract work stalled due to lack of funds resulting into expiry of contract.</p> <p>Government still owed the contractor and had not renewed the contract after expiry.</p> <p>Action Taken</p> <p>The Ministry had since terminated the contract</p> <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract management at all levels</p>
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No.	Contractor	Project Name	Contract Value	Start and Revised End Date	Observations	Controlling officer's Submission
4	Big Five Investments	Rehabilitation of 59 kilometres Silverest-Airport to Chinkuli	Contract sum K88,042,521 Certified Amounts K39,365,880 Paid K7,589,873		<p>The project was 45 per cent complete, contract had expired and works had stalled.</p> <p>Out of the certified amount of K39,365,880 amounts totalling K7,589,873 had been paid leaving a balance of K31,775,907 outstanding.</p> <p>The boq included the procurement of 2 brand new double cab 4 x 4 Toyota Hilux for supervision of works at a cost of K8million (K4million per unit). The contract or procured and handed over the vehicles to the Ministry on 31st May 2021. The cost of K4 million per unit was questionable in that one (1) Unit from Toyota Zambia was costing K1,223,684 which was lower by K2,776,316 for the</p>	<p>Cause for the Query</p> <p>The Auditor General's observations were noted. However, the delay in the completion of the project had been due to limited resources available during the period of the project.</p> <p>Action Taken</p> <p>On the procurement of motor vehicles, the instruction was already given to the council to treat the item as a prime cost sum and deduct the difference from subsequent IPCs.</p> <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon</p>

				<p>vehicle.</p> <p>On 8thJune,2021, the Ministry approved IPC number1</p> <p>Amounting to K30,351,628 which included payment for two Toyota Hilux motor vehicles at a total cost of K8,000,000.</p> <p>As at 30thJune2022, there was no evidence of adjustment to the price for them or vehicles.</p>	<p>confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract management at all levels.</p>
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No.	Contractor	Project Name	Contract sum K	Start and Revised End Date	Observations	Controlling officer' Submission
5	Super cone Zambia Limited	Periodic maintenance of 42 Kilometres Kwilimuna Bantikila Feeder Road in Mpongwe District of Copperbelt Province	Contract sum K 48,621,689.43 Certified Amounts K9,949,555.88 Paid K3,879,310	14/08/2020 14/09/2021	<p>The project had been delayed for a period of eight months after the expected completion date of 14th September, 2021.</p> <p>The project was 10 per cent complete, contract expired and works stalled.</p> <p>Out of the certified amount of K9,949,556 amounts totaling K3,879,310 had been paid leaving a balance of K6,070,246 outstanding for a period of over eight months. Out of the certified amount of K42,764,005 amounts totalling K20,672,414 were paid leaving a balance of K22,091,591.</p>	<p>Cause for the Query</p> <p>The Ministry acknowledge the observation by the Auditor General and wished to report that the contract work stalled due to lack of funds resulting into expiry of contract.</p> <p>Government still owed the contractor and had not renewed the contract after expiry.</p> <p>Action Taken</p> <p>The Ministry had since terminated the contract</p> <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening</p>

						contract management at all levels
6	Chilamata Engineering and Construction Limited	Periodic Maintenance of 46kms Chapa Kaputu Nshindaila Chungu Roads - Luposho District of Northern Province	Contract sum K57,108,663.19 Certified Amounts 5,710,866 Paid 0	14/10/2020 ó 14/10/2021	<p>The project had been delayed for a period of eight months after the expected completion date of 14th October 2021.</p> <p>The project was 10 per cent complete, contract expired and works stalled.</p> <p>Physical inspection carried out in January, 2022, revealed that only 6 kilometres of grabbing was worked on.</p>	<p>Cause for the Query</p> <p>The Ministry acknowledged the observation by the Auditor General and wished to report that the contract work stalled due to lack of funds resulting into expiry of contract.</p> <p>Government still owed the contractor and had not renewed the contract after expiry.</p> <p>Action Taken</p> <p>The Ministry had since terminated the contract in order to deter debt accumulation to the Government</p> <p>Remedial Measure</p> <p>The Ministry would ensure</p>

						<p>that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract management at all levels</p>
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No.	Contractor	Project Name	Contract Value K	Start and Revised End Date	Observations	Controlling officer's Submission
7	Mierna Construction and General Dealers/Professional Engineering Contractors Limited	Rehabilitation of 95 km of the Chama	Contract sum K131,251,717 Certified Amounts K21,036,845 Paid K17,121,321	3/07/2018 3/9/2019	<p>The project was delayed for a period of two years eight months after the expected completion date of 3rd September, 2019.</p> <p>The project was 16 per cent complete, contract expired and works stalled.</p> <p>Out of the certified amount of K21,036,845 amounts totalling K17,121,321 were paid leaving a balance of K3,915,524 outstanding for a period of over two years eight months.</p>	<p>Cause for the Query</p> <p>The Ministry acknowledged the observation by the Auditor General and reported that the contract work stalled due to lack of funds resulting into expiry of contract.</p> <p>Government still owed the contractor and had not renewed the contract after expiry.</p> <p>Action Taken</p> <p>The Ministry had since terminated the contract in order to deter debt accumulation to the Government</p> <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract management at all levels</p>

8	Continental Labour Based Road Contractors Limited	Periodic Maintenance of 52.2 km of the Musele-Katuta-Sobing Roads	<p>Contract sum K367,114,878.20</p> <p>Certified Amounts K73,090,345.20</p> <p>Paid K13,015,555.30</p>	25/08/2015 6 Dec2021	<p>The initial contract price had been revised from K64,114,878 to K367,114,878 resulting in an increase of K302,248,210 due to delays.</p> <p>The kilometres were increased from 52.2 kilometres to 112.2 kilometres resulting in an increase of 60 kms.</p> <p>The project progress was 6 per cent complete.</p> <p>Out of the certified amount of K73,090,345 amounts totaling K13,015,553 were paid leaving a balance of K60,074,790 outstanding for a period of over six months.</p> <p>Physical inspection carried out in January 2022 revealed that only two (2) bridges out of 4 were constructed. On the initial 52.2 kilometres only 36.1 kilometres had second layer gravel dumped but not compacted. Only bush clearing and grabbing had been done on the 60 kilometres.</p> <p>Although the Contractor was on site, the contract expired in December 2021, therefore, contractor was working without a contract.</p>	<p>Cause for the Query</p> <p>The Auditor's observations were correct. However, the delay in the completion of the project had been due to lack of funds.</p> <p>Action Taken</p> <p>The Ministry was in the process of terminating some projects in order to reduce Government commitment to debt.</p> <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract management at all levels</p>
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No.	Contractor	Project Name	Contract Value K	Start and Revised End Date	Observations	Controlling officer's Submission
9	Carmwin Investments Limited	Periodic Maintenance of 42kms of Chibofwe Kasakalabwe Fikonkota - Luwingu District Northern Province Contract No.MLGH/W/45/26/2020	Contract sum K66,885,061.25 Certified Amounts K24,620,104.63 Paid K21,256,684.56	6/10/2020 ó 7/04/2022	<p>The project was 37% complete, contract expired and works stalled.</p> <p>Out of the certified amount of K24,620,105 amounts totalling K21,256,685 were paid leaving a balance of K3,363,420 outstanding.</p> <p>Physical inspection carried out in January 2022 revealed that only 2 km of road formation with base layer and 10 km of clearing and grabbing was done. Contractor was on site.</p>	<p>Cause for the Query</p> <p>The Ministry acknowledges the observation of by the Auditor General and wished to report that the contract work stalled due to lack of funds resulting into expiry of contract.</p> <p>Government still owed the contractor and had not renewed the contract after expiry.</p> <p>Action Taken</p> <p>The Ministry had since terminated the contract</p> <p>Remedial</p>

						<p>Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract management at all levels</p>
10	MercuryLines Ltd	Rehabilitation of 10km NgwerereKase nga Road,Chongwe	<p>Contract sum K12,807,073</p> <p>Certified Amounts K1,280,707</p> <p>Paid K2,208,116</p>	<p>11/01/2021</p> <p>11/05/2021</p>	<p>The project delayed for a period of one year after the expected completion date of 1st May, 2021.</p> <p>The project was 10% complete, contract expired and works stalled.</p> <p>The advance claim of K1,280,707 was issued, however, the Ministry paid amounts totaling K2,208,116 resulting in an increase of K927,409. The payment of K927,409 was questionable and there was no evidence that the contract had performed any work.</p> <p>Further, despite the</p>	<p>Cause for the Query</p> <p>The Ministry acknowledged the observation by the Auditor General and wished to report that the contract work stalled due to lack of funds resulting into expiry of contract.</p> <p>According to our records the contractor was paid K1,280,707 according to the instructions given by the Ministry to NRFA. The contract had expired and</p>

					<p>works commencing on 11th January 2021 only one interim payment certificate had been issued with no progress report one year after commencement of the project.</p>	<p>Government had not renewed the contract.</p> <p>Action Taken</p> <p>The Ministry had since terminated the contract</p> <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract management at all levels</p>
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No.	Contractor	Project Name	Contract sum K	Start Revised and End Date	Observations	Controlling officer' Submission
11	Pittsco Zambia Ltd	Rehabilitation of 50.80km Kabwale Road	Contract sum K62,329,581 Certified Amounts K6,232,958 Paid K5,129,310.35	5/11/2021 6/11/11/2022	<p>The project was 10 per cent complete, contract expired and works stalled. Out of the certified amount of K6,232,958 amounts totalling K5,129,310 were paid leaving a balance of K1,103,648. Physical in section carried out in January, 2022, revealed that out of the 50.8 kilometres only 10 kilometres clearing, grubbing, road formation and 5 kilometre of graveling was done. Contractor was not on site.</p>	<p>Cause for the Query The Ministry acknowledged the observation by the Auditor General and wished to report that the contract work stalled due to lack of funds resulting into expiry of contract.</p> <p>Action Taken The Ministry had since terminated the contract</p> <p>Remedial Measure The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on</p>

						budget provision. Further, the Ministry would work at strengthening contract management at all levels
12	Jotech Mining Logistic	Rehabilitation of 32km	Contract sum K40,568,511 Certified Amounts K4,056,851 Paid K0	7 th October, 2020 6	The project was delayed for a period of over eight months after The expected completion date of 4 th October, 2021. The project was 10 per cent complete, the contract expired and works stalled. Advance payment of K4,056,851 was issued and not paid.	Cause for the Query The Ministry acknowledged the observation by the Auditor General and reported that the contract work stalled due to lack of funds resulting into expiry of contract. Government still owed the contractor and had not renewed the contract after expiry. Action Taken The Ministry had since terminated the contract Remedial Measure The Ministry would ensure that projects

		Chobela ChilyambaT2 Lufwanya- Chilimankond e Road,Mpika District		4 th October, 2021		would only be undertaken upon confirmation of funds based on budget provision. Further, the Ministry would work at strengthening contract management at all levels
	Total		1,024,301,908.26 214,396,181.37 89,937,535.46			

All documentation was available for audit verification.

Committee’s 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.

Physical Verification

In response, the Controlling Officer submitted that some contractors were not on site at the time of inspection because during the rainy season, the Zambian construction industry went on break, while others left site due to non-payment of certificates on works already done. An analysis of all the contracts was conducted to rationalise the existing contracts and subsequently terminated some contracts following the approval by the Procurement Committee

and Attorney General's clearance. In future, the Ministry would ensure that projects were only undertaken upon confirmation of availability of funds as appropriated by Parliament. Further, the Ministry would work at strengthening contract management at all levels.

Committee's Observations and Recommendations

While acknowledging that the Zambian Construction Industry goes on recess during the rainy season, the Committee is saddened to note that some contractors abandoned their sites because of non-payment for the works done. The Committee fears that the non payments for the works done, will lead to wasteful expenditure in terms of interest as well as termination of contracts. The Committee urges the Controlling Officer to expedite the process of settling the outstanding payments without undue delay and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

i. Urban Roads Upgrade Projects - K4,248,373,069

In response, the Controlling submitted as set out below in the table.

Table Showing Project Status on the Selected Urban Roads

No.	Contractor	Project Name	Contract Sum K	Start and Revised End Date	Observations	Controlling officer's Submission
1.	Datong Construction Limited	Rehabilitati on and upgrading of 15.7 kilometres to bituminous standard of selected urban roads in Mufumbwe	Contract sum K126,372,085. 74 Certified Amounts K22,507,839.7 2 Paid K19,674,222.05	4/1/2015 6 21/10/2019	<p>As at 21st October 2019, the contract had expired however, no documents were available for audit to establish the status of the project as at 30th June, 2022.</p> <p>Due to delays the initial contract closed and a new contract was signed in August, 2018 with a revised contract sum of K126,372,085 resulting in an increase of K11,615,638. Despite the consultant raising concern on the slow pace of the contract or the Ministry did not take any action.</p> <p>Although the earlier contract included 2 motor vehicles the Ministry questionably added two motor vehicles at a contract price of K1.7m. Although the contract provided for the handover of vehicles to the client at the end of contract, the vehicles had not been handed over thirty-eight months after the expiry of the earlier contract.</p>	<ul style="list-style-type: none"> • The Contract had since expired and the Ministry was in the process of closing the contract. • The slow pace of works was due to lack of funds • There was still need for additional motor vehicles for monitoring of the project, however, the two motor vehicles cited as questionably included in the second contract were not bought because the project was not funded. • The two motor vehicles in the old contract were handed over to the Ministry. • The BOQ provided

						<p>for procurement of consumables for three motor vehicles. At expiry of the initial contract, the funds for consumables for two motor vehicles were fully utilised. Upon the extension of the contract for six months no additional funds were provided for servicing of vehicles, therefore, the balance which remained for the other un-procured third vehicle was used.</p> <ul style="list-style-type: none"> • The amount of K1,227,393 which the contractor was owing to Government after closure of the first contract was recovered in the final account from the outstanding IPCs.
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						<p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract management at all levels.</p>
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No.	Contractor	Project Name	Contract Sum K	Start and Revised End Date	Observations	Controlling officer's Submission
2.	Gomes Haulage Limited/ Helmet Engineering and Construction Limited	Rehabilitation and upgrading of 9.37Km of selected urban roads to bituminous standards in Sesheke District of Western Province	Contract sum K108,575,278.37 Certified Amounts K5,507,423.64 Paid K4,507,423.64	21/01/2016 to 31/12/2018	<p>As at 30th June, 2022, the project was delayed by 3 years six months from the revised completion date of 31st December, 2018.</p> <p>Although the contractor issued IP Cnumber 1 in the sum of K5,507,424 and was paid K4,507,424, there was no evidence that the contractor performed any work.</p> <p>Only one interim payment certificate was availed and no progress report on the works done was issued sixty-six months after commencement of the project.</p> <p>On 1st January, 2019, the contract expired, however, no documents were availed for audit to establish the status of the project as at 30th June, 2022.</p>	<ul style="list-style-type: none"> • The delay was due to lack of funds • The payment in question was meant for preliminary and general items which covered mobilisation, setting up of camp, clearing and grabbing and general preparatory works. • The project had stalled and no further works were done. • The contract expired and the Ministry

						<p>had since not renewed the contract.</p> <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract management at all levels.</p>
3.	Shachitari Contractors Limited	Upgrade approximately 15.6km Selected Urban Roads in Mumbwa District of Central Province	<p>Contract sum K144,273,775.74</p> <p>Certified Amounts 85,868,801.68</p> <p>Paid 57,861,555.31</p>	4 th February 2015 to 3 rd August, 2017	In August 2017 variation order number 1 was issued to revise the contract sum upwards to K144,273,775.	<p>The project expired and the Ministry had not renewed the contract. The contract was closed and final</p>

						<p>account prepared.</p> <ul style="list-style-type: none"> • The outstanding amounts have not been cleared due to budgetary constraints. <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract management at all levels.</p>
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No.	Contractor	Project Name	Contract Sum K	Start and Revised End Date	Observations	Controlling Officer's Submission
					<p>A review of a progress report dated October, 2021, revealed that the project status was 64.17 per cent complete and the contract expired on 3rd August, 2017. There were no documents availed for audit to establish the status of the project as at 30th June, 2022.</p> <p>At the time of expiry of the contract, amounts totaling K85,868,802 were certified and K57,861,555 paid leaving a balance of K28,007,246. The balance had been outstanding since March, 2017.</p>	
4.	Nakangea Construction Limited	Rehabilitation	<p>Contract sum K115,739,492.90</p> <p>Certified Amounts K78,564,372.98</p> <p>Paid K15,167,422.91</p>	11/06/2018-11/08/2019	<p>As at 30th June, 2022, the project completion delayed by over 2 years from the revised completion date of 11th August, 2019.</p> <p>A review of a progress report dated October, 2021, revealed that the project status was 74.19 per cent complete and the contract expired on 3rd August, 2017. There were no documents availed for</p>	<ul style="list-style-type: none"> • The project expired and the Ministry had not renewed the contract. • The outstanding amounts have not been cleared due to budgetary constraints.

						<ul style="list-style-type: none"> The documents were available for verification . <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract management at all levels.</p>
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No.	Contractor	Project Name	Contract Sum K	Start and Revised End Date	Observations	Controlling Officer's Submission
					<p>audit to establish the status of the project as at 30th June 2022.</p> <p>Amounts totaling K78,564,373 were certified and amounts K15,167,423 were paid leaving a balance of K63,396,950.</p>	
5.	Lumandwe Resources Limited	Rehabilitation of approximately 15.04km,	<p>Contract sum K878,151,546.86</p> <p>Certified Amounts K388,312,016</p> <p>Paid K233,897,630</p>	15/12/2016 - 14/02/2022	<p>The initial contract price was revised from K379,773,688 to K396,716,895 resulting in an increase of K16,943,207 due to delays. The initial contract which commenced in 2016 had a completion period of 14th September, 2019. The contract expired when 26.2 kilometres was completed and opened to traffic. However, amounts paid on the initial contract were not available for audit.</p> <p>On 30th September, 2020, a new contract was awarded to the contractor at a contract sum of K543,441,638 which was revised to</p>	<ul style="list-style-type: none"> The Ministry submitted that what was paid through the fund managers NRFA were available for verification. The contract was still active and a progress status report was available for verification. <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract management at all levels.</p>

					<p>K878,151,546 on variation order number 1 dated 19th April, 2021, resulting in an increase of K334,709,908</p>	
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No.	Contractor	Project Name	Contract SumK	Start and Revised End Date	Observations	Controlling Officer's Submission
					<p>Amounts totaling K388,312,016 were certified and amounts totaling K233,987,630 were paid leaving a balance of K154,414,385.</p> <p>There were no documents availed for audit to establish the status of the projectas at 30th June, 2022.</p>	

6.	Build Trust Construction Limited	Rehabilitation and upgrading of select Durban roads (15km) to bituminous standard in Sinda District in Eastern Province.	Contract sum K113,828,644 Certified Amounts K57,192,371 Paid K57,192,371	1/06/2019 57/10/2019	<p>The initial contract price was revised from K95,533,521 to K123,936,231 Resulting in an increase of K28,402,692.</p> <p>Although the completion period was extended for six months the works were not completed and the contract expired on 2nd February, 2017.</p> <p>On 7th August, 2018, a new contract was awarded to the contractor at a contract sum of K113,828,644 with a contract period of fourteen months.</p> <p>Although the contract was awarded a new contract, the project had</p>	<p>The Ministry submitted that inadequate funds delayed completion of contract hence the contract expired. The contract was closed, final accounts were prepared and records to support payment of K57,192,371 as provided by NRFA area available for verification.</p> <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p>
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						Further, the Ministry would work at strengthening contract management at all levels.
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No.	Contractor	Project Name	Contract Sum K	Start and Revised End Date	Observations	Controlling Officer's Submission
					<p>Not been completed over three years after this contract expired.</p> <p>Amounts totaling K57,192,371 were certified and paid. However, there were no records on the amounts paid on the initial contract and the progress made availed for audit as at 30th June, 2022.</p>	

7.	AVEX Technical Works Limited	Rehabilitation and upgrading of selected urban roads (18km) to bituminous standard in Chadiza district in Eastern Province.	<p>Contract sum K119,907,027.72</p> <p>Certified Amounts K41,629,401.74</p> <p>Paid K34,212,039.38</p>	18 th November, 2013, to 31 st December, 2018.	<p>As at 30th June, 2022, only 2.5 kilometres of road works were completed and opened to traffic after the revised completion date of 31st December, 2018, resulting in a delay of four years.</p> <p>The initial contract price was revised from K102,474,929 to K119,097,027 Resulting in an increase of K17,482,098</p> <p>Amounts totaling K41,629,402 were certified and K34,212,039 paid leaving a balance of K7,417,362. Although the contract was signed on 4th November, 2013 with a completion period</p>	<p>The Ministry submitted that the delay to complete the works was due to inadequate funds.</p> <p>The contract was closed due to financial constraints and the final account was prepared and is available for verification.</p> <p>Remedial Measure The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract management at all levels.</p>
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No.	Contractor	Project Name	Contract Sum K	Start and Revised End Date	Observations	Controlling Officer's Submission
					Of twelve months, the works only commenced on year later on 4 th October, 2014.	
8.	Wah Kong Enterprises/S talwart Investments Joint Venture	Contract Rehabilitation and Upgrading of 20.02 kilometres Urban Roads in Mkushi District	Contract sum K123,142,060.36 Certified Amounts K26,933,581.40 Paid K26,933,581.40	27 th November 2017 to 31 st December, 2021	<p>As at 30th June 2022, only 1.5km of road works were completed and opened to traffic after the revised completion date from 26th January, 2019 to 31st December, 2021, resulting in a delay of six months.</p> <p>Amounts totaling K26,933,581 were certified and paid</p> <p>A review of a letter dated 17th December, 2018, from the project consultant revealed that only one key employee instead of eight was employed by the contractor one year into the contract contrary to clause 9.1 of the conditions of the contract</p>	<p>The Ministry submitted that inadequate funds delayed completion of the projects.</p> <p>The observation by the Auditor General is noted. However, the Ministry stated that additional 2.8 kilometres have been constructed up to sub base level to date. The Ministry had since started determination of closure of the contract.</p>

						Remedial Measure The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision. Further, the Ministry would work at strengthening contract management at all levels.
9.	Kailjee Construction Limited	Rehabilitation, Periodic and Routine Maintenance 26.1 kilometres Urban Roads	Contract sum K187,106,006.23 Certified Amounts K41,629,401.74 Paid K74,842,402.49	2 nd June 2017 to 10 th March 2021	The initial contract was signed on 22 nd May, 2017, with a completion date of 2 nd December, 2018, and the contract sum was K294,310,645. Amount totalling K155,700,322 were certified and	The Ministry submitted as follows: • The project was active at the time IPCs No. 7, 8, 9 & 10 were issued as could be

						<p>seen from the time the extension was granted in accordance to variation order no, 1 which extended the construction period from December, 2018 to 2nd August, 2019.</p> <ul style="list-style-type: none"> • The second contract was signed with increased scope of work and currency fluctuations increased the contract price. <p>The delayed completion of work was mainly</p>
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						<p>attributed to budgetary constraints.</p> <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contracting management at all levels.</p>
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No.	Contractor	Project Name	Certified Amounts K	Start and Revised EndDate	Observations	Controlling officer's Submission
		InChinsaliDistrict of Muchinga Province Contract			<p>K151,668,679 was paid leaving a balance of K4,031,643.</p> <p>The physical progress as at 30th June, 2020, was 40 per cent complete and the contract expired on 2nd December, 2018.</p> <p>4 IPCs (8, 9 7 & 10) in amounts totaling K34,120,996 were issued after 2nd December, 2018, when the first contract had expired.</p> <p>On 11th December 2020 a new contract with a contract sum of K590,157,827 was signed with the contractor.</p> <p>As at 30th June, 2022, a total of 17 kilometres of road works were completed and opened to traffic.</p> <p>Amounts totaling K187,106,006 were certified and K74,842,402 was paid leaving a balance of K112,263,604.</p>	

No.	Contractor	Project Name	Contract Sum K	Paid K	Start and Revised End Date	Observations	Controlling Officer's Submission
10.	Unik Construction Limited	Rehabilitation of 20 km of Selected Urban Roads in Kawambwa District of Luapula Province Contract No.MLGH/W/039/13/18	Contract sum K87,494,820.62 Certified Amounts K11,050,144.01 Paid 0		14 th September, 2014, to 24 th October, 2019	<p>The initial contract was signed on 14th September, 2014, with a completion date of 14th September, 2015, and the contract price was K72,580,360. The contract expired when the physical progress was 19 percent completion.</p> <p>However, no documents were available for audit showing amounts certified and paid on the initial contract.</p> <p>Due to delays in the initial contract, a new contract was signed on 24th August, 2018. With a contract sum of K87,494,821.</p> <p>Amounts totaling K11,050,144 were certified on the new contract and no records were available for audit on the amounts paid.</p> <p>A physical verification conducted in January,</p>	<p>The Ministry wishes to report that the contract expired, project closed and final account prepared.</p> <p>Remedial Measure</p> <p>The Ministry will ensure that projects would only be undertaken upon confirmation of funds based on budget provision. Further, the Ministry would work at strengthening contract management at all levels.</p>

						2022 revealed that out of the 20.60 kilometres of the contract or only 2.6 kilometres completed.	
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No.	Contractor	Project Name	Contract Sum K	Start and Revised End Date	Observations	Controlling Officer's Submission
					One of the roads called Chipata with a stretch of 0.2 kilometres had developed pot holes and had a damaged edge beam.	
11.	UnikConstruction Limited	Rehabilitation of 15 kilometres of Selected Urban Roads in Nchelenge District of Luapula Province Contract No. MLGH/W/038/13	Contact Sum K69,053,940.21 Certified Amount K10,827,155.73 Amount Paid K3,452,652.01	11 th August, 2014, to 31 st December, 2019	<p>The initial contract expired on 14th September, 2015, when the physical progress was 16 per cent complete.</p> <p>Amounts totalling K10,827,156 were certified and K3,452,652 was paid leaving a balance of K7,374,504 as at 30th June, 2022.</p>	<p>The Ministry submitted that the contract expired, project closed and final account prepared.</p> <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract</p>

						managem nt at all levels.
1.	Kaplumanda Associates Limited	Consulting Services for Design and Supervision of 15.6 kilometres of Selected Urban Roads to Bituminous Standard of Mumbwa District in Central Province Zambia	Contact Sum K30,758,089.59 Certified Amount K21,345,121.33 Amount Paid K20,451,921.33	7/04/2015 to 31/12/2018	The consultancy services were revised from an end date of April, 2016, to October, 2018 due to delayed completion of the road project. Consequently, the consultancy fee increased from K7,902,954 to K30,758,089 representing an increase of K22,855,135. At the time of expiry of the initial contract the works were at 32.84 per cent resulting in wasteful expenditure as the contract entered into was a time related contract.	It was necessary to hire a consultant on the two projects because of the following: <ul style="list-style-type: none"> • There was need to design bridges along Chisomo Road in Serenje and the expertise was not available in house. • Despite the works being slow on the Mumbwa urban roads, a consultant was still needed to check and certify the quality of the works done by the contractor. The consultancy contract was tied to supervising the road works. Therefore, time related consultancy contract was the best method that could have been used in this instance as it provided flexibility in

				<p>Following the expiry of the contract in 2018, the Ministry single sourced the consultancy at a fee of K28,211,200 to continue on the project and added a new road project (Chisomo Road in Serenje District).</p> <p>As at 31st October, 2021, the consultant had issued claims in amounts totalling K21,345,121 on the new contract of which K20,451,921 was paid leaving a balance of K893,200.</p> <p>As at 30th June, 2022, consultancy fees of K20,451,921 representing 72.5 per cent were paid while the physical progress on the main proje</p>	<p>management of contracts as compared to the fixed cost sum.</p> <p>Further, it was standard practice to engage a consultant to design and supervise the upgrading of road works.</p> <ul style="list-style-type: none"> The financial challenges being faced by the Government resulted in project management difficulties. <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract management at all levels.</p>
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					ctwas 64.2 per cent complete.	
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No.	Contractor	Project Name	Contract Sum K	Start and Revised End Date	Observations	Controlling Officer's Submission
2.	Bari Zambia Limited in Ass ociation	Consultancy Services for Design, Supervision	Contact Sum K19,945,400 Certified Amount K7,750,942 Amount Paid K7,750,942	14/02/201 46 31/12/201 7	The initial consultancy was revised three Times from an initial end date of July, 2015, to December, 2017. Consequently,	<ul style="list-style-type: none"> The delay in the completion of the main project was due to inadequate funds. The Ministry submitted that the Main contract in Solwezi and Kasempa was closed, while that of Mufumbwe was under determination for closure hence leading to suspension of consultancy services. The approvals from the Attorney General, ZPPA and status report were available for audit verification. <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening</p>

						contract management at all levels.
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No.	Contractor	Project Name	Contract SumK	Start and Revised End Date	Observations	Controlling Officer's Submission
	With Kaplum & Associates Limited	And Upgrading of Approximately 20.5 Kilometres of the Solwezi District, 15.7 Km Mufumbwe District, 9.27 kilometres of the Kasempa District and 5.7 kilometres Kabompo District Urban Roads to Bituminous Standards in North Western Province			<p>The contract sum increased from K7,292,398 to K17,697,250 due to Delayed completion of the main project.</p> <p>Following the expiry of the contract in 2017, the Ministry single sourced the consultancy at a fee of K19,945,400 to continue on the project. The approvals from the Attorney General and ZPPA for the consultancy contract were not availed for auditing.</p> <p>As at 30th June 2022, the consultant was paid K7,750,942. However, the progress on the main contract could not be established as the status reports were not availed for audit.</p>	

3.	Allione Consulting Engineers Limited	Consultancy Services for Design, Supervision and Upgrading of Approximately 28 kilometres of the Mansa District, 15 kilometres Mwense District and 22 kilometres of Samfya District	Contact Sum K24,637,664 Certified Amount K21,001,615 Amount Paid 16,290,100.80	29/01/2014 17/12/2017	<p>The initial consultancy was revised three times from an initial date of 29th July, 2015 to 17th December, 2017.</p> <p>Consequently, the contract sum increased from K12,987,784 to K24,637,664 due to delayed completion of them a in project.</p>	<ul style="list-style-type: none"> The observation by the Auditor General is noted. The delay in the completion of the main project was due to inadequate funds. The Samfya project was completed and handed over, while the other components that included Mansa and Mwense were closed at 32 per cent and 25 per cent respectively. <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the Ministry would work at strengthening contract management at all levels.</p>
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No.	Contractor	Project Name	Contract Sum K	Start and Revised End Date	Observations	Controlling officer's Submission
		Urban RoadstoBituminous StandardsinLuapula Province			<p>Following the expiry of the contract on 24thJune, 2016, the Ministry single sourced the consultancy at a fee of K24,637,664 to continue the project.</p> <p>As at 30th June 2022, the consultant had been paid K16,290,101.</p>	

4.	LNH Consulting Services Ltd in association with BNC Consult Limited	Consultancy Services for Design, Supervision and Upgrading of 15 kilometres Kapiri Mposhi, 31 kilometres Serenje, and 20 kilometres, Mkushi Urban Roads in Central Province	<p>Contact Sum K22,425,270.80</p> <p>Certified Amount K21,947,122.71</p> <p>Amount Paid K21,947,122.71</p>	5 th February, 2014, to 17 th December, 2017	<p>The initial consultancy was revised three times from an initial end date of 5th February, 2015 to 17th December, 2017. Consequently, the contract sum increased from K9,608,918 to K22,425,278 due to delayed completion of them a in project.</p> <p>As at 30th June 2022, consultancy fees of K21,226,722 representing 99 per cent were paid when the physical progress on the main project was 72 per cent complete.</p> <p>A review of the letter dated 27th November 2017 revealed that Fee Note No. 28 in amounts</p>	<ul style="list-style-type: none"> The observation by the Auditor General is noted. The delay in the completion of the main project was due to inadequate funds. The Ministry submitted that whilst the consultant continued to be on site, the main contractor had reduced the work output due to insufficient funds. Further, Serenje and Kapiri-Mposhi were closed, whilst the Mkushi project was under determination. <p>Remedial Measure</p> <p>The Ministry would ensure that projects would only be undertaken upon confirmation of funds based on budget provision.</p> <p>Further, the</p>
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					totaling K720,401 was issued and paid when there were no works on site during that period.	Ministry would work at strengthening contract management at all levels.
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Committee’s Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

e. Lusaka Roads Decongestion Project

i. Design and Construction of Lusaka City Decongestion Project on Engineering Procurement and Construction Basis

• Non-Transparency in the Selection of Contractor

In response, the Controlling Officer submitted that the choice of the firm to execute the project was based on the Financing Agreement provision at Clause 1, which defined the buyer as Ministry of Local Government and Rural Development and sellers as AFCONS Infrastructure Limited, which was signed between the Ministry of Finance and National Planning and Exim Bank of India on 13th April, 2017. The method of contracting was through the Engineering Procurement Contract (EPC) and the Government single sourced the contractor based on the terms and conditions in the financing agreement.

Committee's 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 and awaits a progress report on the matter.

ii. Inclusion of the Ministry of Local Government and Rural Development Office Building in the Lusaka City Decongestion Project and Provision Sum

• Uncompetitive Construction cost of US\$10,986,015

• Reduction of the scope of works relating to decongestion such as reduction from the 120.7 kilometres, representing 21.13 per cent in the total length of road

In response, the Controlling Officer submitted that the Ministry of Local Government and Rural Development Office Building was not included at feasibility study. However, it was negotiated for with Exim Bank of India through the Ministry of Finance and National Planning to have an improved office building for the Ministry of Local Government and Rural Development Headquarters, as it was housed in a rented property.

The costs of the building were reviewed by the consultant and it was a modern building fitted with improved facilities, which enhanced the quality of the working space for officers. The building was to accommodate all departments at the Ministry and to house a centralised traffic management, with provision of integrating smart solutions in future. Further, the construction of the building became part of the main project with AFCONS as the main contractor based on the Contractor Facilitated Financing Model.

The project was a fixed sum contract. Therefore, all works such as relocation of utility services and compensations as well as building construction, at a cost of US\$10,986,015 were within the cost of the financing facility. Thus, the inclusion of the office building was regarded as reasonable as it only accounted for 3.8 per cent of the total contract cost.

The reduction in the scope of works was as a result of increased cost of relocation of utilities and compensation of the right-of-way. This was an EPC contract with a fixed contract amount which

meant that the kilometres had to be reduced in order to accommodate the increased cost of relocation of services.

Committee's Observations and Recommendation

The Committee finds it unacceptable that Procurement Regulations are flouted with impunity. The Committee wonders whether or not the Ministry sought legal advice from the Attorney General in order to vary the contract and include construction of the office building. The Committee urges the Controlling Officer to institute punitive measures on the officers involved for the omission and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will wait a progress report on the matter.

ii. Failure to Secure Title Deeds

In response, the Controlling Officer submitted that the process to obtain the Title Deed commenced with the Ministry of Lands and Natural Resources and follow ups were being made. The Ministry was also in the process of insuring the new office building.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to expedite the process of acquiring the Title Deed, as well as insuring the building. The Controlling Officer should avail supporting documents to the Office of the Auditor General for audit verification and await a progress report on the matter.

iii. Questionable Contractor's Overhead Costs

In response, the Controlling Officer submitted that the overhead costs were directly related to the value of the cost of relocating and compensation activities captured under the preliminary and general items. Due to the increase in the relocation and compensation costs that occurred, the overhead costs increased on a pro-rata basis and documents to validate the overheads were available for audit verification.

Committee's 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 and awaits a progress report on the matter.

iv. Questionable Cost of the Four Junction Improvement with Flyover Bridges

In response, the Controlling Officer submitted that this was an Engineering Procurement Construction contract in which the contractor submitted the designs and its associated costs to the client. The client engaged an independent consultant to review the designs in order to ascertain value for money and conform to the Southern Africa Transport and Communication Commission (SATCC) standards. After the design review, the flyover bridge lengths and side roads increased as shown in the table below.

Table Showing Flyover Bridges Lenth and Side Roads in Lusaka

No.	FLYOVER	ORIGINAL SCOPE		FINAL SCOPE	
		Main Structure	Side Roads	Main Structure	Side Roads
1	Makeni	450m	900m	860m	2,000m
2	Arcades	200m	640m	720m	1,680m
3	Longacres	250m	640m	440m	1,500m
4	Munali	310m	640m	710m	1,160m
	Total	1,210m	2,820m	2,730m	6,340m

In view of changes made to the final designs as shown in the table, the cost of constructing the flyover bridges also increased.

Committee’s Observations and Recommendations

The Committee expresses concern that the Ministry went ahead to procure for the construction of the four flyover bridges without conducting a due diligence. The value of the works could have been ascertained and budgeted for. The Committee wonders what role the engineers and quantity surveyors played on this project to protect Government interest. The Controlling Officer should take keen interest in financial and procurement processes to avert any malpractice. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

a. RatingValuationTribunal

a. Budget, Funding and Expenditure

i. Transfer of Funds from Councils Without Authority

In response, the Controlling Officer submitted that the Principal Local Government Officer (PLGO) requested for funds totallingK1,557,850 from eight councils out of which K1,094,100 was transferred to the Tribunal account as observed by the auditors.The PLGO was suspended on 24th December, 2020, after the Controlling Officer received complaints from the local authorities over the requests for Tribunal Funds. Following the suspension of the PLGO, the Ministerial Disciplinary Committee (MDC) deliberated on the matter and investigations were carried out. Subsequently, the MDC resolved that the PLGO had no case to answer since he followed the Controlling Officer’s instructions contained in the minute of 17th November, 2020 and his suspension was lifted, though regrettably posthumously.The Ministry had since made a budget provision for the Valuation Tribunalunder its 2022 budget. Documents were available for audit verification.

Committee's 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 and awaits a progress report on the matter.

i. Irregular Approvals

In response, the Controlling Officer submitted that the Director of Local Government Administration was authorising expenditure without delegated authority from the Controlling Officer. Further, the Director of Local Government Administration authorised twelve payments in amount totalling K184,944, which were above the K10,000 threshold. As a result, the Director of Local Government Administration was suspended on 24th December, 2020, for approving payments for the Valuation Tribunal without authority from the Controlling Officer. Subsequently, the suspension was lifted on 25th August, 2021. The Tribunal account had since been handed over to the Ministry and all approvals were being done by the Controlling Officer. Documents were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee expresses concern that the Director of Local Government Administration authorised payments without the notice of the Controlling Officer, who is the final authority. The Controlling Officers is implored to sternly caution accounting and procurement officers against flouting procurement regulations. The Controlling Officer should ensure that officers who deliberately abrogate regulations should be fired without undue delay. In this regard, the Controlling Officer is urged to devise mechanisms that will ensure that both procurement and accounting officers adhere to the Public Procurement Regulations and Public Financial Regulations without exception. He should also take keen interest in financial and procurement process to avert any malpractice. The Controlling Officer should avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iii. Lack of Cash book and Bank Reconciliation Statements

In response, the Controlling Officer submitted that the Ministry of Local Government and Rural Development did not maintain Cashbooks for the Tribunal Account held at Investrust Bank despite spending amounts totalling K2,158,915. This was because the account was solely managed by the Valuation Tribunal. Consequently, bank reconciliation statements were also not prepared. The Cashbook and the Bank Reconciliation Statements had since been prepared and were ready for audit verification. The Tribunal account had since been handed over to the Ministry and all records and books of accounts were being properly maintained.

Committee's Observations and Recommendations

In noting the submission, the Committee expresses concern that the Controlling Officer is being reactive to an audit query. The Committee wonders what role the Internal Audit plays at the Ministry if it could not detect this anomaly. The Committee finds this omission unacceptable and urges the Controlling Officer to institute disciplinary measures against internal auditors as well as accounting supervising officers for failure to supervise. The Controlling Officer should avail supporting documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

ii. Un-vouched Expenditure

In response, the Controlling Officer submitted that thirty-six payments were made in amounts totalling K1,729,406 without preparing payment vouchers. Out of the un-vouched expenditure, amounts totalling K163,641 involving three transactions had no expenditure details. However, all Tribunal expenses had since been compiled and backed up with payment vouchers, including expenditure details. The Tribunal account had since been handed over to the Ministry.

Committee's Observations and Recommendations

The Committee finds it highly questionable that accountable documents were retrieved after the audit process and doubts their authenticity. The Committee urges the Controlling Officer to devise mechanisms to ensure enhanced record management at the Ministry without any further delay. -The Committee, further, urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for Audit verification and awaits a progress report on the matter.

iii. Questionable Retirement of Accountable Imprest

In response, the Controlling Officer submitted that the Tribunal Assistant Secretary attached questionable acquittal sheets for Petauke and Katete Town Councils with amounts totalling K27,600 signed between 24th and 29th December, 2020, which dates were before the imprest was issued (dates not tallying). It was correct that imprest was issued on 1st December, 2020. However, the amount was fully acquitted on 24th and 29th December, 2020, as other members were not available to sign when the money was available. Documents were available for audit verification. The Tribunal Account had since been handed over to the Ministry.

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

iv. Unaccounted-for Funds

In response, the Controlling Officer submitted that between 16th January, and 7th February, 2020, the Tribunal Assistant Secretary, was paid amounts totalling K189,900 as accountable imprest. However, as at 31st July, 2022, amounts totalling K95,400 were not accounted for and no cash was found at hand. However, the documents pertaining to the budget and expenditure of K95,400 have been retrieved and were available for audit verification. The Tribunal Account had since been handed over to the Ministry.

Committee's Observations and Recommendations

The Committee expresses concern at the failure by the Ministry to provide accountable documents during the time of audit, which is against the Public Financial Regulations. The Committee urges the Controlling Officer to devise mechanisms that will enhance record management systems to avert a recurrence of such anomalies. 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.

v. Questionable Claim of Outstanding Sitting Allowances

In response, the Controlling Officer submitted that the additional twelve members of staff cited on the payment comprised support staff whose total number was actually fourteen. They managed sessions held by the Tribunal during the period under review. Their role was to support the Tribunal Secretariat in the management of the meetings as illustrated in the table below.

S/NO	NAME	IFMIS NUMBER	AMOUNT PAID	POSITION	COMMENTS
1	NosikuKetataRande	259186	7,200.00	Court Transcriber	Recording of Tribunal proceedings
2	ChabaleChitakala	261461	7,200.00	Court Transcriber	Recording of Tribunal proceedings
3	Lawson Kanganja	259670	3,200.00	Court Transcriber	Recording of Tribunal proceedings
4	Francis Sichone	274900	3,200.00	Court Transcriber	Recording of Tribunal proceedings
5	Daria Mbofwana	329652	11,200.00	Stenographer	Typing of Tribunal correspondence
6	MutintaNyemba	439	2,000.00	Typist	Typing of Tribunal correspondence
7	Annie Nkausu	39131	5,200.00	Stenographer	Typing of Tribunal correspondence
8	Faustina Choobe	96371	5,200.00	Stenographer	Typing of Tribunal correspondence
9	Marcrina Manda	341503	3,600.00	Typist	Typing of Tribunal correspondence
10	Katongo Lukosha	252801	3,600.00	Typist	Typing of Tribunal correspondence
11	Davy Sikufunise	39042	8,400.00	Driver	Circulating documents to Tribunal members
12	John Musamvu	243369	5,200.00	Driver	Circulating documents to Tribunal members
13	Moffat Zimba	171979	5,200.00	Office Assistant	Preparing meeting places and photocopying of documents

14	Godfrey Banda	39194	5,200.00	Office Assistant	Preparing places and photocopying documents	meeting and of
TOTAL			75,600.00			

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

MINISTRY OF FINANCE AND NATIONAL PLANNING

PARAGRAPH 26

Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters for the Financial Year Ended 31st December, 2021 revealed several irregularities to which the Controlling Officer responded as set out below.

a. Budget, Funding and Expenditure

Audit Finding

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a total provision of K9, 691,863,579.20, was made to cater for various activities against which amounts totalling K9,568,465,882.49 were released, resulting in an underfunding of K123,397,696.71.

Although the Ministry was underfunded, amounts totalling K8,794,172,909.70 had been spent leaving a balance of K774, 292,972.79.

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

BREAKDOWN OF UNSPENT FUNDS AS AT 31 ST DECEMBER, 2021		
	COMMITMENT LINES	AMOUNT (K)
1	PERSONNEL EMMOLUMENTS	744,762,421.79
2	CAPEX	4,753,326.00
3	RECURRENT DEPARTMENTAL CHARGES	24,777,225.00
	TOTAL	774,292,972.79

- i. A total of K744, 762,421.79 was funded in order to facilitate payment of revised salary arrears and other personnel emoluments for Constitutional and Statutory office holders. However, as at 31st December, 2021, the Statutory Instrument for the increments was not signed, hence payments could not be effected.

- ii. An amount of K4,753,326.00 relating to the procurement of motor vehicles was funded on 16th December, 2021, but due to the lengthy procurement procedures, the process could not be concluded by the end of the year. The funds were retained and had been supplemented in the 2022 financial year. The vehicles had since been procured in the year 2022.

- iii. An amount of K24,777,225.00 was meant to undertake various activities and commemoration of public events which could not be undertaken due to the COVID-19 pandemic restrictions. The breakdown of the K24,777, 225.00 was as follows:

Breakdown of Unspent Funds as at 31st December, 2021 - RDCS			
S/N	Department	Amount -K	Activity Details
1	Human Resource	1,425,834.00	Undertaking of various National events
2	Budget Office	639,252.00	Revenue monitoring inspection, tracking of AIA & site verification
3	Government Stores	156,807.00	Revenue verification in various depots
4	Local Government	227,670.00	Training of councils in IPSAS
5	Office of Accountant General	239,093.00	Data base update for Accountants in Provinces
6	Investment & Debt Management	564,684.00	Monitoring of Projects in Provinces
7	Economic Management	177,217.00	Coordination of International & Regional Meetings
8	Treasury Services	1,734,835.00	Review of TSA Operations & implementation
9	Local Government & Projects	130,897.00	Training of staff in Donor Funded Projects
10	Payroll Management	967,980.00	End User Training, Payroll Processing & Reconciliation of Salaries account
11	Policy Research & Standards	12,378,945.00	IPSAS Training in all provinces
12	Financial Reporting	1,741,527.00	IFMIS training for end users, Review of IFMIS user guides
13	Revenue Financial Management	1,886,095.00	Revenue Monitoring in Provinces
14	Finance Department	233,595.00	Verification of the separatees payroll in provinces
15	Budget & Economic - Finance	740.00	Holding of monthly meetings for the department
16	Public Private Partnership	589,021.00	Sensitisation of Contracting Authorities in Provinces
17	Policy & quality Assurance	80,571.00	Quality assure internal Audit units in various Ministries, Provinces & Spending agencies
18	Stock Verification	39,998.00	Carry out committee of Survey to identify Assets to be boarded for possible disposal in hospitals
19	Local Authorities Audit	50,925.00	Conduct Capacity Building for internal auditors under Local Authorities.
20	Specialised Audit	399,010.00	Training various Auditors on matters of IFMIS system
21	Risk Management	273,263.00	Production and Launch of Risk Management Framework
22	Treasury Audit Services	620,594.00	Payroll Audit and Head count
23	Audit Operations	205,365.00	Consolidation & Harmonization of Workplans in Provinces

24	Budget & Economic - Audit	1,569.00	ZICA AGM Conference
25	Internal Audit -EMF	11,739.00	Audit committee meetings
	TOTAL	24,777,226.00	

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

b. Cancellation of the Concession Agreement–Loss of Public Funds

In response, the Controlling Officer submitted that the decision to cancel the Concession Agreement was made in "National Interest" in accordance with articles of requisition of Mpulungu Harbour Estate, which was signed by the Minister of Justice and Attorney General on 1st September, 2005. This was a Cabinet decision and, as such, the costs and benefits were considered in the best interest of the country.

Further, the Ministry of Finance did not budget for this particular cost arising from the Arbitration. However, a total USD48,556,805.54, which represented 81 per cent of the total outstanding bill of the USD 59,735,497.74, had since been paid as at 20th June, 2022 leaving a balance of USD 10,875, 897.17 as shown in the table below.

Table 1: Debt Management for Mpulungu Harbour Limited Status as at 3 June 2021

Date	Debt in USD & as per Court Order	Litigation Debt in ZMW as per Court Order	Payment in Kwacha	Payment in Dollar Equiv (S)	Balance in Kwacha	Balance in USD
07.10.2020	59,432,702.31	1,210,049,819.03	80,000,000.00	3,929,273.08	1,130,049,819.03	55,503,429.23
03.11.2020	55,503,429.23	1,165,572,013.74	80,000,000.00	3,809,523.81	1,085,572,013.74	51,693,905.42
25.01.2021	51,693,905.42	1,105,215,697.79	150,000,000.00	7,015,902.71	955,215,697.79	44,678,002.71
21.04.2021	44,678,002.70	999,849,022.49	100,000,000.00	4,468,474.91	899,849,022.49	40,209,527.79
03.06.2021	40,209,527.79	913,962,566.75	100,000,000.00	4,399,472.06	813,962,566.75	35,810,055.73
17.06.2021	35,810,055.73	816,576,700.82	100,000,000.00	4,385,387.89	716,576,700.82	31,424,667.84
24.06.2021	31,424,667.84	716,576,700.82	50,000,000.00	2,192,693.94	666,576,700.82	29,231,973.90
25.08.2021	29,231,973.90	488,173,964.11	50,000,000.00	2,994,011.98	438,173,964.11	26,237,961.92
31.12.2021	26,237,961.92	437,994,124.75	60,000,000.00	3,594,289.57	377,994,124.75	22,643,672.35
13.05.2022	22,643,672.35	385,284,443.76	50,000,000.00	2,938,565.61	335,284,443.76	19,705,106.74
20.06.2022	19,705,106.74	334,771,289.94	150,000,000.00	8,829,209.97	184,771,289.94	10,875,896.77
	Total		970,000,000.00	48,556,805.53		

The Ministry had since budgeted for this amount in the 2023 budget and was committed to settling the USD 10,875, 897.17 in the financial year 2023.

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

c. Administrative Issues - Usage of Government Property

Audit Finding

During the period under review Dana Oil Corporation Limited was operating from a Government Stores property in Chipata since 2014 without a lease agreement. In addition, there was no evidence that the Corporation was paying rentals.

In response, the Controlling Officer submitted that the history of the Chipata Depot as outlined below.

- i. The fuel tanks in Chipata were donated by the Canadian Government to the Government of Zambia in 1967.
- ii. The running of fuel depots was handed over to the British Petroleum (BP) and Shell Chemicals. Around 2000, the Government, through the Ministry of Finance and National Planning retrieved these properties from BP Zambia Limited. However, it was discovered that Dana Oil were already operating the Chipata depot as a sitting tenant.
- iii. In 2015, the Ministry of Finance and National Planning wrote to the Valuation Department to provide the rental value of the properties to use in the Lease Agreement. The Valuation Department only provided values for the buildings and not for the fuel tanks. However, the Valuation Department had been reengaged to provide the values, which would be used in the Lease Agreement. The team from the Government Valuation Department had since travelled to Chipata to ensure that the valuation was done for purposes of determining rent chargeable to the tenant.
- iv. In addition, Dana Oil Corporation was engaged on this matter so that the lease agreement was signed as soon as the agreement was ready.

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

MINISTRY OF COMMUNITY DEVELOPMENT AND SOCIAL SERVICES

PARAGRAPH 27

Audit Findings

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

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a total provision of K4,193,346,928 was made to cater for the operations of the Ministry against which amounts totalling K3,749,629,703 were released resulting in the under-funding of amounts totalling K443,717,225. Although, the Ministry was underfunded during the period under review, amounts totalling K3,745,919,193 had been spent leaving a balance of K3,710,510.00.

In response, the Controlling Officer submitted that the underfunding, amounting to K443,717,225, was due to non-release of funds by the Treasury during the year under review. The unspent amount of K3,710,510.00 was a balance from the funding received on 29th December, 2021, in respect of the Food Security Pack Programme. However, the Ministry had been constantly engaging the Secretary to the Treasury on the need to release funds timely. The funding slip for 29th December, 2021, was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the response and urges the Secretary to the Treasury to ensure that funds are released on time so that all planned activities are implemented as provided for in the Budget. The Controlling Officer is also hereby implored to be proactive to ensure that funds are spent timely and as appropriated by Parliament. The Committee awaits a progress report on the matter.

b. Inspection of Food Security Pack Programme at Provincial and District Level

i. Questionable Use of Limited Bidding Method of Procurement

In response, the Controlling Officer submitted that the Ministry relied on sections 37 and 42 of the *Public Procurement Act, No. 8 of 2020*, and opted to use the limited bidding method of procurement because the required seed varieties, namely: the open pollinated variety, which were planned to be procured for the 2021/2022 Season, could only be sourced from a limited number of suppliers on the market. The aforementioned justification was provided for under section 42 (a) of the Act, as recorded in the minutes of the first Ministerial Procurement Committee Meeting held on 21st January, 2021. The Ministry would continue to comply with the provisions of the *Public Procurement Act, No. 8 of 2020*. Minutes of the first Ministerial Procurement Committee Meeting held on 21st January, 2021, were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee fears that despite the limited number of suppliers of the required seed on the market, there is a high risk of procurement officers abusing the good intentions of the provision in the law. The Committee urges the Controlling Officer to put in place measures that will ensure that Public Procurement Regulations are applied, without exception. The Committee also urges the Controlling Officers to ensure that supporting documents are availed to the Office of the Auditor General for audit verification and will await a progress report on the matter.

ii. Questionable Awards

In response, the Controlling Officer submitted that the suppliers were accorded an equal opportunity to bid for all lots in line with the bidding documents. However, it emerged that only Zambezi Ranching and Cropping Limited had quoted for all the available lots, while the other bidders did not quote for some of the lots despite having had the freedom to do so.

In light of the above and the need to deliver the inputs on time, the Ministry waived the set criteria to award a maximum of three lots per bidder which was intended to broaden participation, but the waiver still failed due to the limited suppliers of the OPV.

Further, the Ministry extended invitations to some of the major seed suppliers, for the supply of OPV seeds for the 2021/2022 farming season. However, the suppliers indicated that they could not supply the required seed variety. The Ministry would continue to comply with the provisions of the Law. All documentation relevant to the query such as letters to and from seed suppliers were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee fears that despite the limited number of suppliers of the required seed on the market, there is a high risk of procurement officers abusing the good intention of the provision in the law. The Committee urges the Controlling Officer to put in place measures that will ensure that Public Procurement Regulations are applied, without exception. The Committee also urges the Controlling Officers to ensure that supporting documents are availed to the Office of the Auditor General for audit verification and will await a progress report on the matter.

iii. Over payment of Suppliers of Farming Inputs – K2,613,312

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

o Zambezi Ranching and Cropping Limited – K2,380,250.28

The amount in question totalling K2,380,250.28 was in respect of a payment made against the outstanding balance from the previous contract number MCDSS/G2-02/2020 dated 11th August, 2020, in the sum of K5,942,350.00 for the 2020/2021 farming season.

o **Zambia Seed Company Limited – K233, 062.00**

Similarly, the queried sum of K233,062.00 was in respect of the payment made against the outstanding balance from the previous contract number MCDSS/G3-02/2020 dated 11th August, 2020 amounting to K527, 250.00 for 2020/2021 farming season.

In view of the foregoing, the Ministry undertook further reconciliations with the concerned suppliers and established that they were no overpayments. In addition, the Ministry had strengthened contract management systems to avert a recurrence of such anomalies. All relevant documentation 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 and will await a progress report on the matter.

iv. Undistributed Farming Inputs to Beneficiaries

In response, the Controlling Officer submitted that the affected districts could not secure suitable transportation due to high transportation rates that was being demanded by the limited available transporters. In order to avoid delayed distribution, the Ministry was in the process of procuring two, 25 ton trucks to service hard to reach areas. A report on delivery and distribution of inputs in Western Province 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. The Committee will await a progress report on the matter.

v. Women Empowerment Program-Un-disbursed Funds to Women Clubs

In response, the Controlling Officer submitted that at the time of disbursement of the funds, it was discovered that some women clubs on the Copperbelt Province had submitted incorrect and inactive bank accounts which affected settlement of the remittances.

However, the Province re-engaged the affected women clubs to provide the correct bank details of their clubs in order to facilitate issuance of new instructions for disbursement of funds. The reported unutilised K301,363.86 had since been disbursed. Documentation 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 and will await a progress report on the matter.

○ **Beneficiaries Using the Same National Registration Cards – K1,971,268**

In response, the Controlling Officer submitted that the anomaly was due to the duplication in the issuance of National Registration Cards as well as human errors in the manual Food Security Pact Programme (FSP) registration system. The Ministry engaged the Department of National Registration to help resolve cases of duplicate National Registration Cards affecting the cited recipients. In addition, the Ministry had since secured financial and technical support from its cooperating partners to develop and implement a computerised FSP management information system which would facilitate effective management of beneficiary data. Documentation 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 and will await a progress report on the matter.

○ **Unapproved Beneficiaries – Western Province**

In response, the Controlling Officer submitted that the omission was because the responsible officers did not update the approved beneficiary list in line with the FISP guidelines. The beneficiary registers were updated and the concerned officers had since been cautioned. Documentation 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 and will await a progress report on the matter.

○ **Un-acquitted Inputs – Western Province**

In response, the Controlling Officer submitted that the FSP beneficiary registers were not available at the time of audit as there was a delay in retrieving them from the issuing points in the community sub-centres.

However, the registers were available and the officers had since been cautioned for the omission. In addition, the Ministry oriented districts and sub-centre officers on the need to ensure that registers and other records were made available to the auditor when requested. Charge letters were 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. The Committee will await a progress report on the matter

○ **Irregular Inclusion of Farmer Input Support Programme Beneficiaries into Food Security Pact Programme – Choma**

A review of records revealed that 355 farmers who benefited from FSP in the 2021/2022 farming season in amounts totalling K1,164,269 under the Ministry of Community Development and Social Services were also issued with farming inputs (fertiliser and seeds) in amounts totalling

K2,934,617 under FISP programme at the Ministry of Agriculture for the same farmings eas on there by benefiting twice.

In response, the Controlling Officer submitted that this normally was a result of the lack of interface between the FSP and FISP. The concerned beneficiaries had since been removed from the FSP. In addition, the Committee was informed that it may be noted the Ministry had received support from the cooperating partners to develop an electronic management information system which would be interfaced with the FISP. Letters to remove beneficiaries on the FSP 2022/2023 cropping season were 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 and will await a progress report on the matter.

27. The Social Cash Transfer Scheme

Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and selected districts for the Financial Year Ended 31stDecember, 2021, revealed various irregularities to which the Controlling Officer responded as set out below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31stDecember, 2021, a total provision of K2,758,352,968 was made to cater for the implementation of Social Cash Transfer Programmes against which amounts totalling K2,414,097,582 were released resulting in an underfunding of K344,255,386. As at 31stDecember, 2021, the Ministry had spent the whole amount.

In response, the Controlling Officer submitted that the underfunding amounting to K344,255,386 was due to non-release of funds by the Treasury during the year under review. The Ministry would continue to engage the Secretary to the Treasury and the funding releases had since improved in the 2022 financial year.

Committee's Observations and Recommendations

The Committee notes the response, and urges the Secretary to the Treasury to ensure that funds are released on time so that all planned activities are implemented as provided for in the budget. The Controlling Officer is also implored to be proactive in ensuring that funds are spent timely and as appropriated by Parliament. The Committee recommends that the query be closed.

b. Inspection of Social Cash Transfer Scheme at Provincial and District Level

i. Delay in Disbursing Social Cash Funds – K1,583,224

In response, the Controlling Officer submitted that the unutilised funds related to retirements by the pay-point managers in respect to beneficiaries who had either shifted, died, relocated or were not present at the time of payment. The funds to the concerned districts were released as

programmed and all eligible beneficiaries were paid. Documentation 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 and will await a progress report on the matter.

ii. Irregular Payment to Ineligible Beneficiaries

In response, the Controlling Officer submitted that the data anomaly was caused by inherent weaknesses in the old Social Cash Transfer (SCT) Management Information System (MIS). The Committee was informed that the archived beneficiaries were not paid. The Ministry had since deployed an enhanced web based SCT Information System which minimised the database anomalies. In this regard, a record archived cannot be deleted from the system but would be maintained for future reference and audit trail.

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 and will await a progress report on the matter.

iii. Double Payments to Beneficiaries

In response, the Controlling Officer submitted that the anomaly was due to the duplications in the issuance of National Registration Cards (NRCs). Unfortunately, the previous SCT Information System could not detect the shared or duplicated NRCs. To avert this problem, the Ministry had since deployed a new and more enhanced SCT-MIS that would limit the use of NRCs to one individual.

Further, the migration of data from the older SCT-MIS to the new MIS, the Zambia Integrated Social Protection Information System (ZISPIS), had since been completed and the concerns regarding shared identity was being addressed by the Ministry in consultation with Ministry of Home and Internal Security.

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 and will await a progress report on the matter.

iv. Beneficiaries without National Registration Cards

In response, the Controlling Officer submitted that the legacy Social Cash Transfer Guidelines of 2014, did not require beneficiaries to possess NRCs. As such, the beneficiaries in question were from the 2014 cohort. The Ministry had implemented the ZISPIS which used NRCs, hence the beneficiaries without NRCs had been archived awaiting issuance of NRCs.

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 and await a progress report on the matter.

v. Payments Not Supported by Disability or Medical Certificates

In response, the Controlling Officer submitted that this was a result of an inherent technical weakness in the old SCT-MIS. The Committee was informed that 196,170 disability certificates had since been traced, while the remaining twenty-six under Kasenengwa District were erroneously classified. The Ministry had since deployed an enhanced SCT-MIS (ZISPIS), which was in use.

vi. Transfers to Beneficiaries with Same National Registration Card Numbers

In response, the Controlling Officer submitted that the anomaly was due to the duplications in the issuance of NRCs. Unfortunately, the previous SCT information system could not detect the shared or duplicated NRCs. To avert this problem, the Ministry deployed a new and more enhanced SCT-MIS that would limit the use of NRC to one individual.

Further, migration of data from the older SCT-MIS to the new MIS, the Zambia Integrated Social Protection Information System, had since been done and the shared identity was being addressed by the Ministry in consultation with Ministry of Home and Internal Security.

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 and will await a progress report on the matter.

vii. Failure to Remove Beneficiaries from the Register

In response, the Controlling Officer submitted that the anomaly was caused by inherent weaknesses in the old SCT-MIS. The archived beneficiaries were not paid. The Ministry had since deployed an enhanced web-based SCT Information System, which minimised the database anomalies.

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 and will await a progress report on the matter.

viii. Beneficiaries Wrongly Classified as Disabled

In response, the Controlling Officer submitted that sixty-three beneficiaries, out of the total caseload of 15,839 (Ndola 12,567 and Kalulushi 3,272) were erroneously classified as disabled due to inherent technical weaknesses in the old SCT-MIS. The errors had since been rectified following the deployment of the ZISPIS and the said beneficiaries had since been downgraded.

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 and will await a progress report on the matter.

c. Accounting Irregularities

i. Unsupported Payments

In response, the Controlling Officer submitted that the query was as a result of an omission on the part of the responsible officers who failed to attach the requisite documentation. Relevant supporting documents in respect of payments totalling K106,124 were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place to augment stores and records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

ii. Unacquitted Funds – K204,590

In response, the Controlling Officer submitted that the anomaly was caused by the failure to comply with SCT guidelines by Pay-Point Managers and Community Welfare Assistance Committee members.

The omissions were rectified and the Ministry had since reconstituted CWACs. In addition, pay-point managers' orientation was on-going country-wide in order to enhance adherence to the SCT programme guidelines.

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 and will await a progress report on the matter.

MINISTRY OF HEALTH

PARAGRAPH 28

Audit Findings

An examination of accounting and other records for the Financial Year Ended 31st December, 2021, maintained at the Ministry Headquarters and selected stations revealed several irregularities to which the Controlling Officer responded as set out below.

Budget, Funding and Expenditure

In the Estimate of Revenue and Expenditure for the financial year ended 31st December, 2021, a total provision of K12, 384,067,958 was made to cater for various activities against which

amounts totalling K8,696,877,188 were released, resulting in an underfunding of K3,687,190,770.

In response, the Controlling Officer submitted that some of the budget lines in the 2021 financial year were not adequately funded which resulted in failure to adequately implement planned programmes as highlighted in the Auditor General's Report.

Committee's Observations and Recommendations

The Committee notes the response, and urges the Secretary to the Treasury to ensure that funds are released on time so that all planned activities are implemented as provided for in the budget. The Controlling Officer is also hereby implored to be proactive to ensure that funds are spent timely and as appropriated by Parliament. The Committee awaits a progress report on the matter.

b. Operational Matters

i. Under Funding on Key Programme

In response, the Controlling Officer submitted that funding had been a challenge, but the funding for 2022 had been consistent and at the time of writing the audit responses, the Ministry had already received 100 per cent of its funding for medical equipment, which had already been remitted to the Zambia Medicines and Medical Supplies Agency (ZAMMSA) being the institution mandated to procure medical equipment. ZAMMSA had been funded and was in the process of procuring new and repair non-functional equipment so as to reduce the cost towards treatment abroad, which had been on the increase since from 2019.

As regards, patients that Government failed to take for specialised clinical treatment abroad, the Committee was informed that doctors were invited from countries through signed memoranda of understandings. The other attribute was as a result of outstanding debt which made hospitals abroad reluctant to take in the majority of the patients. The problem was further compounded by the outbreak of the COVID-19 Pandemic which saw flight cancellations and a lot of travel restrictions during period under review.

Treatment abroad budgetary limitations were also a factor. However, when the treatment abroad budget supplementary provision request was approved in 2021 coupled with relaxed COVID-19 movement restrictions, there was an increased flow of patients that were treated abroad.

Committee's Observations and Recommendations

The Committee is deeply saddened at the failure by the Treasury to release funds for patients in need of treatment abroad. This is unacceptable as delay or failure to release funds on time is tantamount to putting the lives of people in danger. The Committee, therefore, notes the response, and urges the Secretary to the Treasury to ensure that funds are released on time so that all planned activities are implemented as provided for in the budget. The Controlling Officer is also urged to be proactive to ensure that funds are spent timely and as appropriated by Parliament.

ii. Failure to Fully Utilise Funds - K106,500,041

In response, the Controlling Officer submitted that the unutilised funds amounting to K106,500,041.00 were mostly attributed to two main generic factors.

- The COVID-19 Pandemic during the period under review saw most activities put on hold, meaning that no application of funds released.
- The released Treasury and Finance Management Circular No. 10 dated 26th August, 2021, which directed that all payments for old (existing) Agreements and contracts relating to loans, Guarantees, Concessions, Public Private Partnerships, Civil Works, ICT Solutions and for the supply of goods and services to the Government shall not be made without clearance from the Office of the Secretary to Treasury through the Accountant General and that slowed down the payment processing speed.

In addition to the two generic factors highlighted above, the Clinical Care Excellence could not utilise all the funds availed because they were released late making it difficult to complete procurement procedures for patients' evacuations. The Ministry requested for the retention of the unutilised funds from the Treasury in order to ensure that activities were fully implemented in the 2022 financial year.

The unspent amount of K46,271,916.00 which was under the Health Systems Strengthening budget line No. 5531001 catered for two World Bank supported projects namely: Zambia Health Services Improvement Project (ZHSIP); and the Southern Africa Tuberculosis and Health Systems Support Project. During the period of project implementation, all released funds by the World Bank were being charged to that budget provision.

During the period under review, the Zambia Health Services Improvement Project (ZHSIP) closed as at 31st December, 2021 and the World Bank funded projects had a requirement that all unutilised funds at the close of the project or financial year needed to be refunded. In that case, the Ministry through ZHSIP project, had to refund World Bank an amount of US\$1,667,926.63 (approximately K35 million). At the close of 31st December, 2021, funds had not moved from Bank of Zambia to the Treasury Single Account (TSA). As a result, the refund was executed direct from Bank of Zambia to the World Bank. That meant that the budget remained unutilised at K46,271,916.00 despite the refund having been executed hence that balance. Had the funds moved from Bank of Zambia to IFMIS through TSA, the K46,271,916.00 unutilised balance was going to be partly cleared.

The other remaining balances represented the unutilised cash balance in the project operation accounts. These funds related to activities that could not be undertaken during the period under review due to the COVID-19 restriction for physical activities. However, the activities were eventually conducted. The balances related to supply of goods by the vendor who was contracted to supply motor bikes to the project, but the supply delayed and equally the disbursement of funds to the supplier. The bank statements and remittance of the US\$1,667,926.63 to the World Bank were 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 and will await a progress report on the matter.

iii. Failure to Maintain Financial Records - Medical Supplies

In response, the Controlling Officer submitted that the Ministry maintained contract ledgers for all creditors and the information for the suppliers amounting to K572,637,380 was available to help in tracking the amounts owed to the supplier. Documentation 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 and will await a progress report on the matter.

c. Procurement Matters

i. Failure to Avail Documentation for Audit - K1,443,395,053

In response, the Controlling Officer submitted that the Ministry was unable to avail most of the documents relating to various contracts during the time of audit on account that the Procurement Unit had been locked by investigative wings. However, the bid documents, evaluation reports, minutes of the Ministry Procurement Committee for the period under review have been released and were 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 and will await a progress report on the matter.

ii. Contract for the Supply and Delivery of Personal Protective Equipment - N95 Respiratory Face Masks

o Product Substitution

In response, the Controlling Officer submitted that the understanding at the time of receiving the masks, was that N95 and KN95 were considered equivalent and that the KN95 was accepted at the time when the Ministry had a critical shortage of the medical masks in health facilities.

However, the debate over this matter had brought out the fact that, whereas in terms of particle filtration N95 and KN95 may have the similar qualities, the price and other parameters may not have been the same. The follow ups made by the Ministry to establish the actual cost of importing KN95 masks proved futile due to the volatility on the global market during the time of the pandemic.

Management sought the Attorney General's opinion on the matter and was advised that the fact that the goods were received, accepted, utilised the masks and even issued goods acceptance certificates, the Ministry was liable to pay the suppliers.

Furthermore, despite the explanations given, disciplinary actions were imposed on against the concerned officers, who were no longer with 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 and will await a progress report on the matter.

o Failure to Request for Pharmaceutical Licences for the Supply of Medical or Allied Substances

In response, the Controlling Officer submitted that the Zambia Medicines Regulatory Authority (ZAMRA) had not commenced the registration of COVID-19 face masks as at 2020. The template of the contract that was being used was derived from the full solicitation document, which made it appear like there was a need for ZAMRA registration for medical equipment when there was no need for the supplier to provide a ZAMRA license to support their bid.

Given the circumstances, the Ministry sought for a no objection to use simplified requests for quotations irrespective of the threshold from the Zambia Public Procurement Authority (ZPPA). The request was granted on 14th April, 2020. However, time could not permit to fine-tune the contract document specific to the COVID-19 procurements. However, precedence was set by past contracts in that medical supplies and medical equipment that have been supplied under such contracts have not been registered by ZAMRA.

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 and will await a progress report on the matter.

o Failure to Conduct a Technical Evaluation

In response, the Controlling Officer acknowledged that there was no technical evaluation carried out for the named items. In future, the Ministry would endeavour to ensure that such important steps were not omitted. Disciplinary action had been imposed on all concerned officers who were no longer with the Ministry.

Committee's Observations and Recommendations

The Committee finds it unacceptable that officers who abrogated procurement regulations with impunity have been transferred to other ministries. This is tantamount to transferring the problem to other ministries or Government departments. The Committee is of the view that their action called for dismissal, which will act as a deterrent to others. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

o Failure to Provide Provisional Product Testing and Acceptance

In response, the Controlling Officer submitted that tests were carried out on some sampled face masks by the Nursing Unit, Clinical Care as well as ZAMMSA, for approval before they were supplied.

The Ministry thanked the Office of the Auditor General for the concerns raised. However, the ZAMRA had not commenced the registration of COVID-19 face masks as at 2020. The template that was used was derived from the full solicitation document.

This template made it seem as though there was a need for ZAMRA registration for medical equipment when in fact there was no need for the supplier to provide a ZAMRA license to support their bid.

As a result, the Ministry sought for a no objection to use simplified requests for quotations irrespective of the threshold from ZPPA. The request to use the No Object was granted on 14th April, 2020. However, time could not permit the fine tuning of the contract document specific to the COVID-19 procurements. To this end, there was a precedence set by past contracts in that medical supplies and medical equipment that had been supplied under such contracts had not been registered by ZAMRA.

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

iii. Failure to Install Supplied Equipment – Carter Mart and Web International Limited

In response, the Controlling Officer submitted that the failure to install the equipment at the district hospitals was because Phase I and Phase III hospitals were still under construction. However, the supplier of the equipment was paid in full before all the equipment was installed. Therefore, the delay to complete the buildings where the equipment would be installed had nothing to do with the supplier who had procured the needed equipment. The company was locally based and was willing to install the equipment once hospitals were completed.

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 and will await a progress report on the matter.

d. Management of Stores and Medical Supplies

i. Contract for the Supply and Delivery of 10,000 Ready Filled Oxygen Cylinders - K295,100,000

o Pre-solicitation, Solicitation and Evaluation

In response, the Controlling Officer submitted that the Ministry of Health signed a contract with Accute Investments Limited for the supply of 10,000 filled oxygen cylinders to support the

management of COVID-19 cases. However, it turned out that the mode of transportation of the cylinders was by plane, which was against ISO regulation 11625:2007. The regulation specified that the requirements for safe handling, use and storage of gas cylinders for compressed, liquefied or dissolved gases could never be flown by a pressurised vessel. It was also not allowed for cylinders to be flown whilst filled with oxygen as they contained high pressure and were a very big risk, hence, the reason for Accute Investment Limited subcontracting two companies OGAZ Zambia Limited and Chingases to fill-up the oxygen cylinders locally. The Company only provided quotations for filling of oxygen cylinders. The other gas companies contacted did not provide quotations. There were very few companies that produced medical oxygen in Zambia.

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 and will await a progress report on the matter.

o Delivery and Distribution of Oxygen Cylinders to Health Facilities

o Delayed Delivery

In response, the Controlling Officer submitted that the delay in supplies arose due to unprecedented challenges in international logistics which negatively impacted on the movement and exchange of goods among countries that faced flight and cross-border cancellations and delayed clearing of goods due to the COVID-19 Pandemic. A further delay in the delivery of the oxygen cylinders was because there was not enough space for the cylinders to be stored at the then Medical Stores Limited (renamed ZAMMSA) and the supplier was redirected to deliver the cylinders at the National Heart Hospital.

Committee's Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to avail supporting documents, which show that the oxygen cylinders were delivered within the contract period despite storage challenges to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

o Failure to Subject the Oxygen and Oxygen Cylinders to Testing, Inspection and Certification by Zambia Bureau of Standards

In response, the Controlling Officer submitted that in the initial solicitation document, Zambia Bureau of Standards (ZABS) standards were quoted and after further interactions, it was realised that ZABS had no standards at the time of procurement on the manufacturing of cylinders. Zambia did not manufacture cylinders and it would have been very difficult for ZABS to test cylinders. The procurement of cylinders happened at the peak of the COVID-19 Pandemic when more than eighty patients were dying per day. The certification provided by the manufacturer was acceptable at that time since they were in conformity with ISO regulation 9001: 2015 and ISO 11625:2007, which was also in conformity with the British standards.

The cylinders had been in use (refilling, transportation and handling) by various companies. The Ministry had never recorded any accident showing that the cylinders were not safe and being monitored by the facilities and responsible persons dealing with oxygen.

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 and will await a progress report on the matter.

o Unaccounted for Oxygen Cylinders – Chililabombwe District

In response, the Controlling Officer submitted that according to the information from the Copperbelt Provincial Office, changes were made to the national distribution list because of the differences in oxygen consumption on the ground at that time. Therefore, the sixty cylinders in question were redistributed to other COVID-19 facilities within the province as per the good received notes (GRNs) attached herewith.

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 and will await a progress report on the matter.

ii. Contract for the Construction and Equipping Infectious Disease Isolation Hospitals

o Irregular Engagement of Contractor without Specific Past Experience

In response, the Controlling Officer submitted that TFM Holdings Limited bid documents indicated, in the general specification, that the company had constructed clinics and training schools, while under Alternative Power Technology, they had constructed schools in other countries and not hospitals.

Committee's Observations and Recommendations

The Committee finds it unacceptable that TFM Holdings Limited was awarded a contract to construct a hospital when they had no experience. The terms of reference required a bidder to have participated as a contractor or a sub-contractor in at least two contracts within the last three years. The Committee is of the view that procurement officers should have conducted due diligence before awarding the contract to TFM Holding. The Committee urges the Controlling Officer to institute punitive measures against all officers who were present at bid evaluation stage for failure to conduct due diligence in order to curtail this procurement irregularity at inception. The Committee also urges the Controlling Officer to provide evidence for previous works done by TFM Holdings Limited elsewhere, which encouraged the Ministry to engage the company and avail supporting documents to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

o Questionable Justification for Direct Bidding

In response, the Controlling Officer submitted that at the time the request was submitted, the country had high COVID-19 infections and deaths being reported. Therefore, there was an urgent need to expand space for patients to be admitted and treated. In the letters addressed to

Director General at ZPPA dated 14th September, and 13th October, 2020, the Ministry of Health stated the need to direct bid as Zambia was forced to respond rapidly to the outbreak in order to convert the existing hospitals into isolation facilities. This was because of the lack of dedicated isolation facilities had negatively affected service delivery.

Further, TFM Holding Limited had submitted a proposal to establish 150 and 375 bed COVID-19 hospitals using a prefabricated system. The prefabricated system adopted a Power Profile Building System (PPBS) for the hospital structure, which in accordance with the proposal received, would shorten the construction period, thus enabling fast erection of the buildings. This would enable the establishment of facilities (inclusive of equipment) in strategic areas of the country as part of the COVID-19 response.

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 and will await a progress report on the matter.

o Failure to Establish Price Reasonableness - Contractors Bid Offer

In response, the Controlling Officer submitted that the Ministry had inquired locally through the Zambia National Service (ZNS) if the works could be done using the same model being proposed by TFM Holdings Limited. There was a negative response from ZNS making it difficult for the Ministry to carry out an effective price reasonableness as there was nothing to compare such works to because it had not been done in Zambia before.

Committee's Observations and Recommendations

The Committee is deeply saddened by the failure to undertake due diligence in order to establish the price reasonableness. The Committee finds it unacceptable that only ZNS was consulted and yet there could have been other companies who could have done similar works at a much cheaper price. The Committee sternly cautions the Controlling Officer against flouting procurement regulations with impunity and urges him to institute disciplinary measures against officers involved and avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

o Irregular Tax Exemption

In response, the Controlling Officer submitted that Management would ensure that the VAT component was added to the contract through the authority to address this oversight.

Committee's Observations and Recommendations

The Committee is deeply saddened that the VAT component was omitted in the contract and the anomaly was not detected by internal auditors. The Committee urges the Controlling Officer to strengthen the internal audit system to ensure that such anomalies do not recur. The Committee urges the Controlling Officer to ensure that the VAT component is included in the contract and 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 **Irregularities in the Scope of Negotiations**

o **Questionable Project Cost Estimates**

In response, the Controlling Officer submitted that in case of unsolicited projects, the scope was given by the supplier as to what they intended to supply hence not based on the need of the end user (client). When the solicitation documents were reviewed, it was discovered that they were not in conformity with what the Ministry wanted for isolation or infectious disease isolation facilities hence the need to adjust the scope to suite the Ministry's need, both in terms of infrastructure and medical equipment. The original proposal from the supplier had two designs; one for 150 beds and the other for 375. The negotiation team felt 150 bed capacity would suffice and did away with the 375 hence the reduction in bed capacity. It should also be noted that CT scanners, oxygen plants and operating theatres were not in the original scope of works hence the inclusion of these items in the final scope in order to fully equip the isolation infectious hospitals for better diagnostic services and health outcomes.

Committee's Observations and Recommendations

In noting the submission, the Committee finds failure to comply with the *Public Procurement Act, No. 8 of 2020*, which prohibits use of compound interest unacceptable. The Committee urges the Controlling Officer to institute punitive measures against procurement officers involved for the omission of this important provision. The Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General for audit verification and will await a progress report on the matter.

o **Irregular Application of Compound Interest on Unpaid Certificates**

In response, the Controlling Officer submitted that Clause 40.2 of the Contract provided that if an amount certified was increased in a later certificate or as a result of an award by the adjudicator or an arbitrator, the contractor would be paid interest on delayed payment and the interest was to be calculated from the date upon which the increased amount would have been certified in the absence of a dispute. This was not applied during the negotiation process. This was applicable only when those specific conditions occurred when the contract was being executed

Committee's Observations and Recommendations

In noting the submission, the Committee finds it unacceptable that procurement regulations are being flouted with impunity by failure to comply with the *Public Procurement Act, No. 8 of 2020*, which prohibits use of compound interest. The Committee urges the Controlling Officer to institute punitive measures against procurement officers involved for the omission of this important provision. The Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General for audit verification. The Committee will await a progress report.

e. **Failure to Settle Obligations – K2, 530,171,993**

In response, the Controlling Officer submitted that the accumulation of the debt for the past years was as a result of inadequate funding from the Treasury. The Treasury had to-date released the funding for personnel emoluments up to the fourth quarter of 2021 amounting to K755,817,077.28 and most of the outstanding debts had been settled. The Treasury had

continued to systematically liquidate the debt for suppliers of drugs and related supplies. Out of a total outstanding amount of K2,530,171,993 as at 31st July, 2022, a total of K186,277,948.89 had been released to liquidate part of the outstanding amounts.

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

f. Infrastructure Development

i. Delayed Completion of Projects

Status of Projects Under Construction

In response, the Controlling Officer submitted as set out below

District Hospitals

The Committee was informed that all the thirty-five projects stalled because they required re-negotiations as most contracts were entered into in 2015. The Ministerial Tender Committee approved re-negotiations so that contractors with new adjusted contract costs could get back on site and complete the projects. The re-negotiation process would be spearheaded by Ministry of Infrastructure, Housing and Urban Development.

Health Posts

The Committee was informed that the contractor for the thirteen health posts was demanding demobilisation and remobilisation costs following stalled works. The Ministry was at the negotiating stage to determine the contractor's claim. However, all the works on the health posts were stalled.

Staff Houses

The Controlling Officer submitted that the works on the eleven staff houses stalled due to inadequate funding. However, all procurement procedures, construction supervision and payments were directly under the provincial administration offices across the country. However, the sites in reference were not specified in the report for the Ministry to make effective follow ups and response.

Office Blocks

The Committee was informed that works on the six office blocks stalled due to inadequate funding. All procurement procedures, construction supervision and payments were directly under the provincial administration offices across the country. However, the sites in reference were not specified in the report for the Ministry to make effective follow ups and response.

Other works – Construction of Maternity Wards, Mortuaries, Water improvements, Renovation (thirty)

Other works were stalled due to inadequate funding. All procurement procedures, construction supervision and payments were directly under the provincial administration offices across the

country. However, the sites in reference were not specified in the report for the Ministry to make effective follow ups and response.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General. The Committee will await a progress report on the matter.

- **Construction of King Salman BinAbdulaziz Specialist Hospital in Lusaka District - Loan Agreement**
- **Contract for Consultancy Services for Design and Supervision**
- ⊙ **Failure to Avail Tender Evaluation Reports on the Award of Contract to the Supervising Consultant**

In response, the Controlling Officer submitted that at the time the request was made, the Ministry had no access to the documents as the Procurement Unit was locked due to on-going investigations. The tender documents were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General and will await a progress report on the matter.

- ⊙ **Questionable Conversion of Contract Currency - US\$887,746.66**

In response, the Controlling Officer submitted that the conversion rate of K9.97 to \$1 that was used at the time when the addendum was being considered remained constant until completion stage. In this case, the exchange rate at the time of signing the contract was at K9.97 to USD\$1.00. The Monetary Policy Committee paper and addendum were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General and will await a progress report on the matter.

- **Contract for Construction Works**
- ⊙ **Failure to Avail Tender Evaluation Reports on the Award of Contracts to the Contractor**

In response, the Controlling Officer submitted that at the time the request was made, the Ministry did not have access to the documents as the Procurement Unit was locked due to on-going investigations. However, tender documents were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General and will await a progress report on the matter.

⊙ **Awarding of Contract without Confirmation of Availability of Funds - US\$146,478,535.51**

In response, the Controlling Officer submitted that the Ministry was granted authority by the Secretary to the Treasury in a letter, Minute No MF/101/24/8 dated 11th March, 2020, to incur extra expenditure which was to be included in the 2021-2023 Medium Term Expenditure Framework. The letter was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee wonders why such documents were not availed to the auditors during the audit and urges the Controlling Officer to avail supporting documents to the Office of Auditor General. The Committee will await a progress report on the matter.

⊙ **Failure to Adhere to Payment Terms**

In response, the Controlling Officer submitted that the queried balance of US\$5,044,675.19 which was reported to be still outstanding as at 31st July, 2022 was settled on the 13th May, 2022, by the Ministry of Finance and National Planning broken down as K814, 631.88, K1,333,784.61, and K2,896,258,70. The acknowledgement letter from the contractor confirming the payment received was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee recommends that the matter be closed, subject to audit verification.

⊙ **Project Status**

In response, the Controlling Officer submitted that the project was at 65 per cent completion.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General. The Committee will await a progress report on the matter.

• **Wasteful Expenditure – University Teaching Hospital**

In response, the Controlling Officer submitted that the professional negligence by consultants was reported to relevant professional bodies for opinion either to surcharge the contractor or not before the Ministry of Justice could be engaged. The Engineering Institute of Zambia was written to seeking advice on the way forward. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General and will await a progress report on the matter.

g. **Unsupported Payments – K1,891,024**

In response, the Controlling Officer submitted that the status report and as per third schedule from the auditors, indicated that the balance for the unsupported payment involving seven transactions was K863,452.76 and not K1,891,024 as stated above. However, all supporting documents have since been retrieved and were available for audit verification.

Committee's Observations and Recommendations

The Committee doubts the authenticity of the documents purported to be available for verification if they could not be availed at the time of audit and urges the Controlling Officer to put measures in place to augment the stores and records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

MINISTRY OF HEALTH

PARAGRAPH 29

Audit Findings

An examination of accounting and other records for the Financial Year Ended 31st December, 2021, carried out at the provincial health offices (PHOs), selected district health offices and hospitals; and physical verifications of projects revealed irregularities to which the Controlling Officer submitted as set out below.

a. Budget, Funding and Expenditure

In the Estimate of Revenue and Expenditure for the Financial Year Ended 31st December 2021, a provision of K7,361,549,177 was made to cater for operations of provincial and district offices against which amounts totalling K6,545,362,848 were released, resulting in an underfunding of K816,186,329. In addition, there were other receipts amounting to K441,402,309 from user fees bringing the total funds available to K6,986,770,157. As at 31st December, 2021, amounts totalling K6,735,293,594 had been spent leaving a balance of K251,476,563.

b. Operational Matters

- **Clinical Care and Diagnostics Services**
- **Unaccounted for Drugs and Medical Supplies – Mushindamo District Health Office**

North Western Province

In response, the Controlling Officer submitted that at the time of audit, the deposal details for drugs and medical supplies worth K60,226.00 delivered to Mushindamo District Health Office and St Dorothy Rural Health Centre, were not availed for audit. However, the disposal details showing how the drugs were disposed of and facilities that benefited had been retrieved and were available for audit verification.

Committee's Observations and Recommendations

The Committee wonders why the documents purported to be available for audit verification could not be presented to the auditors during the audit. The Committee, therefore, recommends that the officers responsible for the omission should be surcharged and urges the Controlling Officer to put measures in place that will augment stores and records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

“ Expired Drugs

In response, the Controlling Officer submitted that during the period under review, medicines and medical supplies were procured by the Ministry of Health and partners in the prevention, diagnoses and treatment of illnesses in the country. However, due to changes in treatment protocols, change in demand patterns due to seasonality and other supply chain challenges, some drugs may be wasted due to expiry as outlined below.

- i. Expiry of ARVs drugs was due to changes in treatment guidelines and reduced number of children on ARVs owing to the success of the Prevention of Mother to Child Transmission (PMCT) of HIV program countrywide.
- ii. Change of treatment guidelines /Regimen
 - all clients on Tenofovir/Lamivudine/Efavirenz (TLE) were transitioned to Tenofovir/Lamivudine/Dolutegravir (TLD) leaving some stock of TLE to expire.
 - 3FDC was phased out in the treatment of TB relapses resulting in its expiry.
- iii. Commodities such as Therapeutic Milk was donated with a short expiry date at that time the country did not have stocks. Otherwise, the Ministry did not accept stock with less than 80 per cent shelf life.
- iv. Introduction of superior and newer drugs
 - The Government procured and supplied newer and superior generational anti-hypertensive drugs like TELMA-H (Telmisartan/ hydrochlorothiazide), but owing to non-availability of consumption data, the procured quantities were mere estimates and were overestimated.
 - Acceptability of new drugs by chronic patients coupled with clinicians resisting transitioning from older molecules came with a challenge as they were used to what they would have been using being Telmisartan and Amlodipine which were a better alternative to moduretic and furosemide.

The acceptable standard wastage rate was 5 per cent of the throughput of the distribution system. As an example, Kabompo Hub had received a total value of K118,266,995.92 of stock items for distribution in 2021, and out of this, K823,496.96 expired, translating to 1 per cent, which was within the permissible wastage rate. It would, therefore be appreciated if the permissible rate was taken into consideration.

Further, the Ministry had put measures in place to constantly monitor stocks so that if there was any projection of drugs about to expire, such commodities were redistributed to other needy facilities so that they could be consumed before expiring.

The expired drugs had been disposed-of accordingly except for Kabompo Hub which was in the process of transporting the commodities to ZAMMSA, Lusaka for Disposal. The disposal certificates from Zambia Environmental Management Agency (ZEMA) were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General and will await a progress report on the matter.

- **Procurement of Goods and Services – Irregular Cash withdrawals**

In response, the Controlling Officer submitted that amounts totalling K4,038,610 were paid as imprest for daily substance allowance and fuel instead of paying directly into the beneficiaries' bank account. The Ministry had since fully implemented recommendations of the Auditor General and no longer drew cash to pay subsistence allowances, fuel refunds and any other allowances but paid directly into the beneficiaries' bank accounts. However, in certain circumstances, monies were drawn to pay other stakeholders who were not Government employees and did not have bank accounts. These included community-based volunteers (CBVs) traditional leader (village indunas) and youths who were invited to undertake various health related activities such as:

- trainings in integrated community case management (ICCM) in malaria with support from step D;
- training of traditional leaders in engagement to fighting Gender Based Violence and end early child marriages;
- capacity building in formation of boys and men network under United Nations Population Fund;
- mass drug administration, polio elimination campaign; and
- indoor residual spray , among others.

These were one-off payments made as stipends and transport refunds to the invited stakeholders who did not have bank accounts. The payment of accountable imprest to officers was done in line with the core Circular No. 1 of 2021 from the Secretary to the Treasury No. 5.7, which stated that Controlling Officers would ensure that funds meant for servicing group/workshops were drawn by an accounting officer to minimise incidences of unaccounted for funds in MPSAs that were not on TSA. The funds were well accounted for and documentations were availed for audit verification.

The Ministry had been writing to the Secretary to the Treasury requesting for a waiver to be allowed to draw accountable imprest to meet payments involving community-based stakeholders, which had not yet been granted. This made it difficult for the Ministry to implement certain programmes.

Committee's Observations and Recommendations

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

c. Accounting Irregularities

i. Unaccounted for Funds – Sioma District Health Office – Western Province - K490,850

In response, the Controlling Officer submitted that internal investigation were conducted to confirm the unaccounted for funds amounting to K490,850.00 and the following management action was taken.

- The District Health Office at Sioma District held a disciplinary meeting at which the officer involved was invited in order to exculpate herself regarding the unaccounted-for funds. However, the officer could not account for funds and the district disciplinary committee submitted a recommendation to suspend the officer to the provincial health office disciplinary committee.
- The provincial disciplinary committee upheld the recommendation made by the district disciplinary committee and submitted the matter to the Permanent Secretary, Provincial Administration Western Province.
- The officer was suspended and recommended for dismissal from Public Service.
- Recoveries of the unaccounted for funds were done from the officer's terminal benefits.
- The office awaited feedback from the Public Service Management Division

The copies of disciplinary committee minutes, suspension letter, recommendation for dismissal, terminal assessment calculation and casualty forms were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General and will await a progress report on the matter.

ii. Payments Made Without Raising Vouchers – Northern Province - K1,048,307

In response, the Controlling Officer submitted that the payment vouchers and relevant documentations amounting to K893,567 at Chilubi District Health Office amounting to K154,740 for Lupososhi and Chilubi were availed to the auditors during the verification process. The erring officers had since been charged for failure to avail accountable documents to the auditors during audit. Going forward, Management would ensure that close supervision and technical support was done to ensure that payments and other transactions were done as per requirement and filed accordingly. The charge letters were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee wonders how the query would arise if the documents in question were availed to the auditors during the audit. The Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General. The Committee will await a progress report on the matter.

d. Infrastructure Development

i. Construction of Boundary Fence – Chipata District

In response, the Controlling Officer submitted that the contractor was not on site because he had requested for contract variation on the remaining works citing market price fluctuations. The project manager engaged the contractor to ensure the matter was resolved to facilitate timely completion of the project.

Committee’s Observations and Recommendations

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

ii. Delayed Completion of Projects – Southern Province

• Kazungula District Hospital Phase I

In response, the Controlling Officer submitted that the Province was waiting for the Ministry of Infrastructure, Housing and Rural Development to issue certificates and for the contractor to complete the remaining works.

Committee’s Observations and Recommendations

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

e. Management of Assets

i. Failure to Change Ownership of Property – Ndola District Health Office – Copperbelt Province

In response, the Controlling Officer submitted that change of ownership had been done by the Ndola District Health Office and the Title Deed bearing the name of the institution was available for audit verification.

Committee’s Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General and will await a progress report on the matter.

ii. Missing Motor Vehicle Engine

In response, the Controlling Officer submitted that at the time of audit, the cited motor vehicle was undergoing repairs at the provincial administration office garage. The engine for the said vehicle was removed as it was being worked on. The cited missing engine for GRZ 958 CL was just being worked on and had since been fitted back into the vehicle. The vehicle was in good condition and being used at Provincial Health Office, Western Province. The vehicle was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee wonders why this explanation was not given to the auditors during the exit meeting. The Committee, therefore, recommends that disciplinary action be taken against the officers responsible for the omission and will await a progress report on the matter

iii. Unrepaired Motor Vehicle – Kazungula DHO – Southern Province

In response, the Controlling Officer submitted that the cited motor vehicle was undergoing repairs at the Provincial Administration Office garage and the engine for the said vehicle was removed as it was being worked on. The motor vehicle Ambulance Toyota Registration No. GRZ 162 CP had since been repaired and insured. The insurance cover was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee doubts the authenticity of the response and wonders why the query would arise if the auditors were shown the vehicle under repair. The Committee, however, urges the Controlling Officer to avail supporting documents to the Office of Auditor General and will await a progress report on the matter.

iv. Delayed Motor Insurance Compensation – Nyimba District Health Office

In response, the Controlling Officer submitted that the delay to claim for compensation was because of the pool insurance policy under which the vehicle was insured as it was difficult to isolate the cost and premiums paid in respect of the Toyota Land Cruiser Reg. No ALM 2642. However, the Zambia State Insurance Corporation had since honoured the compensation claim. The documents including proof of payment and bank statements were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General and will await a progress report on the matter

• Management of Stores

i. Failure to Account for Stores – Western Province

In response, the Controlling Officer submitted that at the time of audit, the Goods Received Note (GRN); Supply Voucher (SV), Stock Control Cards (SCC); and distribution lists were availed for audit. The only document that was missing was the stores ledger. In order to address the issue of the stores ledger, the Provincial Health Office called for a stores orientation to train all stores officers on the need to prepare stores ledgers besides the stock control cards. The stores ledgers had since been prepared and were available on for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place to augment the stores and records management system. The Committee also urges the Controlling Officer to avail the

retrieved accountable documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

ii. Fuel Drawn by Vehicles not on the Stations Fleet – Central Province

In response, the Controlling Officer submitted that that fuel was irregularly drawn by thirty-five motor vehicles from three stations, which were not part of the respective stations' fleet. This was due to a limited number of vehicles at the cited stations. As a result, the districts were allowed to borrow motor vehicles from other departments to carry out various outreach activities and authority was granted. The fuel disposal records and authority letters were available for audit verification.

Committee's Observations and Recommendations

The Committee finds it unacceptable that vehicles belonging to different stations were allowed to draw fuel. The Committee fears that the action is a recipe for abuse as vehicles which were not being used for the said works could also draw fuel. The Committee strongly cautions the Controlling Officer for allowing vehicles to draw fuel from a different station and urges him to avail supporting documents to the Auditor General's Office for audit verification. The Committee will await a progress report on the matter.

• Management of Liabilities – Failure to settle Outstanding Bills

In response, the Controlling Officer attributed the accumulation of bills from previous years to insufficient funding from the Treasury and submitted as outline below.

Eastern Province

Nyimba District Health Office

The Committee was informed that a total of K83,634.01 had since been paid and the Institution was implementing the debt settlement plan to ensure that the remaining balance of K222,010.99 was settled before the end of the first quarter of 2023. Documentation was available for audit verification.

Petauke District Health Office

The Committee was informed that out of K131,788.00, payments totalling K82,463.00 had so far been made. The debt servicing plan was in place to settle a balance of K49,325.00 before the end of 2023. Documentation was available for audit verification.

Northern Province

Senga District Health Office

The Controlling Officer submitted that out of the outstanding amount of K1,264,393 for Senga District as 31st July 2022, an amount of K50,000 had since been paid, leaving the balance of K1,214,393.93. Documentation was available for audit verification.

Luapula Province

Chiengi District Health Office

The outstanding obligations totalling K1,859,628 was for personnel emoluments and not for the utility and suppliers. The files had since been submitted to the Provincial Health Office for consideration of payments whenever funds were disbursed from the Ministry to the Provinces. Documentation was available for audit verification.

Milenge District Health Office

The Committee was informed that an amount of K285,183.00 for utilities and suppliers was for motor vehicle insurance, which had since been cleared by the Government through debt swap. However, K2,654,898.00 was meant for personal emoluments and related allowances and have since been submitted to Luapula Provincial Health Office for consolidation of payments whenever funds were disbursed from the Ministry to the Provinces. Documentation was available for audit verification.

Mwansambombwe District Health Office

The Controlling Officer submitted that an amount of K1,410,707 was not meant for bills or utility and suppliers, but personal emolument related allowances, which had since been forwarded to Luapula Provincial Health Office for consolidation of payments whenever funds were disbursed from the Ministry to the Provinces. Documentation was available for audit verification.

Copperbelt Province

Ndola District Health Office

The Committee was informed that amounts totalling K7,906,762.43 for personal emoluments had since been settled from the funds that were received from the Treasury leaving a balance of K15,331,662.57. Documentation was available for audit verification.

Ndola District Health Office

Amounts totalling K154,688.82 was paid, leaving a balance of K224,897.18 as at 20th June, 2022. The Provincial Administration was still working on the agreement it entered into with the Kafubu Water and Sewerage Company to settle the balance. Documentation was available for audit verification.

Kalulushi District Health Office

The Controlling Officer submitted that a total of K800.00 had since been paid leaving a balance of K262,234.00. Management had put in place a payment plan with the water utility company on how the remaining balance would be settled and documentation was available for audit verification.

Southern Province

The Committee was informed that the actual outstanding balance on personal emoluments as at 31st October, 2022, stood at K41,433,978.01 and the Treasury had since released K5,162,405.27 towards payment of the same. Documentation was available for audit verification.

Muchinga Province

Isoka District Health Office

The Controlling Officer submitted that the K11,660 for the suppliers of goods and services under Isoka District Health Office had been paid and documents were available for audit verification. The payments for personnel emoluments related bills would be made once funds were made available.

Lusaka District Health Office

The Committee was informed that the Provincial Health Office submitted information on outstanding debt on a quarterly basis to the Ministry of Health Headquarters for onward submission to the Ministry of Finance and National Planning for funding. The debt was dismantled as and when funds were received. Schedules for the debt that had been dismantled during the period under review were available for audit verification.

Western Province

The Controlling Office submitted that in 2021, the Province was only allocated K800,000.00 for dismantling the domestic debt. The correct amount of outstanding debts at the time of audit for the audited institutions in the Province stood at K 15,405,429.00 as indicated in the audit verification status report. In 2022, the Western Provincial Health Office received a total of K2,852,608.30 for dismantling domestic arrears. Documentation was available for audit verification.

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

MINISTRY OF HEALTH - HOSPITALS

PARAGRAPH 30

Audit Findings

An examination of accounting and other records for the Financial Year Ended 31st December, 2021, carried out at various hospitals, revealed irregularities to which the Controlling Officer responded as outlined below.

a. Budget, Funding and Expenditure

During the period under review, a provision of K110,033,731 was made to cater for operations at fifteen hospitals against which amounts totalling K123,064,840 were received resulting in an

overfunding of K13,031,109. In addition, amounts totalling K14,065,813 were brought forward from 2020, bringing the total funds available to K137,130,653.

c. Levy Mwanawasa University Teaching Hospital

i. Operational Matters

“ Pharmacy - Undelivered Laboratory Supplies

In response, the Controlling Officer submitted that the SYSMEX XN550 Check L1, L2 and L3 Laboratory Controls and the LUMIRA DX SAR-COV-2 Antigen Test Strips were not supplied to Levy Mwanawasa University Teaching Hospital because they had expired. As such, the dispatch transactions were reversed and the stock was received into the ZAMMSA stock as per Standard Operating Procedure. The documentation to confirm the reversal of these deliveries and subsequent capture onto the ZAMMSA Warehouse Management System was available for audit verification.

Committee’s 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 and will await a progress report on the matter.

“ Support Services

O Inadequate staffing -Failure to meet the 80 per cent employment threshold

In response, the Controlling Officer submitted that the hospital had 2,193 unfilled positions during the time of audit. However, the hospital received eighty-five medical officers and other staff from the recent recruitment exercise leaving a deficit of 2,108. The Ministry was engaging Public Service Management Division to have the position funded to enable the institution fill the vacancies.

Committee’s 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 and will await a progress report on the matter.

• Non - Functional Incinerator

In response, the Controlling Officer submitted that at the time of the audit, the hospital had two non - functional incinerators, which had since been repaired and were fully functional.

Committee’s 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. The Committee will await a progress report on the matter

- **Laboratory Services - Failure to Operate a Chemistry Analyser Programmed in Chinese**

In response, the Controlling Officer acknowledged that the hospital had a Mindray BS-480 - chemistry analyser machines whose manual was written and programmed in the Chinese Language. The machines were donations from the Chinese Government and efforts were being made to have them reprogrammed into the English Language. Further, the services were being provided using the other chemistry analyser which was functional.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that chemistry analyser is reprogrammed into the English language without any further delay and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- ii. **Management of Assets - Failure to Secure Title Deeds**

In response, the Controlling Officer submitted that the hospital was sitting on the Levy Mwanawasa Medical University Title Deed. The copy of the Title Deed was available for audit verification.

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

- iii. **Procurement of Goods and Services**

“ **Circumvention of Procurement Procedures**

In response, the Controlling Officer submitted that the Hospital had been circumventing the procurement procedures by splitting payments in order to avoid the allowable threshold of the Senior Medical Superintendent. The Senior Medical Superintendent had been cautioned and warned from conducting such practices. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee finds it an acceptable that procurement regulations are flouted with impunity. The Committee wonders why the internal audit system did not detect such anomalies before making payments. The Committee urges the Controlling Officer to institute punitive measures against all procurement officers involved for the omission and failure to advise the Hospital Management on procurement regulations. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

“ **Uncompetitive Procurements**

In response, the Controlling Officer submitted that it was regrettable that three quotations were not collected in line with the procurement regulations. Going forward, Procurement Regulations of 2011 would be followed. The Senior Medical Superintendent had since been cautioned and warned from involving himself in such practices.

Committee's Observations and Recommendations

The Committee finds it an acceptable that procurement regulations are flouted with impunity. The Committee wonders why the internal audit system did not detect such anomalies before making payments. The Committee urges the Controlling Officer to strengthen internal audit systems and institute punitive measures against all procurement officers involved for the omission. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

iv. Accounting Irregularities

" Unapproved Payments K741,645

In response, the Controlling Officer submitted that that the Senior Medical Superintendent did not append the word "approved" but had signed the memoranda which were further processed for payment. The unapproved payments were checked and resubmitted for endorsement. The thirty-seven payments totalling to K741,645 had since been resolved and approved memorandum was available for audit verification.

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

• Payments Made without Raising Vouchers

In response, the Controlling Officer submitted some documents pertaining to the said transactions had since been retrieved and filed accordingly. The officers involved had been suspended and suspension letters were available for audit verification.

Committee's Observations and Recommendations

The Committee finds it an acceptable that Financial Regulations are being flouted with impunity and wonders why the internal audit system did not detect such anomalies before making payments. The Committee urges the Controlling Officer to strengthen internal audit systems to avert such anomalies in future. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

• Missing Payment Vouchers - K473,768

In response, the Controlling Officer submitted that thirty-five payment vouchers in amounts totalling K473,768 were not availed during the time of audit. The payment vouchers had since been retrieved and available for audit verification.

Committee's Observations and Recommendations

The Committee finds it unacceptable that Financial Regulations are being flouted with impunity. The Committee wonders why the internal audit system did not alert management about the missing payment vouchers. The Committee implores the Controlling Officer to put measures in place to augment stores and records management system. Further, the Controlling Officer is being urged to institute punitive measures against all officers involved for failure to avail

accountable documents during the time of audit. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

- **Unsupported Payments – K613,679**

In response, the Controlling Officer submitted that thirty-three payments in amounts totalling K613,679, were not fully supported during the time of audit. However, all the supporting documents had since been retrieved and were available for audit verification.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place to augment the stores and records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

c. Kitwe Teaching Hospital

i. Operational Matters

- **Diagnostics and Imagery**

- **Laboratory Services - Lack of Storage Space**

In response, the Controlling Officer submitted that the Kitwe Teaching Hospital had inadequate storage space for laboratory reagents and other consumables. Management had since identified the boiler house to repurpose it for storage of laboratory and pharmaceutical products.

The Ministry of Infrastructure, Housing and Urban Development had been engaged to assess and prepare the bill of quantities for the construction of a storeroom. The Ministry had since been assured that the bill of quantities would be ready before the end of 2022. The hospital had since procured additional pallets to cover all the storage spaces in the laboratory and pharmacy. A letter to the Ministry of Infrastructure, Housing and Urban Development and the bill of quantities was available for audit verification.

Committee’s Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that a storage facility for laboratory and pharmaceutical products was constructed without any further delay and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Medical Imaging Services**

- ◎ **Non-functional Computerised Tomography Scan (CT) Scanner**

In response, the Controlling Officer submitted that the CT scan at Kitwe Teaching Hospital was non-functional after it developed a fault in June, 2019. The Ministry engaged Techmed Africa, a South African based company who were in charge of servicing and repairing of the equipment. Techmed assessed the machine and gave a quotation for a spare part, uninterrupted power supply

unit and repairing of the machine. The CT scans would be repaired once the required spare parts were procured. The Ministry, through its procuring agency ZAMMSA was in the process of procuring CT scans for hospitals.

Committee's Observations and Recommendations

The Committee expresses concern that important hospital equipment like a CT scan has not been functional since 2019 and wonders why the hospital management did not bring the matter to the attention of the Permanent Secretary. The Committee urges the Controlling Officer to ensure that the CT scan is repaired without any further delay. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

☉ **Lack of key Medical Imaging Services/Procedures**

- **Magnetic Resonance Imaging (MRI)**
- **Mammography**
- **Cath Lab**
- **Dexan Scan**

In response, the Controlling Officer acknowledged that the Kitwe Teaching Hospital did not have the above-mentioned equipment. However, the Ministry through its procuring agency ZAMMSA was in the process of procuring the medical imaging equipment.

Committee's Observations and Recommendations

The Committee expresses concern that the hospital did not have key medical equipment and wonders why the hospital Management did not bring the matter to the attention of the Permanent Secretary. The Committee urges the Controlling Officer to ensure that key medical equipment is procured without any further delay. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

☉ **Non- Functional X-Ray Machines**

- **Dysfunctional Fluoroscopy Component-Analog X-Ray Machine 1**

In response, the Controlling Officer submitted that the machine was obsolete and manufacturers were no longer manufacturing the components. However, arrangements were being made for the equipment to be duly decommissioned and a new one procured.

Committee's Observations and Recommendations

The Committee expresses concern that important hospital equipment has not been functional and wonders why the hospital management did not bring the matter to the attention of the Permanent Secretary. The Committee urges the Controlling Office to ensure that the X-ray machine is repaired without any further delay. The Committee urges the Controlling Officer to avail

supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

⊙ **Digital X-Ray Machine 2 – Lack of a Printer**

In response, the Controlling Officer submitted that the hospital had no printer for the Digital X-Ray Machine. Measures had been put in place to procure another printer once funds were available. However, to mitigate the situation and continue providing services, the hospital connected the Digital X-Ray Machine to the computer systems using a cloud based system, which allowed clinicians to have access to patient images in all the service areas including the emergency area, in-patient wards, and outpatient clinics. The hospital prioritised expanding these access points by clinicians in all areas of the hospital. Additionally, these digital images were stored on compact discs for future reference and storage purposes. The Ministry had continued to engage ZAMMSA to ensure that the printer was procured.

Committee’s Observations and Recommendations

The Committee expresses concern that important hospital equipment such as a printer for the Digital X-Ray Machine was lacking at the hospital and wonders why Management did not bring the matter to the attention of the Permanent Secretary. The Committee urges the Controlling Office to ensure that the printer is replaced without any further delay. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

○ **Psychiatry (Mental Health Services) Section**

○ **Health Staff**

In response, the Controlling Officer submitted that during the recent recruitment of health workers, the hospital was allocated one position for a clinical officer which had since been filled, and additional mental health nurses were also posted. The Ministry had continued to engage the Treasury to ensure that the positions for a psychiatrist and psychologist were created.

Committee’s Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer not to relent in his quest to have key medical staff such as psychiatrists and psychologists deployed at the hospital. The Committee urges the Controlling Officer to ensure that key medical staff are employed at the hospital and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

○ **Poor State of the Mental Health Facility**

In response, the Controlling Officer submitted that the hospital was lagging behind in the provision of Level III Mental Health Services. The hospital was built without a mental isolation facility and for a long time, it was not offering this specialty. Therefore, all mental health patients were being referred to the Ndola Teaching Hospital for management.

In January, 2021, the hospital decided to commence an out-patient mental health clinic utilising an existing dilapidated building (that used to be a staff house) in anticipation of the construction

of a modern facility by the Ministry of Health. All mental health patients that required in-patient services were still being referred to the Ndola Teaching Hospital being the only facility on the Copperbelt Province offering in-patient services. The institution had planned to rehabilitate and fence off the building from the 2023 budget provision as it awaited the construction of a modern building that would possess seclusion facilities for violent patients.

The hospital had been undertaking rehabilitation of wards and structures that required urgent attention and it was worth noting that the Mental Health Building was among those planned for rehabilitation. A total of K140,000 had been planned for in the 2023 budget provision from other sources for the rehabilitation of the said building.

Committee's Observations and Recommendations

The Committee is deeply saddened that the Kitwe Teaching Hospital is not offering Level III mental health services and urges the Controlling Officer not to relent in his quest to have a modern facility that will enhance provision of mental health services at the hospital. The Committee urges the Controlling Officer to also ensure that the current building being used for mental health is rehabilitated and fenced off and will await a progress report on the matter.

o Non-functional Electroencephalogram (EEG) Machine

In response, the Controlling Officer submitted that the EEG machine at the Mental Health Unit was broken by a patient rendering it unusable. The institution had planned to replace the broken EEG as soon as funds were mobilised to ensure patients were offered a service that met national health standards.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that the EEG machine is replaced without any further delay and resolves to await a progress report on the matter.

• Neonatal Health Care Services

- Lack of Resuscitating/Respiratory Support Equipment

The Neonatal Intensive Care Unit had no Continuous Positive Airway Pressure used for respiratory support in premature infants. Further, there were only seven incubators which were shared by three to four infants due to their inadequacy.

In response, the Controlling Officer submitted that medical equipment specialised for neonatal which was supposed to be centrally procured was not bought because of the prohibitive costs as the Ministry had an inadequate budget line under medical equipment. However, the budget line for medical equipment in the 2023 budget had since been increased. The Ministry would procure the equipment using the 2023 budget allocation. The hospital had since managed to procure some equipment for the Special Care Baby Unit.

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

- **Support Services**

- **Lack of Oxygen Plant**

In response, the Controlling Officer submitted that since the time the hospital was commissioned in 1958, it had had no oxygen plant. The Institution had been using oxygen cylinders to administer the medical oxygen on patients at a great cost. The Ministry had sourced funding from the United Nations Children's Fund for the establishment of an oxygen plant at the hospital and the project was at procurement tender level.

Additionally, the hospital received support from the Ministry in partnership with the United States Agency for International Development through their implementing partners John Snow Health Initiative to have a liquid oxygen storage tank installed. Contracts had since been finalised and the contractor would be moving on site soon.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that the Oxygen Plant is constructed without any further delay and will await a progress report on the matter.

- **Mortuary Unit**

- ⊙ **Lack of adequate Mortuary Units**

In response, the Controlling Officer submitted that the hospital was built with a low number of mortuary trays of sixty-four compared to the expected number of 300. The population of the city had grown over the years and the available trays were inadequate to cater for the increasing number of deaths. The Ministry of Health would continue to engage the Treasury for funds for the construction of a modern mortuary unit with a big mortuary tray capacity.

Committee's Observations and Recommendations

The Committee is saddened to learn that despite the growth in the population accessing health services from the hospital, the number of mortuary trays has remained the same since 1958 when the hospital was commissioned. The Committee finds this unacceptable and urges the Controlling Officer to ensure that a new mortuary is constructed without any further delay and resolves to await a progress report on the matter.

- **Failure to Maintain the Mortuary Building and Equipment**

In response, the Controlling Officer submitted that the taps on the washing bays had been replaced and the works to repair the leaking ceiling board were underway.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that a new mortuary is constructed without any further delay and awaits a progress report on the matter.

ii. Outpatient Department (OPD)

• Dental Surgery Services - Lack of Adequate Functional Equipment

• Non-Functional Dental X-ray Machines

In response, the Controlling Officer submitted that the hospital had started the procurement process of acquiring a modern new dental chair that also housed a digital dental X-ray unit which would be procured under National Health Insurance Management Authority (NHIMA). However, the Ministry would continue to engage the Treasury for funds to ensure that the Dental Unit was well equipped.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that a dental X-ray machine is procured without any further delay and awaits a progress report on the matter.

☉ The Orthopantomogram

In response, the Controlling Officer submitted that at the time of audit, the Orthopantomogram machine was not working because of lack of the software. However, the machine and the software were procured separately. The software was not procured at the same time with the machine due to inadequate funds. The Ministry through its procuring agency ZAMMSA had procured the software.

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 and will await a progress report on the matter.

☉ Lack of Key Dental Instruments

In response, the Controlling Officer submitted that the hospital had plans to replace the worn-out dental instruments so as to operationalise the clinic fully.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that key dental instruments are procured without any further delay. The Committee will await a progress report on the matter.

iii. Management of Medical Schemes

“ Failure to Collect Medical Fees-Partnership for Medical Services with the Community Medical Scheme

In response, the Controlling Officer submitted that medical fees in amounts totalling to K1,273,185, were not collected as at 31st July, 2021. However, forty-two of the clients have since paid their bills reducing the balance to K579,564.05. The balance had since been submitted to Attorney General for further action. The Hospital signed service level agreements with most of the clients and was in the process of finalising agreements with the remaining companies. The letter to Attorney General and the receipts were available for audit verification.

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 and will await a progress report on the matter.

Failure to Comply with NHIMA Guidelines - K300,818

In response, the Controlling Officer submitted that an amount of K300,818, was rejected by NHIMA due to various reasons. However, the rejection rate for NHIMA claims had significantly reduced after Management put in measures to improve compliance with NHIMA claims guidelines such as setting up of a NHIMA committees, introduction of the online NHIMA claims platform and physical verification and correction of errors by hospital staff.

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 and will await a progress report on the matter.

iv. Management of Liabilities - Failure to Settle Outstanding Bills - K24,257,452

In response, the Controlling Officer submitted that the accumulation of the debt was as a result of inadequate funding from the Treasury. However, amountstotalling K450,000 hadsince been funded to clear part of the personal emoluments debt, while K617,936 owing to suppliers had also been cleared. The Ministry had continued to engage the Treasury on the matter and the Government was looking for a lasting solution in dealing with all the outstanding bills.

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 and will await a progress report on the matter.

d. Kabwe General Hospital

i. Operational Matters

• Failure to Upgrade the Hospital to a Level III Facility

In response, the Controlling Officer submitted that the Ministry was making frantic efforts to ensure that the hospital was upgraded to a fully-fledged third level facility, which was evidenced by the installation of the renal unit machine. The room where the CT scan would be installed had already been secured with air conditions and led doors in readiness for delivery of the CT Scan by the Ministry through ZAMMSA. In the absence of permanent specialised doctors who the Ministry was yet to send to the hospital, it had been engaging consultants who offered specialised services on a monthly basis.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that permanent specialised doctors were deployed at Kabwe General Hospital and avail supporting documents to

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

- **Pharmacy**

- **Undelivered Drugs**

In response, the Controlling Officer submitted that the HOLOGIC SARS COV-2 reagents were a new set of laboratory reagents that were received in Zambia for the first time in December 2020 during the COVID-19 Pandemic. Kabwe General Hospital was the first hospital to receive its share of the laboratory reagents and the order was done through a self-collection, which was executed on 4th December, 2020.

During self-collection, staff from the hospital collected the full cocktail of Hologic Panther Laboratory reagents from ZAMMSA and a scanned copy of the manual collection dispatch note was available for audit verification. However, due to complexities in the make-up of this cocktail, the team that issued the stock were only made aware that it comprised a cold chain and a non-cold chain component, which had erroneously been captured under one stock code. This in effect meant that the hospital collected all the components of the cocktail of reagents. Otherwise, they could not have managed to run any COVID-19 tests on the Hologic Panther Machine. The reference document that was captured by ZAMMSA on the Warehouse Management System was meant to normalise a transaction for stock that had already been received by the hospital using a manual issue document due to the urgency of the COVID situation. Documentation was available for audit verification.

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 and will await a progress report on the matter.

- **Wasteful Expenditure - Expired Drugs - K485,003**

In response, the Controlling Officer submitted that the expired drugs were due to the following:

- i. change of national treatment regimens or guidelines resulting in non-use of received drugs including antiretroviral drugs, which were received as push deliveries from ZAMMSA could not be consumed as patients were switched to better and more efficient drug regimens leading to expiries;
- ii. some drugs received by ZAMMSA for COVID-19 management could not be consumed as adaptation to evolving changes in national protocol or guidelines led to commodities being excluded from patient clinical management plans in some instances. The disease trends with a sharp reduction of cases also led to reduced consumption of some commodities leading to expiries; and
- iii. the hospital in some instances received push deliveries of products from ZAMMSA that had short shelf life and could not be consumed or shared with other facilities which received the same push deliveries leading to expiries.

Further, the expired drugs for the period under review had since been disposed of accordingly and the disposal certificates were available for audit verification.

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 and will await a progress report on the matter.

- **Diagnostics and Imagery**

- **Non-functional Electrolyte Analyser-Bio-Chemistry Section**

In response, the Controlling Officer submitted that the dysfunctional fridge which was not functional had since been worked on. Further, the Ministry, through its procuring agency ZAMMSA was in the process of procuring the electrolyte analyser.

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 and will await a progress report on the matter.

- **Haematology Section – Lack of Equipment for Diagnosis of Diseases**

In response, the Controlling Officer submitted that the haematology analyser XT 1800i sysmex, which served as a backup was worked on and was functional. The CD4 counters were functional, however, the vendor indicated that they had stopped ordering the reagents for these types of machines because they had been phased out on the market. Further, the facility acquired a modern CD4 counter which was in use.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that a new haematology analyser is purchased without undue delay and will await a progress report on the matter.

- **Blood Bank Services**

- **Non-Operational Blood Screening Machine**

In response, the Controlling Officer submitted that the blood screening machine was an obsolete. The Ministry was in the process of purchasing new equipment to mitigate the challenges of taking blood samples for screening to either Lusaka or Ndola.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that a new haematology analyser is purchased without undue delay and will await a progress report on the matter.

○ **Non-functional Blood Storage Refrigerators**

In response, the Controlling Officer submitted that the majority of the non-functional blood storage refrigerators were under warranty and the manufacturers needed to repair them. The other fridges had not been repaired due to inadequate funding, but would be repaired in 2023 since they had been budgeted for.

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 and await a progress report on the matter.

● **Environmental Health and Safety**

○ **Dilapidated Sewerage Infrastructure**

In response, the Controlling Officer submitted that the Lukanga Water and Sewerage Company had been engaged and a detailed bill of quantities, assessment and recommendation for a complete overhaul of the infrastructure was estimated at K3.6 million. The Ministry engaged the Treasury for funding to have the sewer infrastructure overhauled. A report on the detailed assessment of the dilapidated sewerage infrastructure from Lukanga Water and Sewerage Company was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that the hospital sewerage infrastructure is overhauled without any further delay. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

○ **Irregular Discharge of Sewage Waste**

In response, the Controlling Officer submitted that Management had continued to engage the Treasury for funding to implement the works for the ideal management of sewer discharge.

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 and will await a progress report on the matter.

○ **Maternity (Delivery Ward) Services**

○ **Inadequate Medical Equipment**

In response, the Controlling Officer submitted that the hospital had plans to procure the medical equipment for the Labour Ward from their funding by the end of the fourth quarter of 2022. The Special Care Baby Unit was moved to Kabwe Women New Born and Children Hospital. The Ministry supplied twenty continuous positive airway pressure machines to the new hospital. The said incubators were being phased out because of health safety issues and cribs were being preferred.

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 and will await a progress report on the matter.

ii. Accounting Irregularities

- **Uncollected Revenue – Medical Schemes (Corporate Clients) – K174,945**

In response, the Controlling Officer submitted that the corporate clients had settled their bills. Receipts, bills, statements and bank statements for evidence of bill clearance were available for audit verification. Going forward, the hospital started updating the records of corporate clients on a monthly basis in order to curb the problem of delays in updating payment of clients' record. Documents were available for audit verification.

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 and will await a progress report on the matter.

- **Unpaid and Rejected Claims Under National Health Insurance Management Agency Scheme**

In response, the Controlling Officer submitted that amounts totalling K506,079, reported as loss of revenue was due to rejected and unpaid claims. The amount of rejected claims was K398,279.20 and K100,782.22 was still being adjudicated by NHIMA, leaving a balance of K7,017.58, which was yet to be paid. NHIMA had since trained members of staff on claim management process to eradicate the problem of claim rejection using the electronic system. The position was that claims were being processed on line and rejections were done in real time. Reconciliation documents done by NHIMA for 2021 were available for audit verification.

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 and will await a progress report on the matter.

iii. Management of Assets

- **Poor State of Ambulances**

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

- GRZ 114 had been worked on by Lusemfw Power Hydro who bought servicing materials using corporate social responsibility at a total cost of K42,468.68, using the hospital mechanics. Letter of appreciation, tax invoice receipt and delivery note of the servicing parts were available for audit verification.

- GRZ 196 was boarded and disposed off on 19th August, 2022. The vehicle was bought at the value of K25,000.00 by FredJoe Limited. The offer letter, delivery note and receipt were available for audit verification.
- GRZ 146 was worked on and was on the road. Documentation was available for audit verification.

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 and will await a progress report on the matter.

- **Theft of Institutional Assets**

In response, the Controlling Officer submitted that the officers involved in the losing of the laptops were from within the hospital and deductions through PMEC would be instituted starting December 2022. The officers were charged and the matter was dealt with administratively and accordingly as guided by Cabinet Office Circular No. 13 of 2013, surcharge of officers for loss of Government Revenue and / or property.

Further, the theft of motor vehicle batteries occurred in 2019 and was reported to the police by Management under Case No. 584919. The matter was successfully prosecuted in the Courts of Law. The charge letters and the court judgement were available for audit verification.

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 and will await a progress report on the matter.

iv. Management of Liabilities

- **Failure to Settle Outstanding Bills**

In response, the Controlling Officer submitted that an amount totalling K25,000.00 was paid to ZESCO Limited, while K135,000 for the internet charges owed to Zamtel had been settled by Ministry of Finance and National Planning. As for the medical supplies and food stuff, a payment of K62,814 was made against a total outstanding bill of K186,458.00, leaving a balance of K123,544.00. Management had continued to engage the Treasury for more funding towards the settlement of outstanding bills. The payment vouchers were available for audit verification.

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 and will await a progress report on the matter.

- **Failure to Settle Staff Obligations**

In response, the Controlling Officer submitted that K8,845,398 in respect of settling in allowance; long service bonus; salary arrears; and other personnel emoluments was owed to both

serving and retired officers. However, payments of the queried amounts were being done gradually whenever funds were released by Ministry of Finance and National Planning to Provincial Health Offices. By December, 2022, the Government had released amountstotalling K4.7 million for Central Province to pay outstanding personnel emoluments, out of which Kabwe General Hospital received a total of K351,175.88 to pay retired staff. A schedule of payments was available for audit verification.

Committee’s Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that a new haematology analyser is purchased without undue delay and will await a progress report on the matter.

e. Kasama General Hospital

i. Operational Matters

o Delayed Completion of Rehabilitation of Patients’ Ward

In response, the Controlling Officer submitted that the contract was not extended. However, the contractor who had abandoned the project for unknown reasons later came back and completed the works. A completion certificate was available for audit verification.

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 and will await a progress report on the matter.

• Pharmacy

o Failure to Retain Prescriptions - Dispensary

In response, the Controlling Officer submitted that because of inadequate funding,the hospital failed to buy triplicateprescription pads which resulted into failure to retain a copy by the pharmacy. However, the hospital had since procured triplicate and was using them. A sample of the triplicate prescription pads being used was available for audit verification.

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 and awaits a progress report on the matter.

o Lack of Storage Facility – Laboratory and Bulk Stores

In response, the Controlling Officer submitted that the construction of the hospital had not been completed since 1978, when it was prematurely opened, hence it had inadequate storage facilities. However, Management would continue engaging the Treasury for funding for the completion of the hospital and the Ministry had planned to expand its storage capacity.

Committee's Observations and Recommendations

The Committee expresses concern that the hospital which was opened in 1978 has not been completed despite the increase in the number of people accessing the services. The Committee finds this unacceptable and urges the Controlling Officer to ensure that the hospital is completed and adequate laboratory facilities are put in place and will await a progress report on the matter.

- **Lack of Key Equipment – Environmental Health**

In response, the Controlling Officer submitted that the Ministry would ensure that the environmental health equipment was supplied to the institution through its procuring agency ZAMMSA.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer not to relent in his quest to ensuring that environmental health equipment is made available at the hospital and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Support Services**

- **Failure to Establish an Oxygen Plant**

In response, the Controlling Officer submitted that the Ministry, through its partner, the Global Fund, was in the process of conducting physiological, topographical, geographical and environmental assessment for the construction of the oxygen plants. The equipment relating to oxygen plant production generators was under evaluation by the partners.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer not to relent in his quest to ensuring that the oxygen plant is constructed at the hospital. The Committee will await a progress report on the matter.

- **Poor State of Ambulances**

In response, the Controlling Officer submitted that the fleet of ambulances at the hospital was over five years and prone to breakdowns. However, the Ministry had budgeted to procure 100 ambulances in the 2022 Budget and the procurement processes had reached an advanced stage. Once procured, the ambulances would be distributed to all hospitals, accordingly.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer not to relent but ensure that ambulances are procured and distributed to all districts without any further delay and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Lack of Adequate Mortuary Units**

In response, the Controlling Officer submitted that the Ministry had budgeted for the procurement of mortuary units in the 2023 budget.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer not to relent in his quest to ensuring that mortuary units are procured and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

○ Poor Medical Records Management

In response, the Controlling Officer submitted that the construction of the hospital had not been completed since 1978 when it was prematurely opened, hence the inadequate record storage facility. However, Management would continue engaging the Treasury for funding for the completion of the Hospital. However, in the interim, the hospital engaged provincial archives office to collect excess files for safe keeping.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer not to relent in his quest to ensure that the hospital record storage facilities are constructed and will await a progress report on the matter.

ii. Rehabilitation Services

● Poor State of the Physiotherapy Unit

In response, the Controlling Office submitted that the equipment was supplied to the institution through its procuring agency, ZAMMSA.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer not to relent in his efforts to ensuring that the state of the physiotherapy unit is improved and supporting documents availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

● Lack of a Prosthetics and Orthotics Section

In response, the Controlling Officer submitted that the Ministry would ensure that the equipment for the prosthetic and orthotics section was procured and supplied to the institution through ZAMMSA.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer not to relent in his efforts to ensure that prosthetic and orthotics equipment is procured and supporting documents availed to the Office of the Auditor General for audit verification and will await a progress report on the matter.

iii. Blood bank Services

- **Lack of Vital Blood Transfusion Equipment**

In response, the Controlling Officer submitted that the Ministry would ensure that the vital blood transfusion equipment was supplied to the institution through ZAMMSA.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer not to relent in his quest to ensuring that vital blood transfusion equipment is procured and supporting documents availed to the Office of the Auditor General for audit verification and will await a progress report on the matter.

- **Non - Functional ICT blood Transfusion Management System**

In response, the Controlling Officer submitted that the Ministry would ensure that the non - functional ICT Blood Transfusion Management System was supplied to the institution through ZAMMSA.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer not to relent in his quest to ensuring that the non-functional ICT Blood Transfusion Management System is procured and supporting documents availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iv. Failure to Provide Medical Equipment/Instruments - Medical Wards

- **Female Medical Ward**

In response, the Controlling Officer submitted that the Ministry would ensure that the equipment was supplied to the institution through ZAMMSA. It was regrettable that linen was inadequate and stained in the female medical ward. However, the hospital had been procuring linen as part of the routine essentials for the wards and replacement of the damaged ones. Further, out of the four laundry machines at the hospital, three had broken down and only one was working, though it also broke down frequently. This made it difficult to provide laundry services effectively. The Ministry was in the process of sourcing for spareparts to repair the laundry machines.

With regard to the water leakages in the toilets, the Committee was informed that the water reticulation and sewer systems at the hospital was old and needed a complete overhaul. The bill of quantities for the same had been done and documentation was available for audit verification. In this vein, the Ministry was in the process of finding the resources to undertake the rehabilitation works. However, the plumbing fittings in the toilet had since been worked on as a stopgap measure.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer not to relent in his efforts to ensure that the water reticulation and sewer systems is overhauled without any further delay and supporting documents availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Maternity Ward**

The ward did not have requisite equipment such as suction units, oxygen units, resuscitative, vacuum delivery set (including vacuum extractor machine), doppler, foetal scope, cardiac table, oxygen supply, high dependency unit and BP machines. It was also observed that newly born babies were sharing resuscitative and phototherapy machines instead of one machine per infant.

In addition, out of eight heaters, only two were functional, thereby exposing the pre-mature babies to hypothermia and possible death, while oxygen concentrators meant for one baby were improvised to supply several babies.

In response, the Controlling Officer submitted that the Ministry would ensure that the equipment was supplied to the institution through ZAMMSA.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer not to relent in his efforts to ensure that suction units, oxygen units, resuscitative, vacuum delivery set including vacuum extractor machine, doppler, foetal scope, cardiac table, oxygen supply, high dependency unit and BP machines provided without undue delay. The Controlling Officer should also ensure that newly born babies do not share resuscitative and phototherapy machines and will await a progress report on the matter.

- v. **Failure to Collect Revenue - Medical Fees**

In response, the Controlling Officer submitted that the failure to collect revenue was because high cost medical services were post-paid. Therefore, claims were made after the services had been provided. However, K147,696.80 had since been collected leaving the balance of K14,392.22. Further, the scheme holders were written to and the service had been suspended for the owing clients until the outstanding amounts were paid. Suspension letters were available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that all the outstanding amounts are collected without any further delay and supporting documents availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- f. **Lewanika General Hospital**

- i. **Operational Matters**

- **Paediatrics and Child Health**

- o **Lack of Mattresses in the Wards**

In response, the Controlling Officer submitted that fifty mattresses were procured, while sixty were a donation from the New Apostolic Faith. With these mattresses in place, the hospital had met the required number of mattresses. In its quest to ensure that the hospital had enough mattresses for patients, in addition to prioritising procurement of mattresses from monthly grants,

Management would also engage other stakeholders such as faith-based organisations; non-governmental organisations (NGOs); Constituency Development Fund (CDF); and well-wishers to come on board. Copies of GRN for the donated mattresses and payment vouchers for the procured mattresses were available for audit verification.

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 and will await a progress report on the matter.

- **Support Services**

- **Failure to Maintain Medical**

- **Equipment**

In response, the Controlling Officer stated that he would ensure that slit lamp, fundus camera, washing machine and visual field analyser were procured.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that slit lamp, fundus camera, washing machine and visual field analyser are replaced without any further delay. The Committee will await a progress report on the matter.

- **Failure to Maintain the Kitchen Unit**

In response, the Controlling Officer submitted that the bad state of infrastructure at the hospital was because the building was old as it was constructed way back in 1923. Management had embarked on the rehabilitation programme in a phased manner. To date, departments such as ART, maternity, postnatal ablution block and NHIMA/High cost OPD had since been rehabilitated. It was hoped that in the next phase, the children's ward and the kitchen would be attended to. Further, Management had engaged the Council through CDF to lobby for funding to improve the state of infrastructure at the hospital (mother's shelter). Payment vouchers, contracts for the works done so far as well as management minutes for the works to be done were available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that the kitchen is rehabilitated without any further delay and will await a progress report on the matter.

- **Failure to Maintain Old Administration Block**

The hospital premises had an old Administration Block which was dilapidated in that the building had cracks, collapsed walls and blown off roof.

In response, the Controlling Officer submitted that the hospital could not rehabilitate the administration block due to inadequate funding. The hospital requested for funds from the Ministry Headquarters under infrastructure as this was a capital project which required huge

amounts of funds. The building was condemned as not being fit for habitation and was recommended for demolition.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification. The Committee awaits a progress report on the matter.

ii. Accounting Irregularities

- **Failure to Maintain a General Revenue Cashbook**

In response, the Controlling Officer submitted that the Accounts Assistants were cautioned and directed to ensure that General Revenue cashbooks were maintained for all revenue collected by the General Hospital. Accounting staff were also oriented in accounting for revenue through the Office of the Senior Accountant and Senior Internal Auditor. As a result, of the orientation and directive issued to accounts staff, the General Revenue Cashbooks were collected from Ministry of Finance and National Planning and were being used on a daily basis for accounting for revenue.

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

“ Delayed Banking

In response, the Controlling Officer submitted that the issue of delayed banking arose because of the Assistant Accountant's failure to supervise the cashier and revenue collectors effectively. Management deeply regretted this anomaly. In order to address the problem of delayed banking, Management resolved that all clients visiting the hospital should deposit all user-fees into the hospital bank account and present deposit slips to accounts for receipting. This measure had since improved accountability of revenue collection at the hospital. Charge and exculpatory letters were available for audit verification.

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

- **Casualisation of Labour**

In response, the Controlling Officer submitted that engagement of casual workers on contractual basis was a result of a critical shortage of general workers at the hospital due to the expansion of the hospital. In this regard, the Ministry sought for authority from the Permanent Secretary and the Provincial Administration to engage general workers on a three-month contract.

The Ministry had also sought further guidance from the Labour Commissioner through the Provincial Labour Office who guided that there was need for the hospital to engage the general

workers on fixed contract terms. Copies of authority from the Permanent Secretary, and Provincial Administration and minute from the Labour Office were available for audit verification.

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

iii. Lack of Title Deeds for Properties

In response, the Controlling Officer submitted that the land at which Lewanika General Hospital was sitting was a traditional land. Management had so far written to Ministry of Lands, through the Provincial Lands Office for Western Province, seeking guidance on the acquisition of land Title for the hospital. The institution had been assured that surveyors have since been assigned to start the process of surveying the land.

Committee's 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 and await a progress report on the matter.

iv. Failure to Settle Outstanding Bills - K9,388,917

In response, the Controlling Officer submitted that the hospital could not clear the debts as there was no funding received from Ministry of Finance and National Planning for dismantling domestic debts during the period under review. However, in 2022, the hospital benefited from a total of K 399,659.52 of funds for personal emoluments which were allocated and paid from the Provincial Health Office, Western Province.

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

g. Mansa General Hospital

i. Operational Matters.

- **Failure to Upgrade the Hospital to a Level 3 Facility**

In response, the Controlling Officer submitted that the Provincial Health Office had been actively pursuing the issue of ensuring that Mansa General Hospital was accorded Level III status as indicated by the attached write up to Ministry of Health Headquarters.

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

- **Pharmacy**

- **Lack of Adequate Storage Space for Drugs-Bulk Stores**

In response, the Controlling Officer submitted that the hospital was initially designed to handle second level health care services. An increase in the number of health care services had a direct impact on the number of medicines, medical and surgical supplies, including COVID-19 supplies being stored and managed at the facility and this resulted in inadequate storage space. However, the institution lobbied for a cargo container from the Mansa District Office, which was being used as storage space as an interim measure.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that adequate and permanent storage facilities are provided at the hospital 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 and will await a progress report on the matter.

- **Failure to Stock Essential Medicines**

In response, the Controlling Officer submitted that according to the Zambian Public Health Supply Chain, Mansa General Hospital was expected to receive all medicines, medical and surgical supplies from ZAMMSA, as it was a newer entity mandated to procure, store and distribute essential medicine and medical supplies. The implementation of the ZAMMSA Act was recent and the agency was working tirelessly to ensure that essential medicines and medical supplies were procured, having received monies from the Treasury. However, there were still transitional issues to overcome before the supply chain could be stabilised.

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

- **Diagnostics and Imagery**

- **Failure to Repair Computerised Tomography Scan**

In response, the Controlling Officer submitted that the state of the CT Scan. The CT-Scan was non-functional due to a faulty couch printed circuit board. Request for procurement of the spare part had been done and was undergoing the procurement process at ZAMMSA. Documentation was available for audit verification.

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

- **Failure to Repair a Mammogram Imaging Machine**

In response, the Controlling Officer submitted that the mammography machine in question was out of production and technology had improved. However, efforts were being made to procure new digital mammography machines to provide efficient services.

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

Support Services

- **Non-Functional Oxygen Plant**

In response, the Controlling Officer acknowledged the auditors' observations regarding the state of the oxygen plant machine. The contract referred to had expired and the Ministry had engaged the contractors through cooperating partners to service the plant.

Committee's Observations and Recommendations

The Committee is deeply concerned that an important equipment such as an oxygen plant is not functional at the hospital and wonders how adequately the hospital has been providing this important service to the people in need. The Committee implores the Controlling Officer to devise a mechanism that will ensure routine maintenance of oxygen plants as well as other medical equipment in order to repair those that have broken down without any further delay. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

- **Failure to Maintain Mortuary Units**

The Controlling Officer submitted that the mortuary units were old and needed to be replaced. The Ministry had since started the procurement process of mortuary units (fridges) in a phased manner.

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

ii. Management of Assets

- **Failure to Collect Receivables - K538,287**

In response, the Controlling Officer submitted that all customers were sent reminders to settle their outstanding debts. However, the outstanding debts had been reduced from K538,287 to K320,000.00 after some debtors made part payments, while others cleared their debts in full. The engagement and reminder letters, as well as payment schedules were available for audit verification.

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

- **Failure to Secure Title Deed for Properties**

In response, the Controlling Officer submitted that the Mansa District Office and Luapula PHO, were on the same piece of Land. Luapula PHO initiated the process of Title Deed acquisition which had since reached an advanced stage. The offer letter for the Title Deed was available for audit verification.

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

iii. Failure to Settle Outstanding Bills – K12,241,498

In response, the Controlling Officer submitted that as at 31st December, 2021, Mansa General Hospital had outstanding obligations in amounts totalling K12,241,497.91, in respect of personnel related and other obligations for supply of goods and services. However, K250,000, was spent to clear part of the bills. Management had also outlined the debt settlement plan and documentation was available for audit verification.

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

h. Mazabuka General Hospital

i. Operational Matters

- **Diagnostics and Imagery**

- **Lack of Radiology Licence**

In response, the Controlling Officer submitted that the license to use the radioactive materials was paid for and was in place. The copy of the licence was available for audit verification.

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

- **Lack of Safety Measures for Staff at the Radiology Department**

In response, the Controlling Officer submitted that the failure to provide badges was because the hospital had not yet paid for the license to utilise radioactive materials. The badges could only be

obtained after paying for the license. The hospital was directed to ensure that the license was paid for before the expiry of the ones in use so that badges were given to the officers on time. The badge readings were undertaken and were in place.

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

○ Non-Functional Ultrasound Machine

In response, the Controlling Officer submitted that at the time of audit the two ultrasound machines were non-functional. However, no services were disrupted in that one ultrasound machine was operational and in good condition. The other machine was not operational due to a software problem. The problem was receiving attention through the Ministry of Health. Documentation was available for audit verification.

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

• Support Services

○ Lack of Functional Ambulance

In response, the Controlling Officer submitted that the lack of a functional ambulance during the time of audit was because the ambulances were old and the spare parts were not available in Zambia. The two ambulances had since been recommended for boarding. However, one ambulance had since been sourced and taken to the institution to keep the hospital running.

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

• Failure to Provide adequate Medical Instruments - Medical Wards

In response, the Controlling Officer submitted that the hospital had two functional cardiac monitors and two infusion pumps, which were stationed in the High Dependence Units to service and manage critical patients. However, due to the high cost of these medical instruments, the hospital was unable to equip all the medical wards. The standing scales and blood pressure machines had since been provided in all the medical wards.

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

ii. Weaknesses in the Management of NHIMA Funds – Unpaid Claims

In response, the Controlling Officer submitted that the delay was due to the NHIMA policy of honouring the claims after three months. The claims had since been settled and evidence of the payment by NHIMA was available for audit verification.

Committee’s 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 and will await a progress report on the matter.

ii. Failure to Collect Revenue - K260,952

In response, the Controlling Officer submitted that the hospital had since written to companies informing them that services had been suspended until the bills were fully settled. The companies acknowledged receipt of the letters notifying them of the decision to suspend provision of health services to their workers until they honoured their obligation. The letters written to the companies and receipts were available for audit verification.

Committee’s 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 and will await a progress report on the matter.

ii. Irregular Cash Withdrawals - K17,859

In response, the Controlling Officer submitted that this was due to lack of the understanding of the Finance Management Circular No. 1 of 2022 on the part of the accounting officer. The officer had been reprimanded and technical support and supervision had been offered. The letter reprimanding the accountant was available for audit verification.

Committee’s 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 and will await a progress report on the matter.

• Failure to Secure Title Deed

In response, the Controlling Officer submitted that the process to secure the Title Deeds had since started although the hospital was still clearing the issue of encroachments with the Council. The Department of Survey at Ministry of Lands had since been contacted for the survey diagram. Documentation was available for audit verification.

Committee’s 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 and will await a progress report on the matter.

iii. Unaccounted for X-Ray Films

In response, the Controlling Officer submitted that all X-ray films were accounted for through the request forms and patients' files. The only gap noted, which the hospital had since addressed, was the issue of record keeping in the Radiology Department. The hospital had since introduced identifiers, which were linking the X-ray films issued to the patients. A register had also been introduced where identifiers and patient codes would be recorded so as to account for all X-ray films. Documentation was available for audit verification.

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

iv. Failure to Settle Outstanding Bills – K883,945

In response, the Controlling Officer submitted that the failure to settle outstanding debt was due to lack of adequate funding from the Treasury. The hospital had been updating and submitting the outstanding debts for consideration of payments once the funds were made available.

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

i. Nchanga North General Hospital

i. Operational Matters

• Pharmacy – Wasteful Expenditure – Expired Drugs – K182,720

In response, the Controlling Officer submitted that this was caused by the change of national treatment regimens or guidelines resulting in non-use of received drugs. As changes in drug treatment guidelines and protocols were revised by the Ministry of Health, a huge bulk of antiretroviral drugs, which were received as push deliveries from ZAMMSA could not be consumed as patients were switched to better recommended more efficient drug regimens leading to expiries as outlined below.

- In some instance, some drugs received by ZAMMSA for COVID-19 management could not be consumed as adaptation to evolving changes in national protocol/guidelines led to commodities being excluded from patient clinical management plans.
- The disease trends with a sharp reduction of cases also led to reduced consumption of some commodities leading to expiries.
- The hospital, in some instances, received push deliveries of products from ZAMMSA that had short shelf life and could not be consumed or shared with other facilities which received the same push deliveries leading to expiries.

- The ABX Micros 60 Machine at the laboratory was not functional, this meant that the reagents could not be used as much. In addition, the reagents for the machine had a short shelf life and as such, they could not be sent back or redistributed to the other facilities.

The supplies had since been disposed of and disposal certificate from ZEMA was available for audit verification.

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

□ Support Services

○ Failure to Maintain Mortuary Units

In response, the Controlling Officer submitted that the non-functional Mortuary Unit needed major repairs, which was beyond what the hospital could manage. There was need to put in place a new six-body mortuary unit. Ministry of Health Headquarters had been written to requesting for a new mortuary unit. The letter was available for audit verification.

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

○ Poor State of Ambulances

In response, the Controlling Officer submitted that the two ambulances were in a bad state. The institution had been spending funds on repairs to keep them running. The cost of repair was beyond economic value and the institution was using one of its utility motor vehicles as an ambulance. The hospital had written to the Ministry of Health Headquarters requesting for a new ambulance. The letter was available for audit verification.

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

j. Accounting and Other Irregularities

• Irregular Cash Withdrawals – K122,387

In response, the Controlling Officer regretted that cash was irregularly withdrawn. However, since June, 2022, no cash was drawn because imprest payments were being paid directly into beneficiary accounts.

Committee's Observations and Recommendations

The Committee expresses concern that officers abrogated the financial regulations with impunity and urges the Controlling Officer to institute disciplinary measures against all officers involved for the lapse and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Unaccounted for Stores - K200,578**

In response, the Controlling Officer submitted that all the disposal details for stores items have since been recorded and documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern that officers failed to produce accountable documents during the time of audit and urges the Controlling Officer to institute disciplinary measures against all officers involved for the lapse and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- j. Failure to Settle Outstanding Bills - K11,375,203**

In response, the Controlling Officer submitted that all outstanding bills have been compiled and submitted to Ministry of Finance and National Planning for possible clearance in response to the circular requesting for all uncleared bills.

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

K Senanga General Hospital

- i. Operational Matters**

- **Failure To Establish Key Units Under Various Levels of Care**

- **Surgery**

- **Obstetrics and Gynaecology**

- **Emergency Services**

- **Blood Bank Services**

- **Intensive Care Unit**

In response, the Controlling Officer submitted that Senanga General Hospital did not have key units under various levels of care. The hospital was upgraded to General Hospital status with additional infrastructure development. However, in an effort to provide quality health care with limited infrastructure space, the hospital set up key units in various wards as provided in the table below.

Existing Hospital Wards

<i>Type of Ward</i>	<i>Number</i>	<i>Comments</i>
Female Ward	1	Combines Internal Medicine, General Surgery, Orthopaedics, Gynaecology and a treatment room for students and Intensive Care Unit (acute pain)
Male ward	1	Combines Internal Medicine, General Surgery and Orthopaedics, treatment room for students and Intensive care unit(acute pain)
Childrens Ward	1	Paediatrics, General Surgery and Orthopaedics and Nutritional Rehabilitation as well as Intensive care unit(acute pain)
Maternity Ward	1	Antenatal Care, Postnatal Care, Neonatal Care, Labour Ward, Special Care Baby Unit. Intensive care unit(acute pain)
Laboratory	1	Laboratory and blood transfusion services

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

- **Undelivered Drugs – K29,702**

In response, the Controlling Officer submitted that the drugs in que were lab products, delivered and received by the Laboratory Department. copies of the dispatch notes, stock control cards, supply voucher and goods received notes were available for audit verification.

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

- **Diagnostics and Imagery – Lack of Requisite Radiology Equipment**

In response, the Controlling Officer submitted that at the time of audit, Senanga General Hospital did not have three x-ray machines (fixed x-ray unit, mobile x-ray unit and C-arm x-ray unit) while fixed and mobile x-ray units were not operational because they had broken down. The equipment was highly specialised and spare-parts were not readily available on the market. The spare part for the equipment had to be gotten from the manufacturer through the agent. The machine was worked on and was operational.

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

- **Support services**

- **Failure to Establish an Oxygen Plant**

In response, the Controlling Officer submitted that the Medical Equipment Standard Lists for second level hospitals that stipulated that the hospital must have an oxygen plant to enable it have effective and efficient supply of oxygen for patient use was a recently developed standard. However, the National Medical Oxygen Strategic Plan highlighted the need to upgrade facilities without reticulation and/or oxygen plants according to each level of care and the Ministry was working towards achieving that through stakeholder engagements.

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

- **Lack of a Maintenance Unit**

In response, the Controlling Officer submitted that the hospital had a maintenance unit but, with no staff because the positions were not funded on the establishment. The Ministry had since made submissions to the Treasury requesting for the positions to be funded and possibly recruit suitable personnel in order to operationalise the maintenance unit.

Committee's 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 and awaits a progress report on the matter.

iii. Stalled and Abandoned Infrastructure Project – Construction of the Theatre

In response, the Controlling Officer submitted that Western Province entered into a contract with Raymond Construction Limited to construct a Theatre at Senanga General Hospital. However, works had not been completed and the project had stalled. The delay to complete the project was due to poor contract management on the part of the project manager, who directed the contractor to quote for extra works for footing, double solid walls and introduction of steel lipped channels without giving a corresponding adjustment in the contract sum. The contractor was advised to quote for additional works. Subsequently, the contractor quoted a total sum of K 37,658.00 for the additional works. However, the contractor was not given a go ahead by the project manager hence the lapse in completion time. The Ministry had since re-advertised the project following the expiry of the contract.

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

- **Accounting Irregularities – Delayed Banking – K86,224**

In response, the Controlling Officer submitted that the issue of delayed banking arose because of the Accounts Assistant's failure to supervise the cashier and revenue collectors effectively. Management deeply regretted the anomaly. In order to address the problem of delayed banking, management resolved that all clients visiting the hospital should deposit all user fees into the hospital bank account and present deposit slips to accounts for receipting. This measure improved the accountability of revenue at the hospital. Exculpatory and charge letters were available for audit verification.

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

- **Unaccounted for Stores – K45677**

In response, the Controlling Officer submitted that stores items (food for patients at the kitchen) amounting to K45,677.00 had no disposal details. However, demand issue voucher/supply voucher and food registers were availed for audit. The only document which was missing was the stores ledger, which had since been retrieved and was ready for audit verification. Going forward, the Provincial Health Office called for a stores orientation workshop train officer on how to prepare stores ledgers besides the stock control cards.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place to augment stores and records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

iii. Management of Assets

- **Lack of Title Deeds for Properties**

In response, the Controlling Officer submitted that Management did not secure Title Deeds for a parcel of land at Senanga General Hospital as at August, 2022. The Hospital Management started the process of acquiring Title Deeds in 2019, and the Ministry of Lands, Natural Resources and Environmental Protection was engaged to survey the hospital land with a view to verifying and establishing the boundary for Senanga General Hospital. The Surveyor's report reviewed the following:

- Post Office was sitting on Stand 19 (Hospital land);
- Sea Frog Lodge was partly sitting on Stand 19 (Hospital land); and
- the ablution block for the Council was partly encroaching on Stand 19 (Hospital Land).

In view of the above, the Ministry of Lands directed that the following recommendations be implemented by the Senanga Local Authority:

- re-numbering the remaining space for the hospital;
- to produce new site plan for the hospital to propose for numbering; and thereafter
- recommend Senanga General Hospital to the Ministry of Lands for acquiring the Title Deeds.

Furthermore, the Hospital Management had been making follow-ups to the above recommendations from the local authority for four years but there had been no response.

The Surveyor's report from Ministry of Lands, the recent letter from the Hospital requesting for hospital land renumbering, and letter written to Senanga Town Council were available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to expedite the process of acquiring Title Deeds for the Ministry's properties without any further delay and resolves to await progress report on the matter.

- **Failure to Maintain Staff Hostel Block**

In response, the Controlling Officer submitted that the bad state of the staff hostel block was due to low funding which the hospital received. As part of its maintenance policy, the hospital normally allocated some funds to its annual work plan and budgets from the Government and also from NHIMA towards infrastructure rehabilitation or maintenance. Arising from this, the hospital also undertook some maintenance works such as outlined below.

- repainting the hospital walls.
- replacing broken glass pan in the hospital wards.
- renovating the female ward.
- securing a borehole for regular water supply

In 2022, the hospital planned to undertake the following rehabilitation works at the hostel.

- Renovate male ward.
- Renovate the corridor.
- Work on the plumbing system.
- Replace the broken glass pan.
- Replace the ceiling boards.
- Renovate the hospital incinerator.

The copies of the bill of quantity and maintenance plan were available for audit verification.

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

iv. Failure to Settle Outstanding Bills

In response, the Controlling Officer submitted that the hospital could not clear the debts because of lack of funding from Ministry of Finance and National Planning to dismantle domestic debts during the period under review. However, the hospital had benefited a total of K135,267.00 of funds for personal emoluments which were allocated and paid from the Provincial Health Office Western Province.

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

k. Solwezi General Hospital

- Operational Matters

" Failure to Secure the Psychiatry Unit with a Perimeter Wall fence

In response, the Controlling Officer submitted that the hospital did not have a stand-alone mental unit. However, seclusion rooms had been provided to separate the violent patients. Management was engaging the Treasury for funding to erect a stand-alone mental health unit with the required standard specifications and a secure Psychiatry Unit with a perimeter wall fence.

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

• Lack of a Prosthetics and Orthotics Section

In response, the Controlling Officer submitted that a Prosthetics and Orthotics Section had been included in the 2023-2025 Medium Term Expenditure Framework (MTEF) for the Solwezi General Hospital. An extract for the 2023-2025 Medium Term Expenditure Framework for the Solwezi General Hospital was available for audit verification.

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

- **Failure to Upgrade Solwezi General Hospital to Level III Hospital**

In response, the Controlling Officer submitted that the Government had responded favourably to the upgrading of Solwezi General Hospital by constructing a University Teaching Hospital. This was evidenced by the ground-breaking ceremony, which took place on 14th May, 2022 in Kazhiba area, Solwezi, graced by the Republican Vice President Mrs Mutale W. K Nalumango.

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

- **Lack of Computerised Tomography (CT) and Magnetic Resonance Imaging (MRI).**

In response, the Controlling Officer submitted that all equipment had been budgeted for in the 2023 budget.

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

I. Chilonga Mission Hospital

i. Operational Matters

Pharmacy

- **Failure to Isolate and Dispose of Expired Drugs – Dispensary**

In response, the Controlling Officer regretted that at the time of audit, expired drugs were not properly isolated from the potent ones because marks on the shelf where the expired drugs were kept were not visible enough. The drugs had since been separated, and taken to a designated and visibly marked shelf, and had since been disposed of by ZEMA. Disposal certificates were available for audit verification.

Committee's Observations and Recommendations

The Committee finds it unacceptable that expired drugs are not stocked properly and fears that in the event of an emergency, unsuspecting officers can mistakenly administer such drugs on a patient. The *laissez faire* attitude being exhibited by officers at the pharmacy is a threat to people's lives. The Committee, therefore, implores the Controlling Officer to institute disciplinary measures against all officers, including the supervisor, for the lapse and 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 Store Drugs under the Required Conditions**

In response, the Controlling Officer regretted that the hospital had no functional air conditioners, air vents or windows that could open. At the time of audit, the institution was finalising the tendering process, which had since been completed and the air condition have been procured and

installed in the said departments. Copies of invoice and delivery note were available for audit verification.

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

○ Unaccounted for Drugs and Medical Supplies – K192,444

In response, the Controlling Officer submitted that the disposal details were not availed to the auditors at the time of audit because user departments like laboratory, were ordering medical supplies straight from stores instead of the pharmacy. As a result, disposal details were not found in the pharmacy but at the user department. However, this system had since been corrected as per EMLIP-SOP guidelines and disposal details have since been retrieved. Disposal details were available for audit verification.

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

● Rehabilitation Services

In response, the Controlling Officer submitted that the occupational therapy sub unit and prosthetic and orthotics sections were not funded on the hospital establishment, making it difficult to employ officers to manage the unit. Further, it was regrettable that the treadmill and shortwave diathermy machine were non-functional. The Ministry engaged the Medical Equipment Office to assess all the equipment that had not been functional. The report from the Medical Equipment Office recommended that the equipment was obsolete and spare parts were not available on the market. However, the hospital used a stationed bicycle in place of a treadmill and a trans-cutaneous electrical nerve stimulate (TENS) machine with infra-red radiation in place of a shortwave diathermy.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that the equipment is procured without any further delay and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

● Support Services

○ Failure to Establish an Oxygen Plant

In response, the Controlling Officer regretted that the hospital had no oxygen plant. However, the hospital had no capacity to put up an oxygen plant due to insufficient funds and the Ministry was engaging the Treasury for funding as it required huge capital expenditure. The oxygen plants had only been constructed in the provincial headquarters. In Muchinga Province, the oxygen plant

was at Chinsali General Hospital and Chilonga General Hospital got its oxygen refill from the provincial hospital.

Committee’s Observations and Recommendations

The Committee expresses concern that a general hospital does not have its own oxygen plant and depends on refills from another general hospital. The Committee finds it unacceptable and urges the Controlling Officer to ensure that an oxygen plant is constructed at Chilonga General Hospital without any further delay. The Committee further urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

o Non-Functional Equipment

In response, the Controlling Officer submitted that the two washing machines and one mortuary fridge were non-functional and the hospital engaged the medical equipment office to assess the machines. The findings were that the machines were obsolete. As a result, the Ministry made a provision in the 2023 budget to procure the said equipment.

Committee’s Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer not to relent in his pursuit to ensure that the washing machines and one mortuary fridge are replaced without undue delay and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

o Understaffing – Failure to Meet the 80 Per Cent Employment Threshold

In response, the Controlling Officer submitted that the failure to meet the 80 per cent employment threshold was regrettable. However, from the recent recruitment exercise, Chilonga Mission General Hospital was allocated fifty-three officers, raising the percentage of staffing levels from 40 to 47 per cent. The following was the representation of newly recruited staff by cadre.

Nurses	28
Biomedical scientists	3
Junior resident medical officers	4
Radiologist technologist	4
Physiotherapist technologist	1
General workers	7

Committee’s Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer not to relent but impress upon Public Service Management Division to deploy more members of staff at the hospital to improve service delivery and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

Lack of Essential Medical Equipment

In response, the Controlling Officer submitted that the hospital did not have the above-mentioned essential equipment. However, the Ministry, through its procuring agency ZAMMSA, was in the process of procuring CT scan for hospitals.

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

- **Non-functional Equipment**

The Controlling Officer submitted that the autoclaving and fixed X-ray machines were non-functional and the Ministry engaged the Medical Equipment Office to assess all the equipment that had not been functional. The report from the Medical Equipment Office recommended that the equipment was obsolete and spare parts were not available on the market. However, the Ministry provided for purchase of the equipment in the 2023 budget.

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

~ Lack of Patient Recovery Room – Theatre

In response, the Controlling Officer submitted that the hospital had no patient recovery room during the time of audit because the initial plan for the theatre had no provision for a recovery room. However, the institution had since secured a room, which had been partitioned with necessary equipment installed and it was operational.

Committee's 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. The Committee also recommends that the Office of the Auditor General should conduct a verification visit, upon which the matter should be closed. The Committee will await a progress report on the matter.

m. Chiengi District Hospital

- i. **Operational Matters**

- Pharmaceutical Services**

- **Failure to Store Drugs under the Required Conditions – Bulk Stores**

In response, the Controlling Officer submitted that the institution secured additional storage space within the hospital as the initial bulk store was not adequate to store all the commodities. The institution was trying to put everything in place to ensure that the room was conducive for storage of pharmaceuticals. The institution had put up shelves, pallets and installed the air conditioners. Payment for proof of procurement of air conditioners was available for audit verification.

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

o. Lack of Lockable Cupboard for Controlled Drugs

In response, the Controlling Officer submitted that the lockable cabinet that was used for storage of controlled medicines had a damaged locking system. The institution had since procured a lockable cabinet to secure the controlled medicines. The picture of the lockable cabinet and disposal details were available for audit verification.

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

• Lack of Transport

In response, the Controlling Officer submitted that the hospital had no motor vehicles for its daily operations such as referral services, procurement of drugs and other administrative duties. However, the Ministry had since written requests to Luapula Provincial Health Officer lobbying for an ambulance or a utility vehicle for the hospital and was awaiting response.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that an ambulance and a utility vehicle are given to the hospital without any further delay and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

• Lack of Adequate Equipment – Physiotherapy Active Room

In response, the Controlling Officer submitted that the Ministry, through its procuring agency ZAMMSA made a provision in the 2023 budget for the procurement of equipment. Further, the Ministry was also engaging its cooperating partners such as USAID to procure physiotherapy equipment.

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

• Failure to Meet X-Ray Building Standards

In response, the Controlling Office submitted that Management had since procured the air conditioner. However, Management had been searching for the collimator light, but no supplier seemed to have it according to the specifications. The machine was old and the spare parts were not readily available on the market

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to the collimator light is replaced and avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

- **Operating Theatre Services**

- **Non-Functional Anaesthetic Unit**

In response, the Controlling Officer submitted that the aforementioned machine was not working due to a faulty print circuit board and unavailability of the nitrous oxide gas cylinder. The Hospital had been guided to reserve funds for the aforementioned spare parts and consumables. The provincial office was looking around for the said spare part to ensure functionalisation of the anaesthetic unit at Chienge District Hospital.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer, as a matter of urgency, to ensure that spare parts are procured and installed to operationalise the anaesthetic Unit at the Chienge District Hospital. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

- **Non-Functional Electrocardiograph Unit**

In response, the Controlling Officer submitted that the unit had been decommissioned due to unavailability of the spare parts on the market, and had since been included for replacement during the ongoing procurement of equipment.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that the non-functional Electrocardiograph units replaced as a matter of urgency and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- n. **Mongu District Hospital**

- i. **Operational Matters**

- **Failure to Operationalise Wards - Surgery - Theatre Unit**

In response, the Controlling Officer submitted that the surgery theatre at Mongu District Hospital was not operational. The construction of the theatre was under phase II. However, the final phase of the hospital, which included equipping of the theatre and other specialised rooms, had not yet been funded and no contract had been awarded so far. The final phase still awaited funding.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Office of the Auditor General to conduct an on-the-post check of the construction works and provide feedback. The Committee will await a progress report on the matter.

- **Failure to Stock Essential Medicines - Pharmacy**

In response, the Controlling Officer submitted that the hospital experienced some stock outs of essential drugs due to limited supplies from ZAMMSA which was mandated to supply drugs to health facilities. However, the Hospital Management procured some of the essential medicines through the monthly grant received.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that essential medicines are stocked and are available all the time to meet the demand. 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 Use X-Ray Unit – Diagnostics and Imagery**

In response, the Controlling Officer submitted that the X-ray equipment had not been in use since 2017. The machine was yet to be commissioned as works to adjust the room to host the X-ray machine were underway and almost at 90 per cent complete. It was hoped that that the X-ray machine would be operational as soon as the adjustments to the room were completed.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Office of the Auditor General to conduct an on-the-spot check on the progress made on the construction of the room where the X-ray machine will be installed. The Committee will await a progress report on the matter.

- **Support Services**

- **Failure to Operationalise Mortuary Units**

In response, the Controlling Officer submitted that the mortuary unit at Mongu District Hospital was not operational and the equipment of the mortuary unit was under Phase III of the project. The final phase of the hospital which included equipping of the mortuary and other specialised rooms had not yet been funded and no contract had been awarded so far. The final phase was still being awaited to be funded.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Office of the Auditor General to conduct an on-the-spot check on the construction of the mortuary and installation of the equipment. The Committee will await a progress report on the matter.

- **Lack of Essential Medical Equipment**

In response, the Controlling Officer submitted that Mongu District Hospital was a Level I hospital which was still under phase II of construction. As such, most of the equipment had not been installed. The hospital received an x-ray machine which was yet to be operational, as the

room to house the machine was undergoing adjustment. The adjustment works were almost at 90 per cent complete. The other essential equipment would be considered in the final Phase III of the project.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to Office of the Auditor General to undertake an audit verification visit. The Committee will await a progress report on the matter.

ii. Lack of Title Deed for Property

In response, the Controlling Officer submitted that Mongu District Hospital was sitting on traditional land. The Barotse Royal Establishment had been engaged to formalise the land traditional certificate. Further, the Ministry of Lands and Natural Resources and the Mongu Municipal Council have been consulted on the procedure for obtaining the Title Deed for customary land.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to expedite the process of acquiring Title Deeds for the hospital without any further delay. The Committee resolves to await progress report on the matter.

iii. Failure to Settle Outstanding Electricity Bills

In response, the Controlling Officer submitted that the bill was under the contractor's obligation and had to be cleared by the contractor when he was paid amounts owing. The amount, which had accumulated as a result of the hospital being operational was submitted to Ministry of Finance and National Planning for possible consideration under the debt swap arrangement. The hospital could not pay off the entire bill due to financial limitations.

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

o. Mpulungu District Hospital

i. Operational Matters

Pharmacy

• Lack of a Qualified Dispenser

In response, the Controlling Officer submitted that the hospital had one qualified officer who was a pharmacy technologist. However, the Ministry had employed a pharmacist at Mpulungu District Hospital during the new recruitment process.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that another pharmacy technologist is deployed at the hospital to improve service delivery and avail

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

o **Failure to Store Drugs under the Required Conditions – Storage of Drugs above the Required Temperature**

In response, the Controlling Officer submitted that the failure to store drugs under the required condition was due to the defective digital thermometers which have since been replaced with new ones. Further, failure to regulate the room temperature was due to the defective air conditioner in the Pharmacy dispenser and in the bulk store, which had since been procured. Payment vouchers and GRNs were available for audit verification.

Committee’s Observations and Recommendations

In noting the submission, the Committee urges the Office of the Auditor General to undertake a verification tour of the situation on the ground. The Committee will await a progress report on the matter.

• **Failure to Provide Adequate Safety of Radiology Staff -Diagnostics and Imagery Services**

In response, the Controlling Officer submitted that the radiology staff badges were only taken three times out of the required six times during the period under review. Management would ensure that the officers were supported accordingly.

Committee’s 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 and will await a progress report on the matter.

• **Support Services**

o **Lack of a Functional Ambulance**

In response, the Controlling Officer submitted that the fleet of ambulances available were over five years and prone to breakdowns. However, the Ministry had budgeted to procure 100 ambulances in the 2022 budget and the procurement processes had reached an advanced stage. Once procured, the ambulances would be distributed to all hospitals.

Committee’s 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. The Committee will await a progress report on the matter.

• **Management of Wards**

o **Lack of Adequate Mattresses – Male and Female Wards**

In response, the Controlling Officer submitted that at the time of opening the hospital in 2016, there were no beds or mattresses and other essential equipment. However, Management had since procured sixteen mattresses and thirty were donated by Moonrays Moslem Community. Documentation was available for audit verification.

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

o Lack of Medical Equipment – Paediatrics and Male Wards

In response, the Controlling Officer submitted that the Ministry would ensure that the equipment was supplied to the institution by ZAMMSA.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that the equipment is supplied to the institution without any further delay and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

o Procurement of Goods and Services

• Lack of Segregation of Duties

In response, the Controlling Officer submitted that there was no segregation of duties in the procurement of some items during the period under review. The programme officers who were supposed to make requisitions were out of station and the procurement officer had to make requisitions due to the urgency of the goods and services required. However, Management would ensure that, going forward, segregation of duties was followed in the procurement of goods and services.

Committee's Observations and Recommendations

In noting the submission, the Committee sternly cautions the Controlling Officer to desist from flouting procurement regulations by delegating procurement responsibilities to non-procurement officers. The Committee urges the Controlling Officer to familiarise himself with procurement regulations and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

• Uncompetitive Procurement of Drugs

In response, the Controlling Officer regretted that three quotations were not attached to the payment voucher at the time of audit. However, the quotations and other supporting documents were attached and available for audit verification. Going forward, Management would ensure that all necessary documents were attached before the payment vouchers were filed.

Committee's Observations and Recommendations

The Committee finds it acceptable that officers who are expected to be conversant with the procurement regulations could not avert the anomaly and wondered why the internal audit system did not detect the anomaly. The Committee urges the Controlling Officer to strengthen the internal audit system and also institute punitive measures against all officers who were present for failure to conduct due diligence in order to curtail this procurement irregularity at inception. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

ii. Accounting and Other Irregularities - Irregular Cash Withdrawals

In response, the Controlling Officer submitted that the Ministry regretted that cash withdrawals were done contrary to Circular No.1 of 2020. However, Management had since put necessary measures in place that would ensure that all allowances were paid direct into the officers' bank accounts. Payment vouchers and bank transfer letters were available for audit verification.

Committee's Observations and Recommendations

The Committee finds it acceptable that financial regulations are abrogated with impunity and urges the Controlling Officer to institute punitive measures against all officers for the lapse. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

iii. Management of Assets – Lack of Title Deed for Properties

In response, the Controlling Officer submitted that the hospital did not have the Title Deed. However, the process of acquiring the Title Deeds started for all the health centres in the Province. The Ministry of Lands had since been written to and feedback was being awaited.

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

p. Serenje District Hospital

i. Operational Matters

• Pharmacy

o Failure to Supply Essential Drugs as Per Orders

In response, the Controlling Officer submitted that the Ministry of Health implemented the Essential Medicines Logistics Improvement Program in which health facilities reported on a monthly basis through an electronic Logistics Management Information System (eLMIS). This allowed for the capturing of essential data items such as the stock on hand, consumption of medicines and medical supplies, as well as losses and adjustments.

The reports which were sent in eLMIS were also used to process orders by ZAMMSA. ZAMMSA operated a bi-monthly distribution schedule. Meaning that, it supplied every health facility in the country once in every two months. This schedule was shared with all health facilities so that they were aware of when ZAMMSA was expected to deliver to them. At the point of processing orders as scheduled, the most recent report was converted to an order and resupplied to three months of stock for hospitals and four months of stock for health centres. A facility such as Serenje District Hospital would, therefore, have twelve reports on eLMIS with six converted to orders by ZAMMSA and therefore received six consignments in a year.

In recent years, there had been shortages of essential medicines and medical supplies at all levels of the supply chain, from central level up to the service delivery point, including 2021, the year under review. The cause included insufficient funding for the procurement of medicines and

medical supplies as well as supply chain disruptions caused by the COVID-19 Pandemic. The facilities, therefore, were only able to access the medicines and medical supplies that ZAMMSA had in stock. Disruptions to the supply chain caused by the COVID-19 Pandemic also affected staffing levels and, therefore, output at peaks of transmission at ZAMMSA. Distributions of various personal protective equipment, diagnostic kits and medicines in response to the pandemic also took resources away from the routine deliveries and caused delays in the execution of the distribution schedule. This resulted in Serenje District Hospital only being serviced five times out of the six expected times.

The Ministry had since integrated the distribution of COVID-19 supplies in the essential medicines logistics system so that they were replenished at the same time as regular orders. The Government had also increased funding for the procurement of essential medicines and medical supplies, which were being procured by ZAMMSA. The Agency had also implemented monthly distributions for the central, specialised and university teaching hospitals, which with the ongoing improvements in operational efficiency, would be extended to first level hospitals such as Serenje District Hospital. These interventions were expected to improve the stocking of essential medicines and medical supplies in all health facilities in the country going forward.

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

o Wasteful Expenditure - Expired Drugs

In response, the Controlling Officer submitted that the expired drugs in question were delivered by ZAMMSA with a short expiry date and quantities supplied could not be consumed within the expiry timeframe. Key example of such drugs was the Lopinavir/Ritonavir granules, where there was change to a more superior regime, that was, Dolutegravir based, hence the consignment delivered by ZAMMSA could not be utilised in totality leading to expiry. The drugs in question had since been disposed.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that ZAMMSA employs the pull instead of the push approach where the end users are consulted on what they need. The Committee will await a progress report on the matter.

- **Management of Wards**

- o **Inadequate Medical Equipment**

- o **Special Care Baby Unit**

In response, the Controlling Officer submitted that the Ministry through ZAMMSA using 2022 budget was in the process of procuring and repairing some medical equipment. The Ministry through Ministry of Finance and National Planning had increased the budget of medical equipment for 2023 to a tune of more than 500 per cent. This increase would address some of medical equipment challenges including ambulances being encountered today.

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

- **Failure to Repair Faulty Dental Equipment**

In response, the Controlling Officer submitted that the equipment was obsolete and spare parts were not available on the market. Management had, through its procuring agency ZAMMSA made provision in the 2023 budget to have new equipment procured.

Committee's 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 will await a progress report on the matter.

- **Physiotherapy Department – Lack of Equipment**

In response, the Controlling Officer submitted the Ministry, through its procuring agency ZAMMSA, had made provision in the 2023 budget to procure the equipment. Further, the Ministry was engaging its cooperating partners such as USAID to procure physiotherapy equipment.

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

Management of Assets – Lack of Title Deed for Properties

In response, the Controlling Officer submitted that the process of obtaining Title Deeds from the Ministry of Lands through the Serenje District Council had commenced. The Ministry was waiting for the finalisation of the process and subsequent issuance of the Title Deeds by the Ministry of Lands. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to pursue this matter vigorously and ensure all properties are titled without fail and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- ii. **Management of Liabilities - Failure to Settle Outstanding Utility Bills**

In response, the Controlling Officer submitted that Management was committed to settling all outstanding bills through the normal grants that the district received every month. However, priority of Management was to ensure that there were adequate drug stocks in the hospital. Further, due to the inadequacy of the grant, it was not possible to clear all the bills which had accumulated over time. However, the Ministry was from time to time engaging the Treasury for more funding in order to liquidate the debt.

Committee’s Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that the grant to the Institution is secured and adequate. The Committee will await a progress report on the matter.

MINISTRY OF WATER DEVELOPMENT, SANITATION AND ENVIRONMENTAL PROTECTION

PARAGRAPH 31

Audit Findings

An examination of accounting and other records maintained at the Project Implementation Unit and selected stations for the Financial Year Ended 31st December, 2021, revealed various irregularities to which the Controlling Officer responded as set out below.

a. Budget and Income

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a provision of K211,749,336 (US\$11,232,373.53) was made to cater for various project activities, against which amounts totalling K64,421,235 (US\$3,417,263.98) were funded resulting in underfunding of K147,328,101 (US\$7,815,109.55). See table 1 below.

Budget versus releases

Component	BUDGET(K)	RELEASED(K)	UNDER FUNDING (K)
LOAN	150,008,171.00	60,536,355.00	(89,471,816.00)
GRANT	61,741,165.00	3,884,880.00	(57,856,285.00)
Total	211,749,336.00	64,421,235.00	(147,328,101.00)

From inception, the project had an approved income budget of US\$41,641,954 against which US\$24,748,062.43 had been disbursed as at 31st December, 2021, representing an overall funding of 59 per cent.

In response, the Controlling Officer submitted that the project was at 59 per cent at the time of audit because the two funders, OPEC Fund for International Development (OFID) and Nordic Development Fund had suspended the disbursement of funds on the project. This was because the Government had defaulted on loan repayments.

Committee’s Observations and Recommendations

The Committee notes the response, and urges the Secretary to the Treasury to ensure that funds are released on time so that all planned activities are implemented as provided for in the budget. The Controlling Officer is also hereby implored to be proactive to ensure that funds are spent timely and as appropriated by Parliament. The Committee will await a progress report on the matter.

b. Operational Matters

i Delay in Carrying out Planned Activities

In response, the Controlling Officer submitted as outlined below.

• Manually Drilled Boreholes

In response, the Controlling Officer submitted that the thirty-two boreholes which were not completed at the time of audit were: Mongu District, fifteen; Mitete District, ten; and Lukulu District, seven.

• Mongu District

The Committee was informed that Luena Water Wells was engaged to construct fifteen boreholes at the contract sum of K348,000. The scope of the works included drilling, pump testing, construction of aprons/soak-away pit and equipping of boreholes with hand pumps. The contract provided for an advance payment of 20 per cent of the contract sum of which the contractor did not claim as he did not meet the condition of producing an Advance Payment Guarantee from the bank or insurance company. However, the contractor proceeded to drill all the fifteen boreholes without equipping them using his own resources. Despite being advised to gradually drill and equip them, the contractor proceeded to drill all the bores without equipping them. The client, Mongu Municipal Council, could not pay for the works because the terms of the contract were that the contractor would be paid after completion of each borehole. In this regard, there was poor planning by the contractor.

• Mitete District

The Controlling Officer submitted that the Village Water was first contracted on 16th July, 2018, to construct ten boreholes at the contract sum of K350,000. The scope of the works included drilling, pump testing, construction of aprons/soak-away pit and equipping of boreholes with hand pumps. The contract was terminated on 30th September, 2019 due to non-mobilisation by the contractor. Thereafter, STS Drilling was contracted at the contract sum of K350,900 on 17th April, 2020, but the contract was also terminated on 14th October, 2020 due to non-mobilisation.

• Lukulu District

The Committee was informed that Village Water was engaged to construct ten boreholes at the contract sum of K357,170. The scope of the works included drilling, pump testing, construction of aprons/soak-away pit and equipment of boreholes with hand pumps. At the time of audit, three boreholes were completed and handed over. The cause of delay in completing the works was due to the short drilling window period which ran between June and November before the selected sites for drilling became inaccessible. This was because most sites were inaccessible due to floods before and at the time of audit.

The Mongu Municipal Council had terminated the contract with Luena Water Wells and final account totalling K79,237 had been prepared. The Ministry had since submitted it to African Development Bank for payment. Further, the client had engaged another contractor, Muchingo Water Wells, at a contract sum of K268,297.7 to equip and develop the drilled boreholes. The new contractor mobilised on 25th October, 2022, to complete the remaining works.

With regard to Mitete District, a third contractor (Kenskah General Dealers) was procured at a contract sum of K579,300. The recommendation to award a contract required to be cleared by the financier because the new contract value was higher than what was budgeted for (K350, 900) and as such, a no objection had been sought from the bank and was still being awaited. The letter seeking for a No Objection and the follow-up were available for audit verification.

In Lukulu, the contractor completed all the remaining works and had since handed over the boreholes to the beneficiaries.

- **Project Status**

- **Delayed Activities**

No	District	No. Planned	Actual Implemented	Variance	Percentage Attained
1	Mongu	15	0	15	0%
2	Mitete	10	0	10	0%
3	Lukulu	10	10	0	100%

In Mongu, the contractor developed five boreholes but had not equipped them and therefore, no payment had been made. The contract had since expired and the council was in the process of engaging a new contractor to equip the boreholes.

In Mitete, Management had made another follow-up on the a **No Objection** from the bank and documentation was available for verification

In Lukulu, the contractor had completed all the works and handed over the ten boreholes to the beneficiary communities.

Committee’s Observations and Recommendations

The Committee is saddened at the Ministry’s failure to complete projects within the contract period and urges the Controlling Office to re-engage the AfDB to provide the requisite resources to ensure that projects are completed timely so as provide the much needed resource to beneficiary communities. The Committee urges Controlling Officer to avail all relevant documentation to the Office of the Auditor General’s for audit verification. The Committee resolves to await a progress report on the matter.

- **Rehabilitation of Dysfunctional Boreholes**

In response, the Controlling Officer submitted that the delay to complete the rehabilitation works was due to lack of liquidity on the part of the contractor because one of the financiers the OFID, suspended the disbursement of funds on the project due to non-servicing of the loan by the Government. The Ministry engaged the financier through the Ministry of Finance and National Planning, to quickly resolve the matter. The financier, OFID had resumed disbursing the funds on the project. Therefore, from the time of audit, an additional 244 bores had been rehabilitated bringing the total to 633, which had been handed over to the beneficiary communities, leaving a balance of 137. Documentation was available for audit verification.

Committee’s Observations and Recommendations

The Committee notes the response, and urges the Controlling Officer to ensure that funds are released on time so that all planned activities are implemented as provided for in the project plan. The Controlling Officer is also implored to be proactive to ensure that funds are spent timely and as appropriated by Parliament

- Communal Sanitation Facilities

In response, the Controlling Officer submitted that the delay on the construction of the procured works to construct 762 communal sanitation facilities was due to lack of liquidity on the part of the contractors because one of the financiers, OFID, had suspended the funding to the project due to non-servicing of the loan. The contractors were not being paid in full for all their claims. Management engaged the financier through Ministry of Finance and National Planning to quickly resolve the matter on the suspension of disbursement of funds on the project. The financier had since resumed disbursing funds to the project. From the time of audit, an additional sixty-seven communal sanitation facilities had been constructed and roofed and ready for use bringing the total to 395 and leaving a balance of 367 Documentations was available for verification.

The progress recorded for the aforementioned projects by 31st December, 2022, was as provided in the Table below.

SN	Project	Plan	Procured	Actual progress	Variance	% Attained
1	Manually Drilled Boreholes	150	150	126	24	84%
2	Rehabilitation of Dysfunctional Boreholes	770	770	633	137	82%
3	Communal Sanitation Facilities	932	762	395	367	52%

Committee’s Observations and Recommendations

The Committee notes the response, and urges the Controlling Officer to ensure that funds are released on time so that all planned activities are implemented as provided for in the project plan. The Controlling Officer is also implored to be proactive to ensure that funds are spent timely and as appropriated by Parliament.

ii Physical Inspection of Projects

• Biogas Digester-Fongda Corporation Limited

• Non-functional Bio-digesters

In response, the Controlling Officer submitted that the non-functionality of the newly constructed bio-digesters at the cited schools was because the integrity of the sewer lines were not adequately assessed and the sanitation habits of the learners was not ascertained to determine adequate provision of feed for the bio-digesters.

Management had since conducted technical assessment at each school to establish the state of the sewer infrastructure network as well as what was needed to rehabilitate the infrastructure so that

optimum sewerage could be collected from the existing water borne toilet to enable the bio-digester operate at the desired design parameter and produce the required gas. The preliminary cost estimates had been shared with the financier to request for a NO Objection for funding. Management awaited a response on the No Objection request from the financier.

Committee's Observations and Recommendations

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

- **Failure to Bury Pipes-Kaoma Secondary School**

- **Operational Challenges**

In response, the Controlling Officer submitted that the operational challenges were a result of lack of maintenance by the school authority despite being trained in the operation and maintenance of the system. The Ministry, through the provincial office wrote to Kaoma Town Council to implement remedial measures on the exposed gas pipe. The gas pipe had since been buried. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the response, the Committee urges the Office of the Auditor General to conduct a verification exercise. The Committee will await a progress report on the matter.

c. Accounting Irregularities

i. Unsupported Payments - K23,887

In response, the Controlling Officer submitted that the two transactions related to imprest issued under Limulunga (K16,500) and Shangombo (K7,386.82), Councils for the purpose of training the community champions.

The transactions cited were processed using ZANACO Payflex system which was a direct payment system which credited the recipient's account directly. At the time of audit verification, Limulunga and Shangombo Town Councils availed the acquittal sheets. However, these were incomplete and were not accepted by auditors. The acquittal sheets totalling K23,887.82 had since been completed and 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 and will await a progress report on the matter.

ii. Irregular Use of Accountable Imprest - K318,533

In response, the Controlling Officer submitted that it was regrettable that councils used accountable imprest to facilitate payment of subsistence allowances and procurement of goods and services. The cited amounts and respective councils involved were as tabulated below.

Irregular Use of Imprest

S/N	DISTRICT COUNCIL	AMOUNT (ZMW)
1	Mwandi	21,409
2	Mulobezi	35,779
3	Mongu	51,765.10
4	Kaoma	11,877.44
5	Mitete	74,108
6	Limulunga	5,383.60
7	Sesheke	118,210
Grand Total		318,532.51

The cited councils had been directed to desist from using accountable imprest for payment of subsistence allowances and procurement of goods and services.

Committee's Observations and Recommendations

The Committee finds it unacceptable that Financial Regulations are being abrogated with impunity. The Committee is concerned that this anomaly was not detected by the internal audit system before the payments were made. The Committee urges the Controlling Officer to institute disciplinary action against the internal auditor and accounting officers who approved the payment. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

MINISTRY OF INFRASTRUCTURE, HOUSING AND URBAN DEVELOPMENT

PARAGRAPH 32

Audit Findings

An examination of accounting and other records maintained at the Project Implementation Unit and selected stations for the Financial Year Ended 31st December, 2021, revealed various irregularities to which the Controlling Officer responded as set out below.

a. Budget, Income and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a total provision of K236,188,126.00, was made to cater for various activities out of which amounts totalling K215,037,403.40 were released, resulting in an underfunding of K21,150,722.60. Although, the Ministry was underfunded as at 31st December, 2021, amounts totalling K214,602,115.83, had been spent leaving a balance K435,287.57 which was returned to the Treasury.

In response, the Controlling Officer submitted that the underfunding of K21,150,722.60, was due to limited resources in the Government Treasury. The K435, 287.57 was not spent because the Ministry could not complete its procurement processes before 24th December, 2021, the

deadline given for submitting open items to the Ministry of Finance and National Planning due to the following:

- introduction of the Market Price Index (MPI) by ZPPA, was making it difficult to procure certain items not covered under the MPI on time. To procure items not covered under the MPI, the Ministry was required to conduct price reasonableness analysis which required approval by the ZPPA. Approvals for the price reasonableness analysis by the ZPPA were also taking too long and were delaying procurements;
- requirement by Ministry of Finance and National Planning that all contracts be centrally cleared which was delaying the procurement of goods and services; and
- delays by Ministry of Justice to approve contracts on time.

In addition, the Ministry and other line ministries engaged the ZPPA, Ministry of Justice and Ministry of Finance and National Planning on the challenges being faced, which resulted in the institutions devolving the functions as follows:

- (i) in-house approval of price reasonableness analysis;
- (ii) Ministry of Finance and National Planning had given the mandate of clearing the contracts to Controlling Officers through the Director of Finance's office; and
- (iii) the Ministry through its Principal Legal Office had been engaging the Ministry of Justice on approvals of contracts.

Committee's Observations and Recommendations

The Committee notes the response, and urges the Secretary to the Treasury, working with Zambia Public Procurement Agency, to ensure that approval processes are streamlined and funds are released on time so that all planned activities are implemented as provided for in the budget. The Committee will await a progress report on the matter.

b. Operational Matters

i. Wasteful Expenditure

- **Purchase of Three Storey Office Block**

In response, the Controlling Officer submitted that after a protracted series of meetings and correspondence between the Ministry and the Attorney General's Chambers, the matter regarding the right method and basis of calculating interest had been settled. According to the recent correspondence received from the Attorney General's Chambers, guidance had been given that interest calculation should be based on the 1997 Law Association of Zambia General Conditions of sale at 30 per cent per annum. In addition, the lengthy process of engaging the Attorney General's Chambers and the vendor by the Ministry had yielded some great benefits for the Government of the Republic of Zambia. It had since been agreed that the clause in the

contract on compound interest was not applicable, as it was at variance with the relevant laws. In this regard, the Government had managed to save a whopping sum of US\$23,176,904.83, which was the difference between US\$25,000,000.00 total interest being claimed by the vendor as at 31st July, 2021, and US\$1,823,095.17, interest calculated in accordance with the 1997 Law Association of Zambia General Conditions of Sale. Further, the Ministry would engage the Attorney General's Chambers to negotiate for a further reduction in the interest rate.

The Committee was further informed that the Ministry had not yet obtained Title Deeds to the building. However, the process to obtain Title Deeds would be concluded soon after the prolonged matter of interest payment was finalised. Furthermore, as per contract and standard practice, change of Title Deed would be done upon the full payment of amounts due to the vendor.

With regard to the placement of a caveat on the property by Messrs Yunus, the Ministry, through the Attorney General's Chambers managed to have it removed and have since placed a caveat on the same until the sale was concluded.

Committee's Observations and Recommendations

The Committee bemoans the wastage of resources through questionable exploitative interest clauses in the contract which mostly benefits the vendor. The Controlling Officer is urged to expedite the negotiations so that the matter comes to its logical conclusion. The Committee also urges the Secretary to the Treasury to ensure that funds are released on time to avoid further accumulation of interests. The Secretary to the Treasury is further urged to settle the outstanding balance of the newly purchased three storey office building in order to acquire Title Deeds. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

- **Infrastructure Upgrade at Kenneth Kaunda (KKIA) Lusaka and Simon Mwansa Kapwepwe (SMKIA), Ndola International Airports.**

In response, the Controlling Officer submitted that the delay in settling outstanding payments to the contractors executing works at the two airports was caused by the Treasury's challenge in servicing the loans. Therefore, the lender, Exim Bank of China, stopped releasing funds to the projects.

The Committee was informed that the Ministry of Infrastructure, Housing and Urban Development (MIHUD); Ministry of Transport and Logistics; and Ministry of Finance and National Planning, undertook, a re-scoping exercise of the Kenneth Kaunda International Airport (KKIA) and Simon Mwansa Kapwepwe International Airport (SMKIA) in order to omit certain works with the aim of reducing the overall costs of the two projects.

Further, the Ministry of Finance and National Planning pledged to settle part of the outstanding payments to enable contractors complete the remaining re-scoped works. The Ministry of Finance and National Planning had since paid US\$4,319,988.00 and US\$8,350,000.00 towards settling the outstanding amounts for Kenneth Kaunda and Simon Mwansa Kapwepwe International Airports, respectively. Therefore, the outstanding amounts owed to the said contractors had reduced and stood at US\$109,808,119.01 and US\$20,800,000.00 for SMKIA and

KKIA, respectively. However, these amounts were expected to increase as work on site progressed.

Furthermore, the Ministry of Finance and National Planning was still negotiating with the contractors for a flexible payment plan on the principal amount. Additionally, delayed payments, which were yet to be adjudicated, would be negotiated after the principal amount had been settled.

Committee's Observations and Recommendations

The Committee is deeply saddened at the delays in completion of the works at the Kenneth Kaunda and Simon Mwansa Kapwepwe international airports resulting in wastage of resources through accumulation of interest to the benefit of the vendors. The Committee urges the Secretary to the Treasury to ensure that funds are released on time to avoid further accumulation of interests and resolves to await a progress report on the matter.

ii. Contract for the Construction of Hospitals and Procurement of Medical Equipment – Lusaka, Chinsali and Petauke

In 2016, the Ministry of Finance and National Planning sourced funds through a loan facility from Industrial and Commercial Bank of China Limited of US\$135,806,251.37 and US\$24,000,000 with Standard Chartered Bank, as an agent of Minister of Finance and National Planning of the Republic of Zambia, bringing the total loan to US\$159,806,251.37. The total loan amount of US\$159,806,251.37 was broken down as follows:

- **Design and Construction – US\$96,782,660.36**

- **Supply and delivery of medical equipment - US\$63,023,591.01**

As at 30th April, 2022, amounts totalling US\$159,382,826.98 had been disbursed leaving a balance of US\$200,073.64.

- **Contract for the Design and Construction of Main Hospital and Other Infrastructure – Lusaka, Chinsali and Petauke - Questionable Payment of Supervision Funds**

In response, the Controlling Officer submitted as outlined below.

i Engagement of a Supervising Engineer

The Committee was informed that the US\$7,928,480.66 was meant for the design and supervision, which was part of the contractor's EPC package. However, there was no separate contract for the supervising engineer or consultant.

Additionally, the type of contract used for this project was an Engineering Procurement and Construction plus Financing Contract (EPC + F). This was a construction contract where the EPC contractor held the responsibility towards the financing, designing and supervision, procurement, construction, commissioning and handover of a project as a complete package. Therefore, the EPC contractor's technical team was responsible for the production of designs, planning, construction and supervision of works. In turn, the EPC contractor received payment for all these services that included the US\$7,928,480.66 apportioned towards design and supervision.

The service rendered by the EPC contractor for designing and supervision of works was different from that rendered by the Ministry. The Ministry's responsibility was overall project and contract management, supervision of the EPC contractor and, to a large extent, protection of Government interest.

Further, if a private supervising engineer or consultant was to be engaged to complement the Department of Public Infrastructure's efforts in supervising the EPC contractor, a private firm would have been paid from the Treasury on a separate contract. It would have nothing to do with the US\$7.9 million apportioned towards design and supervision on the EPC contract. This was the case with the Ndola Airport, where a consultant was engaged by MIHUD to supervise the works and was directly paid by the Treasury and not the EPC contractor.

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

iii. Explanation on how the contingency component of US\$2,158,831.52 was utilised.

The Committee was informed that a concern on the utilisation of the contingency component was resolved in the Audit Status Report and could have been included in the Auditor General's Report erroneously. However, an extract from Status report to the Management Letter on the regularity audit performed on the Ministry of Infrastructure Housing and Urban Development for the Financial Year ended 31st December, 2021, reference No OAG/71/6/84 and dated 25th August, 2022, and pages No 17 and 18, were submitted for audit verification.

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

iv. Contract for the Supply, Delivery, Installation and Commissioning of Medical Equipment for Chinsali General Hospital

• Questionable Variation

The Committee was informed that an addendum was signed to incorporate changes in the supply, delivery and installation and commissioning of the medical equipment for all the three hospitals within the same contract price of USD 62,989,400.07.

With regards to a technical assessment for the medical equipment to be procured for all the three hospitals, the Committee was informed that medical equipment and furniture were moveable assets and were highly specialised in nature. As such, a technical assessment for the medical equipment and furniture to be procured for the three hospitals was undertaken by the Ministry of Health who were the technical experts and user client. This was notwithstanding the overall contracts for the design and construction of main hospital and other associated infrastructure as well as supplying, delivering, installation and commissioning of medical equipment were signed and administered by the MIHUD.

Committee's Observations and Recommendations

The Committee is deeply saddened that the Ministry proceeded to vary the scope of works without conducting a technical assessment for the medical equipment and furniture to be procured for the three hospitals, despite it being of a specialised nature. The Committee urges the Controlling Office to ensure strict adherence to the provisions of the Public Procurement regulations and laws without exception. The Committee further urges the Controlling Officer to avail documentation to the Office of the Auditor General for audit verification, if indeed the Ministry of Health technical team assessed the equipment. The Committee resolves to await a progress report on the matter.

- **Undelivered Medical Equipment**

The Controlling Officer disagreed with the Auditor General's observation that medical equipment in amounts totalling US\$564,393.51, had not been delivered. He submitted that all medical equipment had been delivered as per contract. At the time of handover of the completed facilities, a specialised team of officers from Ministry of Health carried out the verification, testing and certification of all the equipment and furniture and issued a certificate of acceptance after the final inspection.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail documentation to the Office of the Auditor General for audit verification, if, indeed, a specialised team of officers from the Ministry of Health did verify, test and certify all the equipment and furniture and thereby issued an acceptance certificate. The Committee resolves to await a progress report on the matter.

- **Failure to Secure Title Deeds for the Hospital Land**

In response, the Controlling Officer submitted that the Title Deeds for the Lusaka Specialised Hospital had not been secured as the process was still on-going. However, the Ministry of Health commenced the process of acquiring Title Deeds. The plot had since been surveyed, diagrams generated and approved. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee strongly urges the Controlling Office to expedite the process of acquiring the Title Deed without any further delay and resolves to await a progress report on the matter.

- v. **Construction of Office Blocks, Police Stations, Post Offices, and Houses in the New Districts.**

- **Over Commitment on Contract Procurement**

In response, the Controlling Officer submitted that at the beginning of the programme, funds for infrastructure development in the new districts and provincial headquarters were sitting under Head 21 (Ministry of Finance and National Planning) and Head 54 (Ministry of Infrastructure, Housing and Urban Development). Therefore, payments of K236,781,564.46 made for the projects were obtained from Head 54 under the Ministry of Infrastructure, Housing and Urban

Development and the remaining funds of K1,375,923,365.26, was sitting and budgeted for under Head 21, Ministry of Finance and National Planning.

Committee's Observations and Recommendations

In noting the submission, the Committee strongly cautions the Controlling Officer against entering into contracts without ascertaining the availability of funds resulting in projects being abandoned, which will cost the Government colossal sums of public funds in interest claims. The Committee is mindful of the fact that the procurement of these contracts was done under the *Public Procurement Act, No. 12 of 2008*. However, the Controlling Officer is strongly urged to observe and apply the *Public Procurement Act, No. 8 of 2020*, without exception, as the 2008 Act was repealed and replaced. The Committee further urges the Controlling Officer to avail supporting documentation on how the Ministry intends to liquidate the outstanding debt to the Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

- **Delayed Completion of Works**

In response, the Controlling Officer submitted that a number of infrastructure projects that were being executed between 2014 and 2020 in the newly created districts had not been completed as stipulated in their contracts. This was due to various reasons, among them, inadequate and erratic funding. This eventually led to delayed honouring of Interim Payment Certificates (IPC), ultimately affecting the performance of the contractors. The Ministry had continued to lobby the Ministry of Finance and National Planning for improved and adequate funding to infrastructure projects. The engagements with Ministry of Finance and National Planning were slowly yielding positive results. The improvement in financing was revamping activities on sites with some projects being completed and handed over.

Committee's Observations and Recommendations

In noting the submission, the Committee is saddened at the Ministry's failure to complete projects within the contract period and urges the Controlling Office to re-engage the Secretary to the Treasury to provide the requisite resources to ensure that projects are completed timely as well as protect public resources from accrued interests. The Committee urges Controlling Officer to avail documentation to the Auditor General's Office for audit verification and resolves to await a progress report on the matter.

- **Failure to Recover Advance Payments from Terminated Contracts**

In response, the Controlling Officer submitted that the Ministry sought for the services of the Debt Collection Unit at Ministry of Justice for the recovery of the outstanding advance payments and the process was still ongoing.

Committee's Observations and Recommendations

The Committee notes with concern that nine contractors, whose contracts had been terminated did not reimburse the advance payments received by their companies. The Committee finds it unfortunate that the Ministry has failed to recover the funds and urges the Controlling Officer to expedite the process of recovering the advance payments and avail supporting documents to the Office of the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

- c. Infrastructure Project Status Table 3 below shows the project status on selected fifty-one projects sampled as at 30th June, 2022.

Table 3: Project Status on the fifty-one (51) Projects.

No .	Contractor	Project Name	Contract sum (K)	Certified Amounts (K)	Paid (K)	Start and Revised End Date	Observations	MANAGEMENT RESPONSE
		Luano District						
1	Lwamwa Contractors ltd	Completion of the Construction of District Admin Block	6,679,143.47	1,335,828.69	1,335,828.69		<ul style="list-style-type: none"> The initial completion date was revised five times from June 2018 to December 2022. <p>Despite the extensions of time the project was at 10 per cent complete as of June 2022 six months before the expected completion date.</p>	<p>The project stalled at 10 per cent progress from June, 2018 and June, 2022, due to non-payment of advance payment.</p> <p>The Advance payment was only paid in May, 2022 and the contractor moved on site immediately.</p>
							<ul style="list-style-type: none"> There was no documentation availed for audit signed by both the Ministry and the Contractor to support the extension of time and price adjustments if any. 	<p>Proof of extension of time was available for audit verification.</p> <p>However with regards to price adjustments, this project was not subjected to price adjustments.</p>

						13.05.2017 to 31.12.2022	<ul style="list-style-type: none"> The advance payment of K1, 335,828.69 20 per cent had not been fully recovered and there was no evidence of a valid advance security as of June, 2022. 	<p>Recovery of the advance payment would be done as the project progressed and would be done in accordance with contractual provisions.</p> <p>The advance payment guarantee was valid as at 30th June, 2022.</p>
							<ul style="list-style-type: none"> The programme of works was not availed for audit to indicate how the completion would be achieved by December, 2022. 	Find attached programme of works
2	Ngalitas Hardware and Electricals Limited	Completion of the Construction of Council Admin Block & 2 High Cost Houses & External Works	7,163,740.96	1,432,748.19	1,432,748.19	31.05.2017 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised six times from June 2018 to December 2022. Despite the extensions of time the project was at 10 per cent complete as of June 2022 six months before the expected completion date. 	The project stalled at 10 percent due sudden increase in prices of building materials arising from the unprecedented devaluation of the local currency contractor against major foreign currencies. Contract awaited contract price adjustments
							<ul style="list-style-type: none"> The advance payment of K1, 432,748.19 20 per cent had not been fully recovered and there was no evidence of a valid advance security as of June, 2022. 	The contract was active and recovery of the advance payment would be done as the project progressed as per contractual conditions.
							<ul style="list-style-type: none"> As of June 2022, although 	Warning letter was sued to

							the contractor was on site there were no works as the contract awaited price adjustments.	the Contractor.
3	Dove Engineering and Construction Limited	Completion of the Construction of 20 No. Low Cost Houses	9,678,560.35	3,457,190.56	3,457,190.56	31.05.2015 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised four times from July 2018 to December 2022. Despite the extensions of time the project was at 50 per cent complete as of June 2022 six months before the expected completion date. 	The delay to complete the works was due to delayed payment of advance payment and IPC to the contractor. The contractor had since been paid all outstanding payments and was on site.
							<ul style="list-style-type: none"> There was no documentation availed for audit signed by both the Ministry and the Contractor to support the extension of time and price adjustments if any. 	<p>Proof of extension of time was available for audit verification.</p> <p>However, the project was not subjected to price adjustments.</p>
							<p>The contractor was on site.</p> <p>The status of the project was as follows:</p> <ul style="list-style-type: none"> - 6No. houses roofed with window frames fitted, - 5No. houses at gable plate level, - 8 No. at ring beam level. - 1 No. house at wall plate level. 	Warning letter was issued to the contractor.
4	Rising East	Constructi					<ul style="list-style-type: none"> Although the initial 	Works had not commenced

	Construction	on of police station, 2No. Medium Cost Houses, 8No.Low Cost Houses	13,015,616.00	2,603,123.20	0	31.05.2017 to 31.12.2022	completion date was revised nine times from June 2018 to December 2022, the works had not commenced as of June 2022.	between June, 2018, and June, 2022, due to non-payment of advance payment. The contractor had since been paid the advance payment and the contractor moved to site immediately. The completion date would soon be adjusted accordingly in line with the commencement date and the contract period.
							<ul style="list-style-type: none"> The contractor had not been paid the advance payment of K2, 603,123.20 20 per cent five years after the contract had been signed. 	The contractor had since been paid the advance payment.
		Ngabwe District						
5	Stardy Contractors Limited	Construction of District Administration	4,047,806.10	2,603,123.20	1,087,27	29.05.15 to 31.12.2021	<ul style="list-style-type: none"> Although the initial completion date was revised ten times from June 2016 to December 2021 the project was at 10% completion six months after the expected completion date. There was no evidence that the Project Manager had requested for the performance security and consequently, the Ministry had not claimed any 	<p>Completion of the project delayed due to contractor's non performance and the contract had since been terminated.</p> <p>The performance security was valid.</p>

		ation Block		6.67				liquidated damages.	
								<ul style="list-style-type: none"> The contractor was paid an amount of K2,603,123.20 against certified amounts of K1,087,276.67 resulting in questionable payment 	On the contrary, the amount certified was K1, 087,276.67 and paid to date not the K2,603,123.20.
								<ul style="list-style-type: none"> There was no documentation availed for audit signed by both the Ministry and the Contractor to support the extension of time to 31 December, 2021. 	The contract was recommended for termination at that time.
								<ul style="list-style-type: none"> Although the contract time had lapsed the Ministry had not terminated the contract as of June, 2022. 	Authority to terminate the contract had been granted and the contract was, therefore, officially terminated. Authority to terminate the said contract was available for audit verification.
6	Stardy Contractors Limited	Construction of ten (10) medium cost houses	6,819,526.30	2,686,529.53	2,686,529.53		25.05.2015 to 31.12.202	<ul style="list-style-type: none"> Although the initial completion date was revised nine times from April 2016 to December 2021 the project was at 50 per cent completion six months after the expected completion date. 	Completion of the project delayed due to contractor's non performance.
								<ul style="list-style-type: none"> There was no documentation availed for audit signed by both the 	

						1	<p>Ministry and the Contractor to support the extension of time to 31 December, 2021.</p> <ul style="list-style-type: none"> • There was no evidence that the Project Manager had requested for the performance security and consequently, the Ministry had not claimed any liquidated damages. 	The contract was recommended for termination at that time hence no need of applying liquidated damages against the contractor,
							<ul style="list-style-type: none"> • Although the contractor was paid the certified amount of K2,686,529.53 in full, he was not on site. 	The amount indicated as paid was payment for the works already executed. The contractor was not on site
							<ul style="list-style-type: none"> • Although the contract time had lapsed, the Ministry had not terminated the contract as of June, 2022. 	The contract had been terminated
		Sibuyunji District						
7	Jamcho Limited	Construction of District Admin Block	6,558,475.39	2,614,197.39	2,614,197.39	29.09.2014 to 31.12.2021	<ul style="list-style-type: none"> • Although the initial completion date was revised eight times from March 2016 to December 2021 the project was at 30 per cent completion six months after the expected completion date. • There was no documentation availed for audit signed by both the 	<p>The project had stalled at 30 per cent completion due to delayed payment and Government's focus on paying projects that were 80 per cent and above.</p> <p>Proof of extension of time was available for audit verification.</p>

							<p>Ministry and the Contractor to support the extension of time to 31 December, 2021.</p> <ul style="list-style-type: none"> • There was no evidence that the Project Manager had requested for the performance security and consequently, the Ministry had not claimed any liquidated damages. • Although the contractor was paid the certified amount of K2, 614,197.39 in full, he was not on site. 	<p>The contract was recommended for termination at that time hence no need of applying liquidated damages against the contractor,</p> <p>The amount indicated, as paid was payment for the works already executed. The contractor was not on site</p>
8	Chije Agencies Limited	Construction of Council Admin Block & 2 High Cost Houses & External	5,113,376.33	1,240,527.75	1,240,527.75	11.06.2015 to 31.12.2021	<ul style="list-style-type: none"> • Although the initial completion date was revised eight times from August 2016 to December 2021 the project was at 35 per cent completion six months after the expected completion date. • There was no documentation availed for audit signed by both the Ministry and the Contractor to support the extension of time to 31 December, 2021. • There was no evidence that the Project Manager had requested for the 	<p>The project stalled at 30 per cent completion due to delayed payment and Government's focus on paying projects that were 80 per cent and above.</p> <p>Proof of extension of time was available for audit verification.</p> <p>Contractor did not renew the bonds at the time of audit due to increased cost of renewals</p>

		Works					<p>performance security and consequently, the Ministry had not claimed any liquidated damages.</p> <ul style="list-style-type: none"> • Although the contractor was paid the certified amount of K1, 240,527.75 in full, he was not on site. • Although the contract time had lapsed, the Ministry had not terminated the contract as of June, 2022. 	<p>amidst uncertainty of payments. Therefore, liquidated damages could not be applied against the contractor.</p> <p>The contract had been recommended for termination due to contractor's non-performance.</p>
9	StoneKing Limited	Construction of 10 Medium Cost Houses & Associated External Works	6,438,012.00	2,906,854.36	2,906,854.36	11.06.2015 to 31.12.2021	<ul style="list-style-type: none"> • Although the initial completion date was revised eight (8) times from June 2016 to December 2021 the project was at 40% completion six (6) months after the expected completion date. • There was no documentation availed for audit signed by both the Ministry and the Contractor to support the extension of time to 31 December, 2021. • There was no evidence that the Project Manager had requested for the 	<p>The project stalled at 40 per cent completion due to delayed payment and Government's focus on paying projects that were 80 per cent and above.</p> <p>Proof of extension of time was available for audit verification.</p> <p>Contractor did not renew the bonds at the time of audit due to increased cost of renewals</p>

							<p>performance security and consequently, the Ministry had not claimed any liquidated damages.</p> <p>amidst uncertainty of payments. Therefore, liquidated damages could not be applied against the contractor.</p>
							<ul style="list-style-type: none"> Although the contractor was paid the certified amount of K2, 906,854.36 in full, he was not on site. Although the contract time had lapsed, the Ministry had not terminated the contract as of June, 2022. <p>The contractor was not on site due to Government's focus on projects that were 80 per cent and above.</p>
10	Shumpe Investments Limited	Construction of 20 No. Low Cost Houses & Associated External Works	7,033,333.11	4,001,691.95	4,001,691.95	11.06.2015 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised nine times from June, 2016, to December 2022. Despite the extensions of time the project was at 30 per cent complete as of June 2022 six months before the expected completion date. As of June 2022, the project had stalled and the contractor was not on-site awaiting price adjustments. <p>The project stalled at 30 per cent completion due to delayed payment and Government's focus on paying projects that were 80 per cent and above.</p> <p>One project that were 80 per cent and above were completed, this and other contractors that were below 80 per cent completion would be considered for completion.</p>

11	Chilimata Engineering and Construction Limited	Construction Of Post Office	3,606,352.00	1,166,087.91	1,166,087.91	12.01.2015 to 31.12.2021	<ul style="list-style-type: none"> Although the initial completion date was revised nine times from June 2016 to December 2021 the project was at 30% completion six months after the expected completion date. There was no documentation availed for audit signed by both the Ministry and the Contractor to support the extension of time to 31 December, 2021. Although the contract time had lapsed, the Ministry had not terminated the contract as of June, 2022 and the project had stalled. 	<p>The project stalled at 30 per cent completion due to delayed payment and Government's focus on paying projects that were 80 per cent and above.</p> <p>The project was under termination.</p>
		Nyimba District						

12	Brut Engineering Limited	Construction of District Admin Block	5,927,409.75	1,843,003.89	1,185,481.95	29.10.2014 to 31.12.2022	<ul style="list-style-type: none"> Although the initial completion date was revised a number of times from December 2017 to December 2022 the project was at 50 complete as of June 2022. 	The project stalled at 50 per cent completion due to delayed payment and government's focusing on paying projects that were 80 per cent and above.
							<ul style="list-style-type: none"> Out of the certified amount of K1, 843,003.89 amounts totalling K1, 185,481.95 had been paid leaving a balance of K657, 521.94. At the time of the physical verification in January 2022, the project had stalled, was recommended for termination and the Administration block was roofed and plastered. 	The contract had been recommended for termination
		Sinda District						
13	Pozzolana Limited	Construction of District Admin Block	6,340,717.75	2,943,332.72	2,943,332.72	30.09.2014 to 31.12.2022	<ul style="list-style-type: none"> Although the initial completion date was revised a number of times from June, 2015, to December, 2022 the project had stalled at 45 per cent stage of completion as of June 2022 six months before the expected completion date. At the time of the physical verification in January 	The project stalled at 45 per cent partly due to delayed payments and in increase in prices of building materials and contractor's non-performance. Warning letter was served on the contractor for non-

						2	2022, the Contractor was not on site. - Contractor was not on site. - The building was roofed.	performance.
14	Olcint Proline	Construction of Council Admin Block & 2 High Cost Houses & External Works	5,455,537.25	2,581,239.72	2,581,239.72	13.11.2014 to 31.12.2022	<ul style="list-style-type: none"> Although the initial completion date was revised a number of times from December, 2015, to December, 2022, the project had stalled at 40 per cent stage of completion as of June 2022 six months before the expected completion date. At the time of the physical verification in January, 2022, the Contractor was not on site. <p>- Contractor was not on site. ó The Council office block was at wall plate level.</p>	<p>The project was still stalled at 40 per cent partly due to delayed payments and in increase in prices of building materials and contractor's non-performance.</p> <p>Warning letter was served on the contractor for non-performance.</p>
15	Trans International Limited	Construction of 10 Medium Cost Houses & Associated External Works	7,727,335.75	2,403,174.15	2,403,174.15	30.09.2014 to 31.12.2022	<ul style="list-style-type: none"> Although the initial completion date was revised a number of times from November 2015 to December 2022 the project had stalled at 30 per cent stage of completion as of June, 2022, six months before the expected completion date. 	<p>The project was still stalled at 30% partly due to delayed payments and in increase in prices of building materials and contractor's non-performance.</p> <p>Warning letter was served on the contractor for non-performance.</p>

		Vubwi District						
16	JM & J Limited	Constructi on of 10 Medium Cost Houses & Associated External Works	11,013,60 2.60	2,863,22 3.37	2,202,72 0.52	08.11.201 8 to 31.12.202 2	<ul style="list-style-type: none"> • Although the initial completion date was revised a number of times from February 2022 to December 2022 the project was at 30 per cent stage of completion as of June, 2022, six months before the expected completion date. 	The cause of the project stagnation was delayed payments to the contractor. The contractor had since been paid and was active on site
							<ul style="list-style-type: none"> • Out of the certified amount of K2, 863,223.37 amounts totalling K2, 202,720.52 had been paid leaving a balance of K660, 502.85. • At the time of the physical verification in January, 2022, the Contractor was on site. <ul style="list-style-type: none"> - Contractor was not on site. - 4No houses were roofed. 	The then outstanding payment of K660, 502.85 was settled and the contractor was making steady progress on site.
		Lunga District						
17	Swengwa Limited	Constructi on of 10 Medium Cost	8,192,310.	3,300,21 2.40	3,300,21 2.40		<ul style="list-style-type: none"> • The initial completion date was revised four times from July, 2018, to December, 2022. Despite 	The project was at 40 per cent due to delayed payments, increase in prices of building materials emanating from the

		Houses	85			23.09.2014 to 31.12.2022	<p>the extensions of time, the project was at 40 per cent complete as of June, 2022, six months before the expected completion date.</p>	<p>unprecedented devaluation of the local currency against major foreign currencies as well as Government's focus on paying projects that were 80 per cent and above. In addition, the contractor was awaiting conclusion of contract price adjustments negotiations.</p>
							<ul style="list-style-type: none"> The programme of works was not availed for audit to indicate how the completion would be achieved by December, 2022. 	<p>The revised programme of works would only be availed once price adjustment negotiations were fully concluded and addendum approved by the Ministry of Justice.</p>
18	Integrity Enterprises Limited	Construction of 20 No. Low Cost Houses & Associated External Works	12,908,49 1.55	5,690,39 1.93	5,690,39 1.93	24.09.2014 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised four (4) times from December 2015 to December 2022. Despite the extensions of time the project was at 50% complete as of June 2022 six months before the expected completion date. 	<p>The project was at 50 per cent due to delayed payments, increase in prices of building materials emanating from the unprecedented devaluation of the local currency against major foreign currencies as well as Government's focus on paying projects that were 80 per cent and above.</p> <p>Contract was awaiting contract price adjustments.</p>

							<ul style="list-style-type: none"> • As of June, 2022, the contractor was not on site and the project had stalled as the contract awaited price adjustments. 	Still awaiting adjustment of contract prices to cater for the fluctuation of the Kwacha, and completion of projects that were 80% per cent complete and above.
19	Crestmark Investments	Construction of District Admin Block	7,318,796.00	1,463,759.20	1,463,759.20	15.11.2014 to 31.12.2022	<ul style="list-style-type: none"> • The initial completion date was revised once from March, 2015 to December 2022. Despite the extension of time the project was at 10 per cent complete as of June, 2022, six months before the expected completion date. 	The contractor took over a terminated contract. The contractor had been recommended for terminated due to contractor's poor performance.
							<ul style="list-style-type: none"> • The advance payment of K1, 463,759.20 20 per cent had not been fully recovered and there was no evidence of a valid advance security as of June, 2022. 	The contract was being considered for termination.
							<ul style="list-style-type: none"> • The project had stalled and the contractor was not on site 	
		Chilanga District						
20	Marchetti Limited	Construction of District Admin Block	3,956,861.80	1,721,185.84	1,721,185.84		<ul style="list-style-type: none"> • Although the initial completion date was revised five (5) times from January 2017 2016 to December 2020 the 	The project was at 40% due to contractor's non-performance. The contract has been recommended for Termination

						30.09.2014 to 31.12.2020	<p>project was at 40%.</p> <ul style="list-style-type: none"> Although the contractor was paid the certified amount of K1, 721,185.84 in full, he was not on site and the project had stalled. Although the contract time had lapsed, the Ministry had not terminated the contract as of June, 2022. 	Under termination
21	Habitech Limited	Construction of Council Admin Block & 2 High Cost Houses & External Works	5,389,317.65	2,916,447.24	2,916,447.24	24.11.2014 to 30.06.2022	<ul style="list-style-type: none"> Although the initial completion date was revised seven times from September, 2015, to June, 2022, the project had stalled at 50 per cent. Although the contractor was paid the certified amount of K2, 916,447.24 in full, he was not on site as at 30 June, 2022. 	<p>The project was at 50 per cent due to delayed payments and increase in prices of building materials emanating from the unprecedented devaluation of the local currency against major foreign currencies. The houses were practically completed, handed over and occupied. Contract was awaiting contract price adjustments for the remaining works</p> <p>Still awaiting adjustment of contract prices to cater for the fluctuation of the Kwacha.</p>

22	Pabala Investments Limited	Construction of Post Office	2,964,926.35	2,777,323.15	2,777,323.15	23.01.2015 to 30.06.2022	<ul style="list-style-type: none"> The initial completion date was revised seven (7) times from October 2015 to June 2022. Despite the extensions of time the project was at 70% complete as of June 2022. As of June 2022, the project had stalled, the contractor was not on site from July, 2021, and there were no works as the contractor was awaiting a resolution on fluctuations of prices of materials on outstanding works. 	<p>The project stalled at 70 per cent due to delayed payments and increase in prices of building materials emanating from the unprecedented devaluation of the local currency against major foreign currencies. Contract was awaiting contract price adjustments for the remaining works</p> <p>Still awaiting adjustment of contract prices to cater for the fluctuation of the Kwacha.</p>
		Rufunsa District						
23	Tenacity Contractors Limited	Construction of District Admin Block	5,420,506.00			27.11.2014 to	<ul style="list-style-type: none"> The initial completion date was revised seven times from January, 2016, to June, 2022. Despite the extensions of time, the project was at 50 per cent 	The project stalled still at 50 per cent due to contractor's poor performance and abandonment of site. Contract was recommended for

				2,926,76 3.61	2,926,76 3.61	30.06.202 2	complete as at June, 2022.	termination
							<ul style="list-style-type: none"> As of June 2022, the project had stalled, the contractor was not on site from February, 2019. 	Under termination consideration.
24	Lumworks Enterprises Limited	Construction Of Post Office	2,391,894. 70	1,353,19 9.67	1,353,19 9.67	10.09.201 4 to 30.06.202 2	<ul style="list-style-type: none"> The initial completion date was revised seven (7) times from October 2015 to June 2022. Despite the extensions of time the project was at 40% complete as of June 2022. 	The project was at 40 per cent due to demise of the owner of the company which required change of Power of attorney in addition to fluctuation of prices. Contract was awaiting contract price adjustments
							<ul style="list-style-type: none"> As of June 2022, the project had stalled, the contractor was not on site from February, 2017. 	Still awaiting resolution of issues of power of Attorney and adjustment of contract prices to cater for the fluctuation of the Kwacha and completion of projects that were 80 per cent complete and above.
25	Bon Voyage carriers Consultancy Limited	Construction of Council Admin Block & 2 High Cost Houses & External Works	5,657,494. 25	2,241,60 6.85	2,241,60 6.85	31.03.201 5 to 30.06.202 2	<ul style="list-style-type: none"> The initial completion date was revised seven times from January, 2016, to June, 2022. Despite the extensions of time the project was at 50% per cent complete as of June, 2022. 	The project was at 50 per cent due to land wrangles that delayed the commencement of works on site and smooth progress of work.
							<ul style="list-style-type: none"> As of June 2022, the contractor was not on site, 	Applied for termination of the contract and direct bidding

							but the project had stalled, due to land wrangles.	the same.
26	Atonement Enterprises Limited Carriers Limited	Construction of Police Station, 2 No. Medium Houses, 8 No. Low Cost Houses	14,384,300.45	5,430,577.63	5,430,577.63	12.11.2014 to 30.12.2020	<ul style="list-style-type: none"> Although the initial completion date was revised seven times from January, 2016, to December, 2020, the project was at 50 per cent completion eighteen months after the expected completion date. Although the contractor was paid the certified amount of K5, 430,577.63 in full, he was not on site since February 2017. 	<p>The project stalled still at 50 per cent due to contractor's poor performance and abandonment of site Contract was recommended for termination</p> <p>Recommended for termination</p>
		Ikelenge District						
27	Raymond Construction	Completion of Construction of District Admin Block	11,071,297.70	2,214,259.55	2,214,259.55	04.07.2017 to 15.12.2022	<ul style="list-style-type: none"> The initial completion date was revised six times from June 2018 to December 2022. Despite the extensions of time the project was 12 per cent complete as of June, 2022, six months before the expected completion date. The advance payment of K2,214,259.55 20 per cent had not been fully recovered and there was no evidence of a valid advance security as of June, 2022. 	<p>The project stalled due to delayed payment of advance payment.</p> <p>The advance payment would be recovered in the subsequent Interim Payment Certificates as the contractor was on site.</p>

								<ul style="list-style-type: none"> • At the time of physical verification in January 2022, the slab was at 85 per cent level of completion. 	
28	I and L Contractors	Completion of the Construction of Council Admin Block & 2 High Cost Houses & External Works	8,842,761.33	2,352,486.42	2,352,486.42	13.04.2017 to 26.08.2022	<ul style="list-style-type: none"> • The initial completion date was revised seven times from August, 2018, to August 2022 resulting in a cost increase of K1,151,962.48. • Despite the extensions of time the project was 30 per cent complete as of June, 2022, two months before the expected completion date. 	The project stalled due to delayed payment of Interim Payments Certificates.	
							<ul style="list-style-type: none"> • At the time of physical verification in January, 2022, <ul style="list-style-type: none"> - Council office block was at foundation box level. - The 2No. High Cost Houses were at wall plate level 	The site was active	
							<ul style="list-style-type: none"> • The contract for K2,626,194.70 signed with T. Mushinkula Trading on 22 September 2014 was terminated at 10 per cent stage of project completion. 	The contract for T. Mushinkula Trading Limited was terminated due to contractor's nonperformance.	

29	Chipando Gen. Dealers	Construction of Post Office	4,802,452.36	960,490.47	0	30.07.2018 to 30.09.2022	<ul style="list-style-type: none"> The reasons for termination were not advanced for audit. 	Refer to the attached termination letter
							<ul style="list-style-type: none"> Following the termination of the contract, the Ministry engaged Chipando General Dealers in 2017 at a cost of K4, 802,452.36 resulting in increased project cost of K2,176,257.66. The initial completion date was revised five times from August 2018 to September, 2022. 	
							<p>As at 30 June 2022, the contractor had not been paid the advance payment of K960,490.47.</p> <ul style="list-style-type: none"> Consequently, the contractor was not on site, awaiting advance payment, and the project had stalled at 10 percent. At the time of physical verification in January, 2022, the Post Office was at concrete slab level. 	Advance payment paid and the contractor was active.
30	Matty Construction Limited	Construction of Police Station, 2	18,612,803.90	3,722,560.78	0		<ul style="list-style-type: none"> The initial completion date was revised four times from November, 2018, to August, 2022. 	

		No. Medium Houses, 8 No. Low Cost Houses				30.07.2018 to 23.08.2022	There was no documentation availed for audit signed by both the Ministry and the Contractor to support the extension of time.	
							<ul style="list-style-type: none"> As at 30 June 2022 the contractor had not been paid the advance payment of K3,722,560.78. The advance bond had expired as at 30 June, 2022. 	Advance payment paid and the contractor was active.
							<ul style="list-style-type: none"> Consequently, the contractor was not on site, awaiting advance payment, and the project had stalled at 0%. Some earth walls for the foundation trenching for the Police Station and the houses had collapsed as of June 2022. 	
		Kazungula District						
31	Profab Zambia Limited	Construction of 10 Medium Cost Houses & Associated External	8,139,394.75	6,006,384.88	6,006,384.88	12.11.2014 to 30.06.2022	<ul style="list-style-type: none"> Although the initial completion date was revised nine times from January 2016 to June 2022 the project had stalled at 45% completion as at 30 June 2022. 	<ul style="list-style-type: none"> The project was still stalled at 45 per cent. The Contractor cited challenges arising from delayed payments which consequently resulted in increase in prices of

		Works				2	<ul style="list-style-type: none"> • The programme of works was not availed for audit to indicate how the completion would be achieved by June, 2022. • Although the contractor was paid the certified amount of K6,006,384.88 in full, he was not on site as at 30 June 2022. 	<p>building materials emanating from the devaluation of the local currency contractor against major foreign currencies. The Contractor requested for contract price adjustments which had not been successful due to the stage of works</p> <ul style="list-style-type: none"> • Warning letter was served on the contractor failure to resume works termination process would commence • Proof of extension of time was available for audit verification.
32	Davisbet Enterprises Limited	Construction of Post Office	2,542,108.70	1,249,332.87	1,249,332.87		<ul style="list-style-type: none"> • Although the initial completion date was revised nine times from October, 2015, to June, 2022, the project had stalled at 50 per cent completion as at 30 June 2022. • availed for audit to 	<ul style="list-style-type: none"> • The project was still stalled at 50 per cent. The contractor cited challenges arising from delayed payments which consequently resulted in increase in prices of building materials emanating from the

						15.11.2014 to 30.06.2022	<p>indicate how the completion would be achieved by June, 2022.</p> <ul style="list-style-type: none"> Although the contractor was paid the certified amount of K1,249,332.87 in full, he was not on site as at 30 June 2022. 	<p>unprecedented devaluation of the local currency contractor against major foreign currencies. The contractor requested for contract price adjustments which had not been successful due to the stage of works</p> <ul style="list-style-type: none"> Warning letter was served on the contractor failure to resume works termination process will commence
		Siavonga District						
33	Mixjer General Dealers	Construction of twenty (20) low cost houses	10,307,092.15	3501454.16	2,442,052.36	01.12.2014 to 30.06.2022	<ul style="list-style-type: none"> The initial completion date was revised eight 8 times from October, 2016, to June, 2022. Despite the extensions of time the project was at 26 per cent complete as of June , 2022 at the time of expiry of the contract. Out of the certified amount of K3, 501,454.16 amounts totallingK2,442,052.36 had been paid leaving a balance of 	<ul style="list-style-type: none"> The project has stalled at 26 per cent completion due to delayed payment. The outstanding amount would be settled in line with Government directive to prioritiesø payments to projects that were 80 per cent and above completion. Proof of extension of time was available for audit verification.

							<ul style="list-style-type: none"> • K1,059,401.80. • There was no evidence that the Ministry had claimed liquidated damages and there was no evidence of submission of the performance security. 	
34	Netweb Investments Limited	Construction of ten (10) medium cost houses	8,244,684.00	2,542,734.10	1,867,454.17	01.12.14 to 30.06.2022	<ul style="list-style-type: none"> • The initial completion date was revised nine times from November, 2015, to June 2022. Despite the extensions of time the project was at 30 per cent complete as of June, 2022, at the time of expiry of the contract. • Out of the certified amount of K2,542,734.10 amounts totalling K1,867,454.17 had been paid leaving a balance of K675,279.93. • There was no evidence that the Ministry had claimed liquidated damages and there was no evidence of submission of the performance security. 	<ul style="list-style-type: none"> • The project has stalled at 30 per cent completion due to delayed payment. • The outstanding amount would be settled in line with Government directive to priorities payments to projects that are 80 per cent and above completion • Contractors request for price adjustment was not successful due to the stage of works. • Consideration was on way to terminate and direct bid the contractor

								<ul style="list-style-type: none"> • Proof of extension of time was available for audit verification. • LADs could not apply.
		Chikankata District						
		Zimba District						
35	Melcast Engineering	Construction of Police Station, 2 No. Medium Houses, 8 No. Low Cost Houses	14,829,376.49	7,090,776.20	7,090,776.20	01.12.2014 to 30.06.2022	<ul style="list-style-type: none"> • The initial completion date was revised nine times from December, 2015 to June, 2022. • Although the contractor was paid the certified amount of K7,090,776.20 in full, he was not on site as of June, 2022. • At the time of physical verification in January 2022, the Police Station was at ring beam level, five houses were at gable level and three houses were at lintel level • The contract was recommended for termination due to nonperformance. 	<ul style="list-style-type: none"> • The project was still stalled at 30 per cent. The contractor cited challenges arising from delayed payments, which consequently resulted in increase in prices of building materials emanating from the unprecedented devaluation of the local currency contractor against major foreign currencies. The contractor requested for contract price adjustments, which had not been successful due to the stage of works • Consideration was going on to terminate and direct bid the contractor

		Luampa District						
36	Moffat Metal crafts	Constructi on of District Admin Block	6,710,958.45	3,412,846.84	3,298,111.61	23.09.2014 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was repeated revised to December 2022 from November, 2015. Despite the extensions of time the project had stalled at 33 per cent due to poor performance as of June 2022. Out of the certified amount of K3,412,846.84 amounts totallingK3,298,111.61 had been paid leaving a balance of K153,6178.69. The contractor was not on site as at 30 June, 2022 and the project was at wall plate level. 	<ul style="list-style-type: none"> The project has stalled at 33 per cent completion due to delayed payment. The outstanding amount would be settled in line with Government directive to priorities payments to projects that are 80 per cent and above were completion. Proof of extension of time was available for audit verification. Recommended for Termination of the contract
		Mitete District						

37	Bemkel	Construction of District Admin Block	6,262,288.15	2,021,499.49	1,252,457.63	19.12.2014 to 30.12.2018	<ul style="list-style-type: none"> • Despite the contract completion period being revised three times, the project was terminated at 10 per cent completion. • The reasons for termination were not advanced for audit. • Records revealed that out of the certified amounts of K2,021,499.49 the contractor was owed K769,041.86 of at June 2022. • Following the termination, the Ministry engaged Anita Construction at a cost of K9,972,382.66 in November 2019 resulting in increased project cost of K3,710,094.51. • As at June 2020 the contractor had not been paid the advance payment of K1,923,132.10 nineteen months after the contract was signed. Consequently, the project had stalled at 5 per cent. 	<ul style="list-style-type: none"> • The contract for Bemkel was terminated for poor performance. • Replacement contractor had been paid the advance payment and was active on site.
38	Kampe Investments	Construction of	7,045,109.20	1,917,372.01	1,409,021.84		<ul style="list-style-type: none"> • The project was terminated due to failure to perform. At the time of 	<ul style="list-style-type: none"> • The contract for Kampe was terminated for poor performance.

	Limited	Council Admin Block & 2 High Cost Houses & External Works				19.12.14	<p>termination an amount of K1,917,372.01 had been certified and amounts totalling K1,409,021.84 had been paid leaving a balance of K508,350.17.</p> <ul style="list-style-type: none"> • Following the termination, the Ministry engaged Kaps Hardware at a cost of K7,045,109.20 in April 2017. • At the time of physical verification in January 2022, the contractor had abandoned the site and works were at 13 per cent. The project had been revised four times from the initial completion date of April 2018 to December 2022. • Two high cost houses were at back filling level, more than 7 years of initial contract signing. 	Replacement contractor had been paid the advance payment and was active on site.
39	Simuliya Trading Limited	Construction of Police Station, 2 No. Medium Houses, 8 No. Low	14,433,22 2.30	4,469,95 8.77	2,886,64 4.47		<ul style="list-style-type: none"> • Although the contract completion period was revised three times from July 2016 to December 2018 the project had stalled at 30 per cent and the contractor was not on site. 	<ul style="list-style-type: none"> • The project had stalled at 30 per cent due to delayed payment. • The outstanding amount would be settled in accordance to the Government guideline to priorities payment to

		Cost Houses				17.03.2016 to 31.12.2018	<ul style="list-style-type: none"> As of June, 2022, the contract had remained expired. Out of the certified amount of K4,469,958.77 the contractor was paid K2,886,644.47 leaving a balance of K1,583,314.30. The Police station had its borehole sunk. Works were at excavation stage. 2No. medium cost houses were at slab level. 8No. low cost houses <ul style="list-style-type: none"> 1No. house was roofed and window frames installed. 1No. was on gable level. 2No. were at window level. 4No. were at slab level 	<p>projects that were 80 per cent and above before consideration was made to projects below this threshold</p> <p>Balance owed to the contractor had been paid and contractor was mobilising and would return to site soon.</p>
40	Eldermain Business Solutions	Construction of Post Office	3,663,490.40	732,698.08	732,698.08		<ul style="list-style-type: none"> The contract was terminated for failure to perform. However, at the time of contract termination the contractor had been paid the certified amount of K732,698.08. There were no records availed for 	<ul style="list-style-type: none"> The original project was terminated at substructure level due to poor performance.

						<p>07.05.2019 to 31.12.2021</p> <p>audit to indicate the completion status at the time of termination.</p> <ul style="list-style-type: none"> • Following the termination of the contract, the Ministry engaged Milestone Technical Services at a cost of K6,700,695.46 in July, 2019 for a period of one year resulting in increased project cost of K3,037,205.06. • As at June 2022 the contractor had not been paid the advance payment of K1,340,139.09 three years after the contract was signed. Consequently, the project had stalled at 3per cent. • The new contractor was not on site. Only trenches excavation was done by the previous contractor. 	<ul style="list-style-type: none"> • The replacement contractor was still awaiting advance payment. • However, in line with Government directive priorities had been given to projects above 80 per cent completion. • The new contractor had been paid and was on site.
		Mulobezi District					

41	Keysmar Services Limited	Construction of District Admin Block	6,342,232.70	2,746,513.53	2,679,730.34	23.12.2014	<ul style="list-style-type: none"> • There were no records available for audit to indicate the completion status at the time of termination. • Records revealed that out of the certified amounts of K2,746,513.52 the contractor was paid K2,679,730.34 the contractor was owed K66,783.19 of at June, 2022. • Following the termination, the Ministry engaged V.B.S at a cost of K13,864,230.91 in January, 2017, resulting in increased project cost of K7,521,998.21 • The project had been revised four times from January, 2018, to December, 2022 and the project was at 45 per cent completion as of June, 2022, six months before the end of the revised completion period. • The contractor was not on site and the project had stalled. 	<ul style="list-style-type: none"> • The original contract was terminated at substructure level due to contractor's non performance • The replacement contractor VBS was on site. • Programme of works attached. • Proof of extension of time was available for audit verification.
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42	Kanani agencies	Construction of Council Admin Block & 2 High Cost Houses & External Works	6,156,524.10	2,356,278.93	1,719,055.90	17.11.2014 to 31.12.2022	<ul style="list-style-type: none"> • Although the initial completion date was revised six times from August 2015 to December, 2022 the project was at 35 per cent completion. • The contractor was paid K1,719,055.90 out of the certified amount of K2,356,278.93, leaving a balance of K637,223.03. • At the time of the physical verification in January, 2022: <ul style="list-style-type: none"> - The contractor was not on site and the project had stalled. - Council block was at wall plate level, - plinth was plastered, - 2No. High Cost Houses were at wall plate level, - Borehole was sunk and project was at 35 per cent stage of completion 	<ul style="list-style-type: none"> • The project has stalled at 35per cent due to delayed payment. • The outstanding amount would be settled in line with the Government directive to priorities payments to projects that were 80 per cent and above. • Proof of extension of time was available for audit verification.
43	Keysmar Services Limited	Construction of 10 Medium Cost Houses & Associated External	7,056,419.00	2,167,417.78	1,789,350.79		<ul style="list-style-type: none"> • Although the initial completion date was revised five times from December, 2016, to December, 2022, the project was at 35 per cent completion. 	<ul style="list-style-type: none"> • The project had stalled at 35 per cent due to delayed payment. • The outstanding amount would be settled in line with the Government directive to priorities

		Works				23.10.2014 to 31.12.2022	<ul style="list-style-type: none"> • There was no documentation availed for audit signed by both the Ministry and the contractor to support the extension of time to 31st December, 2022. • The contractor was paid K1,789,350.79 out of the certified amount of K2,167,417.78, leaving a balance of K378,066.99. • At the time of the physical verification in January, 2022: <ul style="list-style-type: none"> - 3No. houses were at ring beam level, - 2No. houses were at slab level, - 4No. houses were at foundation level, and - 1No. house was hardcore filled. 	<ul style="list-style-type: none"> • payments to projects that were at 80 per cent and above. • Proof of extension of time was available for audit verification.
44	Zambica Trading Limited.	Construction of Post Office	2,054,057.25	539,347.54	539,347.54	02.10.2014 to 31.12.2022	<ul style="list-style-type: none"> • The initial completion date was revised five times from December, 2015, to December 2022. Despite the extensions of time the project was at 3 percent complete as of June 2022 six after the expected completion date. • The advance payment of 	<ul style="list-style-type: none"> • The contract was terminated due to poor performance. • The replacement contractor would be procured after projects that were at 80 per cent and above were completed in line with the Government directive to

						1	K410,811.45 (20%) had not been fully recovered and there was no evidence of a valid advance security as of June, 2022.	start new projects until running projects were completed. <ul style="list-style-type: none"> Recovery of advance payment was still with the Debt Recovery Unit at Ministry of Justice.
		Mwandi						
45	Harbour Side enterprises Ltd	Construction of District Admin Block	5,710,027.52	5,710,027.50	3,805,373.09	06.10.2014 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised six times from August, 2015, to December 2022. Despite the extensions of time the project was 45 per cent complete as of June 2022. The programme of works was not availed for audit to indicate how the completion would be achieved by December, 2022. Out of the certified amount of K5,710,027.50 amounts totalling K3,805,373.09 had been paid leaving a balance of K1,904,654.41 As of June 2022, the project had stalled, the contractor was not on site 	<ul style="list-style-type: none"> The project was still stalled at 65 per cent due to delayed payments which consequently resulted in increase in prices of building materials emanating from the unprecedented devaluation of the local currency contractor against major foreign currencies. Contract was awaiting contract price adjustments. The revised programme of works would be availed once price adjustment negotiations were fully concluded and addendum approved by the Ministry of Justice. Copy of extension of time

								was available for audit verification.
46	Harbour Side enterprises Limited	Construction of 20 No. Low Cost Houses & Associated External Works	10,410,362.00	4,461,143.66	4,461,143.66	30.09.2014 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised six times from November, 2015 to December 2022. Despite the extensions of time, the project was 30 per cent complete as of June 2022. As of June 2022, the project had stalled, the contractor was not on site. 	<ul style="list-style-type: none"> The project has stalled at 30 per cent completion. The contractor cited challenges associated with increased cost of building materials and requested for contract price adjustment. Warning letters have been sent to the contractor.
		Sikongo District						
47	Sokotela Enterprises Limited	Construction of Council Admin Block & 2 High Cost Houses & External Works	6,049,618.80	1,209,923.76	1,209,923.76	15.04.2016	<ul style="list-style-type: none"> The contract with Sokotela Enterprises Limited was terminated and the reasons for termination were not advanced for audit. Records revealed that the certified amount of K1,209,924.00 was paid to the contractor. Following the termination, the Ministry engaged Muco Trading Limited at a cost of K12,407,555.91 in April, 2016, resulting in increased project cost of 	<ul style="list-style-type: none"> The original contract awarded to Sokotela Enterprises Limited was terminated due to poor performance. The contract was later awarded to Muco Trading. However, progress had stalled due to delayed payment. The outstanding amount would be settled in line with the Government directive to priorities projects that were at 80 per cent and above.

					7 to 31.12. 2022	<p>K6,357,937,11.</p> <ul style="list-style-type: none"> • The initial completion date was revised four times from September, 2017, to December 2022. Despite the extensions of time, the project was at 18 per cent complete as at June, 2022, six months before the expected completion date. • There was no documentation availed for audit signed by both the Ministry and the contractor to support the extension of time. • Out of the certified amount of K3,966,483.20 amounts totalling K1,240,755.59 had been paid leaving a balance of K2,725,727.61. • The contractor was last on site in December, 2018. Consequently, the project had stalled at 18 per cent. • The site visit conducted in January, 2022, revealed that the project was at slab level. 	
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48	Kutambuka Enterprises Limited	Construction of 20 No. Low Cost Houses & Associated External Works	9,503,553.60	4,139,928.50	3,143,152.44	24.09.2014 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised four times from July, 2017, to December, 2022. Despite the extensions of time, the project was at 40 per cent complete as of December, 2022, six months before the end of the extended completion period. Out of the certified amount of K4,139,928.50 amounts totalling K3,143,152.44 had been paid leaving a balance of K996,776.06. The contractor was last on site in December, 2018. Consequently, the project had stalled at 40 per cent. 	<ul style="list-style-type: none"> The project has stalled at 40 per cent completion due to delayed payment. The outstanding amount would be paid in line with the Government directive to priorities projects that have attained 80 per cent and above completion. Programme of works would be revised and submitted after the outstanding payment was settled.
49	Kutambuka Enterprises Limited	Construction of Post Office	2,604,484.20	1,887,397.84	1,513,856.89	24.09.2014 to 31.12.2022	<ul style="list-style-type: none"> The initial completion date was revised six times from July, 2015, to December, 2022. Despite the extensions of time, the project was at 35 per cent complete as at December, 2022, six months before the end of the extended completion period. There was no documentation availed for audit signed by both the 	<ul style="list-style-type: none"> The project has stalled at 35 per cent completion due to delayed payment. The outstanding amount would be paid in line with Government directive to priorities projects that have attained 80 per cent and above completion. Programme of works would be revised and submitted after the outstanding payment was

							<p>Ministry and the contractor to support the extension of time.</p> <ul style="list-style-type: none"> • The programme of works was not availed for audit to indicate how the completion would be achieved by December, 2022. • Out of the certified amount of K1,887,397.84 amounts totalling K1,513,856.89 had been paid leaving a balance of K373,540.89. • The contractor was last on site in December, 2018. Consequently, the project had stalled at 40 per cent. • The site visit conducted in January, 2022 revealed that the project was at the wall plate level. 	<p>settled.</p> <ul style="list-style-type: none"> • Copy of extension of time was available for audit verification.
		Limulunga District						
50	Woodlock Limited	Completion of the Construction of the Council Admin Block and	11,191,167.28	2,797,791.80		20.04.2020 to	<ul style="list-style-type: none"> • Although the initial completion date was revised two times from April, 2021, to December, 2022, the project was at 25 per cent completion as at 30th June, 2022. 	<ul style="list-style-type: none"> • Contractor was on site and works were progressing at 50 per cent completion

		Two High Cost House and External Works.			2,797,791.80	31.12.2022		
51	Conquest	Completion of the construction of the 20 low cost houses	10,410,362.00	2,602,612.59	2,602,612.59	28.09.2018 to 31.12.2022	<ul style="list-style-type: none"> Although the initial completion date was revised three (3) times from September 2020 to December 2022 the project was at 30% as at 30 June, 2022. 	<ul style="list-style-type: none"> Contractor was on site and works were progressing at 45 per cent completion.

In response, the Controlling Officer submitted that the projects cited in table could be categorised as follows:

- i. replacement contractors (re-tendered works);
- ii. projects below 80 per cent and
- iii. terminated contracts and contracts recommended for termination,

a Replaced Contractors (Retendered works) (1, 2, 3, 4,29,30,50 and 51).

The cited projects were retendered works whose initial contracts were terminated and replaced contractors were waiting for advance payment or had just been paid their advance payment at the time of the audit. All contractors have since been paid and were active on site.

(a) Projects that were Below 80 Per Cent Complete

The Controlling Officer submitted that the projects stalled due to delayed payments, increase in prices of building materials emanating from the devaluation of the local currency against major foreign currencies, as well as Government's focus on paying projects that were at 80 per cent and above completion. Arising from the status, these projects were not active at the time of audit due to uncertainty of future payments. These included project Nos (7,8,10,16,17,18,21,22,25,27,28,32,39,42,45,46,48 and 49). Outstanding amounts would be settled in line with Government's directive to prioritise projects that were at 80 per cent completion or above.

(b) Terminated Contracts and Contracts Recommended for Termination

Some of these contracts had been terminated or had been recommended for termination. These included No. (5,6,9,11,12,13,14,15,19,20,23,24,26,31,33,34,35,36,37,38,40,41,43,44, and 47). These contracts were not active at the time of audit thus the absence of letters of extension of time. Some of these contracts that were terminated earlier, replacement contractors had already taken up the projects. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer avail supporting documents to the Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

MINISTRY OF WORKS AND SUPPLY (In Dissolution)

PARAGRAPH 33

Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and selected districts for the financial year ended 31st December, 2021 revealed various irregularities to which the Controlling Officer responded as set out below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a provision of K187,772,370 was made to cater for operations of the Ministry against which amounts totalling K101,346,441 were released, resulting in underfunding of K86,425,929.

Although the Ministry was underfunded, as at 31st December, 2021, amounts totalling K87,798,576 were spent, leaving a balance of K13,547,866.

In response, the Controlling Officer submitted that the Government, through Treasury and Finance Management Circular No. 12 of 2021, guided that the Ministry in dissolution would not enter into new contracts. Other activities specific to the mandate of the Ministry of Works and Supply were not implemented such as strategic planning, dissemination of policies and monitoring of programme implementation.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail all relevant documentation to the Office of the Auditor General for audit verification and resolves to close the matter.

b. Management of Information Systems - Failure to Utilise Equipment to Produce Electronic Certificates of Competence

In response, the Controlling Officer submitted that the machine had been installed and ready for printing. However, approval was still being awaited from Cabinet Office on the proposed upward adjustment of the fees and the new design of the certificate of competence. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Office to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

c. Procurement Matters

• Purchase of Office Building

• Failure to Adhere to Recommendation from Government Valuation Department

In response, the Controlling Officer submitted that the price at which the property was procured was recommended to Ministry of Works and Supply by the Government Valuation Department as stated in their valuation report dated 30th April, 2021. In the said valuation report, the price of the property was assessed at US\$2,500,000.

The Department also acknowledged and accepted that prior to the valuation report mentioned above, it did produce a desktop valuation report (a simulated report for discussion purposes), which the Auditor General had rightfully and correctly referred to. The desktop valuation report containing the price of US\$1,500,000 was a simulation report done in 2021, based on property inspection data which was collected two years back in 2019, when the property was last physically inspected. The Department did not recommend this report for action and, therefore, asked for permission from the seller to re-inspect the property in 2021, so that an updated valuation assessment was done.

However, when the property was physically re-inspected on 28th April, 2021, the inspection revealed that the property had been renovated and parts of it refurbished. The Department then re-valued the property upwards from US\$1,500,000 to US\$ 2,500,000 and advised the Ministry of Works and Supply through a valuation report dated 30th April, 2021, to procure the property at US\$2,500,000.

During the procurement process, the matter was referred to a subcommittee to negotiate the price downwards for a discount amounting to K954,350 because of the leaking roof. However, the seller of the property refused to negotiate downwards stating that the US\$2,500,000 offer price was on a no basis. The matter was then referred back to the Procurement Committee for consideration and further action to purchase the property.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Office to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

Failure to Secure Title Deeds

In response, the Controlling Officer submitted that the payment amounting to K834.00 had been made to the Ministry of Lands and Natural Resources (MLNR) for processing of Title Deeds. This amount related to the building on stand number LUS/5209 and the four forfeited properties.

Follow-ups had been made to MLNR and, Certified True Copies of the respective survey diagrams had been prepared and the titling process was at least preparation stage for all the five properties for change of ownership to the Government of the Republic of Zambia. Demand notices for five properties, proof of payment from the Ministry of Finance and National Planning and an internal memo for processing of the K834.00 were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Office to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

ii. Contract for Supply of Assorted Security Papers

• Questionable Survey and Selection of Supplier

In response, the Controlling Officer submitted that due to time constraint and cost of materials, the Ministry had to directly deal with the supplier. Authority was granted by the ZPPA to single source Kalideck, as provided for under the *Public Procurement Act, No. 8 of 2020*, section 46 (2b).

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to put in place measures that will ensure that due diligence is conducted when identifying suppliers. The Committee also urges the Controlling Officers to ensure that supporting documents are availed to the Office of the Auditor General for audit verification and will await a progress report on the matter.

• Failure to Deliver

In response, the Controlling Officer submitted that there was delay in reconciling delivered items until the matter was picked up by the auditors. A reconciliation was conducted and it was discovered that the items cited were indeed under supplied. The supplier was engaged and had since agreed to supply the shortfall. The materials had arrived and were going through the clearing process with Zambia Revenue Authority (ZRA). The Ministry sought authority to pay

100 per cent upfront to the supplier as the materials were needed urgently and the supplier had indicated that he was unable to supply before payment was made. Documents were available for audit verification.

Committee's Observations and Recommendations

The Committee notes with concern that the internal auditor and procurement officers failed to note that the goods were undersupplied. The Committee is of the view that if external auditors did not reveal this anomaly, it could have gone unnoticed. The Committee urges the Controlling Officer to institute disciplinary measures to all officers involved for the lapse and avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

• Failure to Provide Performance Security Documents

In response, the Controlling Officer submitted that no security performance bond was entered into with the supplier. This occurred because of time constraints and the nature of the transaction.

Committee's Observations and Recommendations

The Committee observes that the procurement regulations are clear on the need to provide performance security for contracts within fourteen days, in line with clause 181.1 of the General Conditions of the Contract. The Committee urges the Controlling Officer to desist from flouting the procurement regulations. The Committee recommends that disciplinary measures should be instituted against the officers responsible for this omission. Further, the Committee directs the Controlling Officer to avail all the relevant documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

d. Undelivered Professional Tool Kits – K90,000

In response, the Controlling Officer submitted that the supplier was paid before delivery of the goods. The delay to deliver the tool kits was exacerbated by the outbreak of COVID-19, which led to the break in production in China. However, progress had been attained as the tool kits had since been supplied. The supplier claimed that the company where the tool kits were ordered had closed due to COVID 19 restrictions in China. The changes in prices also contributed to the delay.

Committee's Observations and Recommendations

The Committee strongly cautions the Controlling Officer against flouting procurement regulations. The Committee urges the Controlling Officer to put in place measures that will avert the recurrence of such anomaly. The Committee implores the Controlling Officer to avail all the relevant documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

e. Management of Forfeited Assets - Failure to Issue Takeover Certificates for Forfeited Properties

In response, the Controlling Officer submitted that the nineteen forfeited motor vehicles were given GRZ numbers and entered in the data base in the motor vehicle fleet management. The change of ownership was completed by the Road Transport and Safety Agency. The forfeited vehicles were not all road worthy. Therefore, a total of six vehicles that were roadworthy had since been distributed to ministries, while the balance of thirteen vehicles allocated to ministries had not been collected because beneficiaries were still sourcing funds to repair the vehicles.

List of Forfeited Properties and Status

No.	Property No	Property Description	Location	Allocated Institution	Status of property
1	Stand No.LUS/3775	Two Dwelling houses comprising 3 bedrooms, lounge, dinning , Kitchen, bath room , servant quarters and dog house market vale K5,300,000	No.25 Manda Hill Road .Olympia Park Lusaka	Lands Tribunal , Ministry of Lands	property occupied by lands tribunal used as offices and a court room
2	Stand No.LUS/13947	Lodge Comprising a block of 15 self contained guest rooms, a double storey block with self contained guest rooms, kitchen, dining, reception, and veranda, abar , two detached conference halls and a guest house Market value K12,600,000	Roma Lusaka	Public Protector	Property was reallocated to Ministry of health but had not been occupied to date
3	Stand No LUS 13949	Incomplete Structure (Lodge) Comprising six(6) incomplete structures market value K3,100,000	Roma Lusaka	Hostels Board Management	The incomplete Building was still vacant
4	Stand NO.Lus 7791	Dwelling house - three bedroomed, dining, kitchn, bath room and toilet Market value K860,000	Woodlands extension	Anti -Corruption Commission	occupied by offices of First Lady State House and Secretary to Office of the Vice President

With regard to forfeited properties, the Committee was informed that takeover Certificates for the four properties (LUS/13947, LUS/13949, LUS/7791 and LUS/3775) were signed by the Anti-Corruption Commission (ACC) for the handover/takeover of the subject properties to the Government of the Republic of Zambia. Furthermore, based on the demand notices, K834.00 had been paid to the Ministry of Lands and Natural Resources (MLNR) for processing of Title Deeds. This amount related to the building on stand number LUS/5209 and the four forfeited properties.

Follow-ups had been made to MLNR and, Certified True Copies (CTCs) of the respective survey diagrams had been prepared and the titling process was at lease preparation stage for all the five properties for change of ownership to the Government of the Republic of Zambia. Demand notices for five properties, proof of payment from Ministry of Finance and National Planning and an internal memo for processing of the K834.00 as well as the schedule for the vehicles were available for audit verification.

The four properties were allocated to Government Institutions:

- a) LUS/13947, Public Protector
- b) LUS/13949, Hostels Board
- c) LUS/7791, State House, Office of the First Lady
- d) LUS/3775, The Lands Tribunal

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail all the relevant documents to the Office of the Auditor General for audit verification upon which the matter should be closed.

MINISTRY OF HIGHER EDUCATION (IN DISOLUTION)

PARAGRAPH 34

a. Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and selected stations for the Financial Year Ended 31st December, 2021 revealed various irregularities to which the Controlling Officer responded as set out below.

b. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December, 2021, a provision of K2,002,118,597 was made to cater for various activities against which amounts totalling K1,736,997,691 were released, resulting in an underfunding of K265,120,906. As at 31st December, 2021, amounts totalling K1,725,649,042 had been spent.

In response, the Controlling Officer submitted that the underfunding recorded during the period under review was due to non-release of funds by the Treasury about which Ministry had no control over. However, there was consistency in the disbursement of funds by the Treasury in 2022, hence all the amounts expected within the stipulated period were released.

Committee's Observation and Recommendations

The Committee expresses concern that the Ministry is not aggressive in pursuing the matter concerning the underfunding from the Treasury. The Committee urges the Controlling Officer to ensure that budget funding for key activities is prioritised and funded adequately to avoid failure to implement key programs. The Committee, further, urges the Auditor General to keep the matter in view during future audits.

c. Procurement Matters: Contracts for Supply of Equipment - S\$993,422

i. Failure to Deliver Equipment to Training Institutions

In response, the Controlling Officer submitted that failure to deliver equipment to the training institutions was because the Ministry reallocated the equipment valued at US\$1,808,197, which was initially meant for operational trade institutes to those under construction earmarked for completion during the fourth quarter of 2022 and the second quarter of 2023. These institutions included: Sesheke, Lundazi and Mporokoso Trades. Further, the Ministry had intensified supervision and monitoring of the above-mentioned infrastructure projects to ensure that they were completed and handed over on time. Additionally, the Ministry had already mobilised funds and initiated the procurement for transportation of the equipment.

Committee's Observation and Recommendations

The Committee is deeply saddened at the *laissez-faire* attitude being exhibited by the officers in the distribution of equipment that has already been procured. The Committee fears that if the equipment is not distributed in time, it can be stolen. The Committee, therefore, urges the Controlling Officer to expedite the distribution of the equipment without undue delay and avail supporting documents to the Office of the Auditor General for Audit verification. The Committee will await the progress report.

ii. Failure to Utilise Training Equipment

In response, the Controlling Officer submitted that failure to utilise the queried equipment was due to delayed completion of workshops to house it. The room that was available did not have appropriate security. In this regard, the Ministry allocated funds in the 2023 budget to support the institution with funds to complete the workshops.

Committee’s Observation and Recommendations

The Committee is deeply saddened that the Ministry purchased equipment without constructing appropriate workshops where equipment can be installed. The Committee sternly cautions the Controlling Officer over the lapse and urges him to ensure that due diligence is conducted before equipment is procured. The Committee, further, urges the Controlling Officer to ensure that workshops are completed without any further delay. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

• Livingstone Institute of Business and Engineering Studies (LIBES)

In response, the Controlling Officer submitted that failure to utilise the queried equipment was due to delayed completion of workshops to house some of the equipment. The school had no room with adequate space and security. However, Management at LIBES enhanced the security to the structure and the equipment was in use as shown pictures below.



Committee’s Observations and Recommendations

In noting the submission, the Committee recommends that the matter be closed subject to audit verification.

- **Solwezi Trades**

In response, the Controlling Officer submitted that failure to utilise the queried equipment was due to delayed training of key staff. However, the officers had since been trained and equipment installed and was being utilised as shown in the picture below.



Committee’s Observations and Recommendations

In noting the submission, the Committee recommends that the matter be closed subject to audit verification.

- **Luanshya Technical and Business College (LTBCJ)**

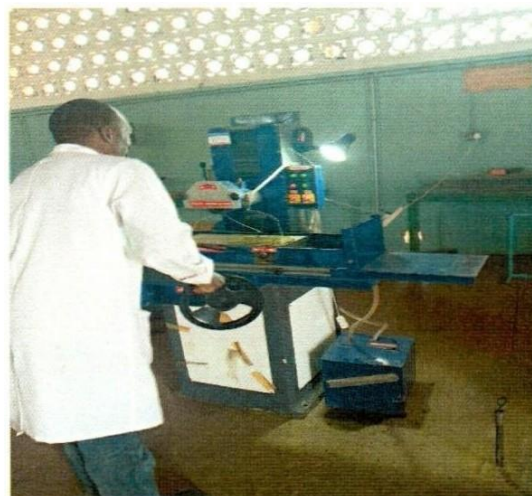
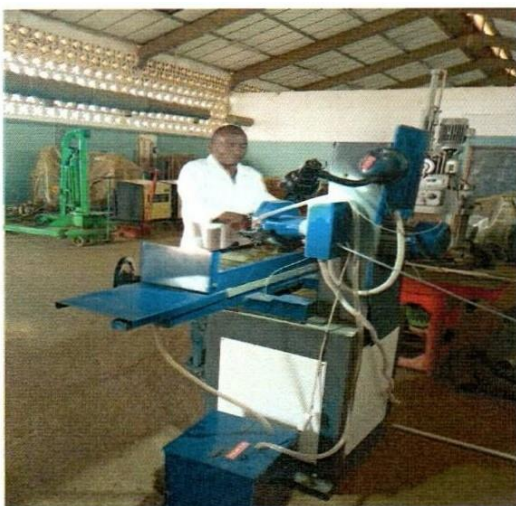
In response, the Controlling Officer submitted that the institution was not utilising the queried equipment due to delayed training of key staff. However, the staff had since been trained and the equipment was currently in use.

Committee’s observation and Recommendations

In noting the submission, the Committee recommends that the matter be closed pending audit verification.

- **Kabwe Institute of Technology (KIT)**

In the response, the Controlling Officer submitted that the institution was not utilising the queried equipment because at the time of audit, they already had similar equipment in use. However, Management at KIT was now utilising the equipment following the increase in number of students being sponsored through the Constituency Development Funds, as shown in the pictures below.



Committee's Observations and Recommendations

In noting the submission, the Committee resolves to close the query pending audit verification.

- **Northern Technical College**

The Controlling Officer submitted that failure to utilise the queried equipment was because the institution had other equipment of similar type already in use. However, with the increased number of enrolments, the institution had commissioned the equipment and it was in use as shown in the pictures below.



Committee's Observations and Recommendations

In noting the submission, the Committee resolves to close the query subject to audit verification.

- iii. **Procurement of Equipment with Incomplete Accessories**

In response, the Controlling Officer submitted that the accessories in question were not part of the contract as they could be sourced locally. The expenditure incurred on the acquisition of the equipment was not wasteful because training institutions had sourced the missing accessories and the equipment was currently in use. Documents were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee resolves to close the query subject to audit verification.

- c. **Management of Assets ó Failure to Secure Title Deeds**

In response, the Controlling Officer submitted that the Ministry could not secure the Title Deeds because the property in question belonged to the Ministry of Education.

Committee's Observation and Recommendations

In noting the submission, the Committee urges the Controlling Officer to expedite the process of acquisition of Title Deeds for the property in question without any further delay and avail supporting documents to the Office of the Auditor General. The Committee will await a progress report on the matter.

d. Infrastructure Development - K2, 580,681,213

i. Delayed Completion of Works

In response, the Controlling Officer submitted that due to the reduction in fiscal space in the country's economy, financing to infrastructure projects under the Ministry had drastically reduced. This resulted in the Government policy shift in line with the Cabinet Circular No 15 of 2018, to suspend projects that were below 80 per cent completion and prioritised those above threshold. This had been the cause of the delay to complete all projects below 80 per cent.

Additionally, the Ministry was granted authority by the Ministry of Justice for price adjustment and revision of completion period/or projects under construction caused by kwacha depreciation. To this effect, five Technical Education, Vocational and Entrepreneurship Training (TEVET) projects were successfully renegotiated and a new addendum was signed in October/November, 2020. The Ministry had been setting aside an annual budget provision of at least K5 million.

Further, in 2022, a total of K20 million from the Skills Development Fund Projects and the K44 million budget was meant for TEVET, and science, technology and innovation projects respectively. Furthermore, the Ministry had started the process of handing over all the university projects following the realignment of University Education Directorate to Ministry of Education.

Committee's Observations and Recommendations

The Committee expresses concern that projects that were below 80 per cent were stopped due to the limited fiscal space. The Committee wonders whether or not due diligence was conducted to ensure availability of resources from the Treasury before commencing the construction works. This is unacceptable, as the Government is likely to lose colossal sums of money in interest claims. The Committee urges the Controlling Officer to desist from commencing projects without an assurance on the availability of funds from the Treasury. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditors General for audit verification and will await a progress report on the matter.

ii. Interest on Delayed Payments ó Wasteful Expenditure - K98,388,274

In response, the Controlling Officer submitted that the Ministry incurred interest on delayed payments due to inadequate budget allocation and disbursement of funds by the Treasury. The Ministry had been paying all Interim Payment Certificates within Seven days of receipt and this was in line with the contractual provision of a twenty-eight-day period. This had been possible due to the availability of funds from both the Skills Development Fund and the main budget allocated to infrastructure. Further, the Ministry had started the process of handing over all the university projects following the realignment of University Education Directorate to the Ministry of Education. The joint site inspection was almost finalised and the team would hold a meeting to handover all the twenty-five projects by 30th November, 2022, after finalising the comprehensive handover notes. The Ministry would in future avoid contracts with interest clause on delayed payments.

Committee's Observations and Recommendations

The Committee expresses concern at the Ministry's failure to conduct due diligence before signing the contract causing the Government to lose funds in interest claims. The Committee urges the Controlling Officer to ensure that due diligence is conducted before signing a contract

to avoid wasteful expenditures through interest claims. The Committee will await a progress report on the matter.

iii. Over Payment for Works

In response, the Controlling Officer submitted that there was disregard of variation rules by TEVETA Management. However, on 15th October, 2020, the Ministry wrote to Management at Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA) about the lapses in the irregular payment and processes. The statutory body was guided to ensure that all procurement expenditure was authorised by the Ministerial Procurement Committee. Similarly, the Ministry, in consultation with the Ministry of Housing and Urban Development, wrote to the consultant requesting him to prepare a fresh Financial Statement taking into account the authorised variations and contractual claims in order to ascertain the actual financial position of the project. The financial statements were to exclude currency fluctuations on building materials since the contract did not have such a provision. The Ministry of Technology and Science, TEVETA and Ministry of Infrastructure and Urban Development as consultants had scheduled to resolve the matter by 30th November, 2022.

Committee's Observation and Recommendations

In noting the submission, the Committee takes great exception at the failure by procurement officers to follow procurement guidelines regarding variations on the project. The Committee urges the Controlling Officer to institute disciplinary measures against all officers who neglected to follow procurement regulations and supporting documents should be availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iv. Speed Dragon Enterprises

In response, the Controlling Officer submitted that the overpayment was due to delays in sharing of information on payments made between TEVETA and the Ministry Headquarters. TEVETA took over payment of outstanding certificates through the Skills Development Funds for infrastructure projects in training schools in 2019. However, information regarding a part-payment of K836,101 that was made to the contractor on one certificate was not shared in good time resulting in overpayment as TEVETA cleared the certificate, in full without taking into consideration the amount that was paid by the Ministry of Higher Education.

The overpayment in question was discovered in October, 2019, and the Ministry wrote to Speed Dragon Limited (Contractor) notifying them about the overpayment and that it would be deducted from subsequent payments. However, no subsequent payment had been made to the contractor to date because the contract expired. The Ministry had not initiated the renewal of the contract because the project was among the suspended projects with progress at less than 80 per cent.

Committee's Observations and Recommendations

In noting the submission, the Committee expresses concern that the Ministry did not conduct due diligence when making payments resulting in an overpayment. The Committee urges the Controlling Officer to institute disciplinary measures against all officers involved for the lapse and supporting documents availed to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

MINISTRY OF DEFENCE- HEADQUARTERS

PARAGRAPH 35

Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters and selected stations for the Financial Year Ended 31st December, 2021 revealed various irregularities to which the Controlling Officer responded as set out below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a provision of K5,342,139,442, was made to cater for various activities against which amounts totalling K5,168,843,202 were released, resulting in an underfunding of K173,296,240.

Although the Ministry was underfunded, as at 31st December, 2021, amounts totalling K5,078,620,413 had been spent leaving a balance of K90,222,789.

In response, the Controlling Officer acknowledged the Auditor General's observation regarding the underfunding and unspent funds and submitted that the Ministry of Defence had continued to engage the Ministry of Finance and National Planning to release the funds timely so that all budgeted activities were executed as planned. Further, the Ministry was granted authority by the Secretary to the Treasury to retain funds which could not be used within the said financial period to be carried forward to 2022. The total amount authorised to be carried over was K162,254,419.00, which included the K90,222,789.00, that was reported by the Auditor General.

Committee's Observations and Recommendations

The Committee urges the Secretary to the Treasury to take keen interest and ensure that planned activities are funded timely in line with the budget provisions. The Committee also urges the Controlling Officer to be proactive and ensure that funds are released and utilised timely as appropriated by Parliament. The Committee will await a progress report on the matter.

b. Weaknesses in Procurement Management

i. Contracts without Budget Lines – Contracts for the supply of equipment and other goods

In response, the Controlling Officer submitted that the Ministry of Defence did not obtain Treasury Authority from the Ministry of Finance and National Planning due to the urgency in the requirement for uniforms to kit personnel who were graduating in Livingstone and Mbala. However, the Ministry of Defence requested for funds from Ministry of Finance and National Planning who made the initial 25 per cent advance payment to the suppliers. The suppliers had since delivered the uniforms and awaited the final payments.

Further, the Ministry of Defence had continued to engage the Ministry of Finance and National Planning to release the funds to settle the outstanding arrears. The Committee was, further, informed that all procurements were planned for under the 2021 Budget Program of Air Defence for the Zambia Air Force, except for the purchase of aircraft, which were bought directly by Ministry of Finance and National Planning due to the huge costs involved.

Committee's Observations and Recommendations

The Committee notes the submission and strongly cautions the Controlling Officer against entering into contracts without ascertaining the availability of funds causing the Government to lose colossal sums of money in delayed payments. The *Public Finance Management Act, No. 1 of 2018*, Section 52(2)(b) provides for punishment for failure by the office holder to perform duty as assigned. In this case, punitive action should be taken against the officers who were present at the time for failure to advise the Controlling Officers accordingly. However, the Committee is cognisant of the fact that the current Controlling Officer may not have been at the Ministry when the contracts were entered into and urges the Secretary to the Treasury to ensure that all Controlling Officers are sensitised on the provisions of the *Public Procurement Act No. 12 of 2008*, to avoid a reoccurrence of procurement irregularities. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

ii. Purchase of Ten Thousand (10,000) Smoke Denisons

- **Failure to Adhere to Payment Terms**

In response, the Controlling Officer acknowledged the failure to adhere to payment terms and submitted that the Ministry of Defence did not pay the suppliers due to non-release of funds by the Treasury. The Ministry was had since been awaiting clearance from Ministry of Finance and National Planning and the Drug Enforcement Commission.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Secretary to the Treasury, as a matter of urgency, to mobilise resources to offset the outstanding balance to avoid the Government losing colossal sums of money through charges on delayed payments and avail supporting documents to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

- **Failure to provide justification for Limited Bidding**

In response, the Controlling Officer submitted that the observation regarding failure to provide justification for limited bidding was acknowledged. However, in accordance with the *Public Procurement Act, No. 8 of 2020*, the denison smocks were urgently needed to kit personnel. Further, the goods were of military nature and available only from a limited number of suppliers.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that the provisions of the *Public Procurement No. 8 of 2020*, are adhered to whenever procurements are being conducted and recommends that the matter be closed, pending audit verification.

- **Cover Bidding – Unfair and Uncompetitive Procurements**

In response, the Controlling Officer submitted that the Ministry would, in future, pay particular attention to conducting thorough due diligence at bid evaluation to ensure such procurement irregularities were curtailed at inception stage.

Committee's Observations and Recommendations

In noting the submission, the Committee finds it unacceptable that officers who are expected to be conversant with the procurement regulations failed to conduct due diligence to curtail the anomaly. The Committee urges the Controlling Officer to institute punitive measures against

all officers who were present at bid evaluation stage for failure to conducted due diligence in order to curtail this procurement irregularity at inception. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

iii. Procurement of 10,000 Combat Suits - K9,952,000

• Failure to Meet Specifications

In response, the Controlling Officer submitted that the term rip-stop related to, or meant that a fabric would be woven with a double thread at regular intervals so that small tears did not spread. The polyester material was added to create the rip-stop effect.

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

iv. Procurement of Equipment - Failure to Deliver Equipment - £227,656

In response, the Controlling Officer submitted that the supplier cited COVID-19 challenges in the production of equipment and requested for an extension. The supplier was granted a six-month extension for the supply and delivery of non-destructive test equipment.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to submit documentation regarding the six month extension to supply and deliver non-destructive test equipment to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

v. Questionable Identification of Suppliers - Supply and Delivery of Equipment

In response, the Controlling Officer regretted the questionable identification of a supplier for the supply and delivery of ammunition by a company that had never conducted business with the Ministry of Defence. The Committee was informed that since December, 2021, the Ministry had been adhering to the procurement guidelines and the Attorney General's advice on the matter.

Committee's Observations and Recommendations

In noting the submission, the Committee is saddened at the wanton abrogation of procurement regulations by officers in the Ministry. The Committee urges the Controlling Officer to ensure that officers involved are charged to deter would be offenders so that such irregularities do not reoccur in future. The Controlling Officer is further urged to put in place measures to ensure that due diligence is conducted before a contract is awarded. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

vi. Failure to Supply, Deliver and Install Equipment

In response, the Controlling Officer submitted that the equipment had since been delivered awaiting installation at Zambia Air Force Mumbwa. Further, as at 21st October, 2022, the company was paid K6,134,400.00, representing an additional 25 per cent to the 50 per cent already paid to the supplier. The supplier was making travel arrangements for a team to travel to Zambia to install the equipment.

Committee's Observations and Recommendations

The Committee is saddened at the failure by the supplier to deliver goods and the Ministry's *laissez faire* attitude being exhibited by officers regarding ensuring that the supplier delivered the goods within the contract period. The Committee urges the Controlling Officer to also take keen interest in the installation of the equipment to ensure that the supplier meets the contractual obligations. The Committee urges the Controlling Office to avail supporting documents to the Office of the Auditor General for Audit verification and awaits a progress report on the matter.

vii. Contract for the Supply and Delivery of Motor Vehicles - US\$4,375,000

- **Expired Performance Security**

In response, the Controlling Officer informed the Committee that the supplier had since submitted a renewed performance bond.

Committee's Observations and Recommendations

The Committee notes the submission and implores the Controlling Officer to institute punitive measures against the officers responsible for the lapse and avail supporting documents to the Auditor General for audit verification and awaits a progress report on the matter.

- **Irregular Direct Bidding**

In his response, the Controlling Officer submitted that the Ministry used limited bidding method of procurement and documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee is deeply saddened at the abuse of a well-intended provision in the law and the lack of adherence to the procurement regulations by procurement officers at the Ministry. There is no justification for direct bidding for the purchase of motor vehicles because it is not an urgent matter and, therefore, does not qualify for direct bidding. The Committee, therefore, urges the Controlling Officer to institute disciplinary measures on all procurement officers involved for failure to comply with procurement regulation and ensure that all supporting documents on this matter are availed to Office of the Auditor General for audit verification. The Committee will await the progress report on the matter.

- **Failure to Complete Delivery**

In response, the Controlling Officer submitted that the supplier had been engaged and had indicated that the vehicles would be delivered in seven weeks as their consignment was among the 2000 vehicles destroyed in the flood disaster in South Africa. Further, out of the seventy-five vehicles, thirty-seven had since been delivered while thirty-eight were yet to be delivered.

Committee's Observations and Recommendations

The Committee notes, with concern, the Ministry's engagement of a supplier who did not have the capacity to fulfil the contractual obligations on time and failure to undertake due diligence before awarding the contract. The Committee takes great exception at the conduct of the procurement officers who have failed to follow up on the supplier to ensure that all vehicles are delivered on time. The Committee implores the Controlling Officer to institute disciplinary measures against all procurement officers involved, including the supervisor for the lapse and avail supporting documents for audit verification. The Committee will await a progress report on the matter.

i. Failure to Complete Delivery of Buses - Contract for the Supply of 10 Brand New Marco Polo Torino Buses

In response, the Controlling Officer submitted that the supplier had since delivered all the buses.

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

ix. Contract for the Supply of Motor Vehicles - Sarago General Dealers Limited

• Failure to Complete Delivery - US\$314,000

In response, the Controlling Officer submitted that the supplier had since done a partial delivery of two Mazda BT50 and one Land Cruiser.

Committee's Observations and Recommendations

The Committee notes, with concern, that the Ministry engaged a supplier who lacked capacity to fulfil contractual obligation on time. This is a result of failure by procurement officers to conduct due diligence before awarding the contract to Sarago General Dealers. The Committee finds it unacceptable that procurement officers have failed to ensure that the supplier delivers all vehicles on time. The Committee implores the Controlling Officer to institute disciplinary measures on the procurement officers, as well as the supervisor for the lapse and avail supporting documents to the Office of the Auditor General for verification. The Committee will await a progress report on the matter.

• Lack of Clearance from Attorney General

In response, the Controlling Officer submitted that the clearance was granted by the Attorney General and it was available for verification by the Auditor General.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and will await the progress report on the matter.

• Failure to Provide Price reasonable Analysis

In response, the Controlling Officer submitted that the price reasonable analysis was conducted and submitted to the Zambia Public Procurement Authority.

Committee's Observations and Recommendations

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

i. Contract for Supply of Motor Vehicles – Evanset Civil WorksEngineering

• Procurement of Expensive Motor Vehicles

In response, the Controlling Officer regretted the procurement of expensive motor vehicles.

Committee's Observations and Recommendations

The Committee is deeply saddened at the willfull violation of the procurement regulations by procurement officers who failed to conduct due diligence before entering into contract with a supplier to ensure price reasonableness. The Committee urges the Controlling Officer to ensure strict adherence to procurement regulations and laws, without exception. The Committee implores the Controlling Officer to institute punitive measures against all officers who were involved in the procurement process of these vehicles and avail supporting documents to the Auditor General's Office for audit verification. The Committee awaits a progress report on the matter.

- **Questionable Issuance of a Motor Vehicle**

In response, the Controlling Officer submitted that it was a condition of service that an officer who was entitled to a personal to holder vehicle was allowed to purchase that vehicle on retirement or death. Cabinet Circular No.6 of 2001 at paragraph 2 provided for that authority. Therefore, the issue of the vehicle being givento the estate of Brigadier General Lungu for subsequent purchase as per Conditions of Service was not irregular.

Committee's Observations and Recommendations

While acknowledging that that the action stemmed from a Condition of Service, the Committee is concerned that the condition being applied at the time has since been replaced by new conditions of Service. The Committee implores the Controlling Officer to ensure that Management familiarises itself with the current circulars relating to the award of benefits to the deceased. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification, after which that mater must be closed.

MINISTRY OF DEFENCE – ZAMBIA AIR FORCE

PARAGRAPH 36

Audit Findings

An examination of accounting and other records maintained at Zambia Air Force and selected stations for the Financial Year Ended 31st December, 2021 revealed various irregularities to which the Controlling Officer responded as set out below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a provision of K1,465,776,214 was made to cater for the operations of the Zambia Air Force against which amounts totallingK1,465,776,213 were released. As at 31st December, 2021, amounts totallingK1,438,276,212 had been spent, leaving a balance of K27,500,002.00.

In response, the Controlling Officer submitted thatthe 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 2021 financial year.

Committee's Observations and Recommendations

The Committee notes the response and urges the Secretary to the Treasury to ensure that funds are released on time so that all planned activities are implemented as provided for in the budget. The Controlling Officer is also implored to be proactive to ensure that funds are spent timely and as appropriated by Parliament.

b. Procurement Matters

i. Contract for the Procurement of Equipment - Delayed Payment of Advance

In response, the Controlling Officer stated that the Zambia Air Force had obtained Treasury Authority from the Ministry of Finance and National Planning. The failure to pay, was as a result of the delay in the release of funds by the Ministry of Finance and National Planning. However, the Committee was informed that the contract had since been executed in full.

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

ii. Purchase of Equipment and Vehicles

• Questionable Basis for Direct Bidding

In response, the Controlling Officer submitted that the type of bidding used was as a result of a novation from Elbit Systems to Savenda Systems Limited. In addition, Section 32(2)(c) of the *Public Procurement Act No. 12 of 2008*, the Act in effect at the time, allowed for additional goods, works or services to be procured from the same source for compatibility, standardisation and continuity.

Committee's Observations and Recommendations

The Committee notes that, indeed, at the time the Ministry engaged Savenda Systems Limited, the *Public Procurement Act, No. 12 of 2008*, was in effect because the *Public Procurement Act, No. 8 of 2020*, was only assented to on 23rd November, 2020. However, the Committee urges the Controlling Officer to provide evidence for its previous dealings with Savenda Systems Limited which prompted the Ministry to engage the company. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification the resolves to await a progress report on the matter.

• Failure to Pay Contractor

In response, the Controlling Officers submitted that the failure to meet contractual obligations was due to the non-release of funds by the Ministry of Finance and National Planning.

Committee's Observations and Recommendations

The Committee expresses displeasure at the Ministry's failure to pay the supplier in line with the contract agreement. This situation could result in interest charges causing a strain on the meager public resources. In this vein, the Committee urges the Controlling Officer to engage the Secretary to the Treasury, as a matter of urgency, to secure funds without undue delay. The Committee further implores the Controlling Officer to avail supporting documents to the Auditor General's Office for audit verification and will await a progress report on the matter.

iii. Procurement of One Sukhoi Business Jet 100

• Failure to Provide Letter of Credit - US\$41,600,000

In response, the Controlling Officer submitted that the financial arrangements for the procurement of the aircraft were handled at the Ministry of Finance and National Planning.

Committee's Observations and Recommendations

In noting the submission, the Committee expresses deep regret at the Ministry's failure to follow up with the Ministry of Finance and National Planning to ensure that it meets the contractual obligation. The Committee fears that because of the lapse of time, it is likely that the Government will be made to pay interest, causing a further strain on its meager resources. The Committee urges the Controlling Officer to engage the Secretary to the Treasury to devise mechanisms on how contractual obligations will be met including provision of the letter of credit as well as payment of the outstanding balance. The Committee implores the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

- **Failure to provide Performance Guarantee**

In response, the Controlling Officer submitted that in accordance with Article 177(5)(d) of the *Constitution Chapter 1 of Laws of Zambia*, before any contract was executed, it had to be submitted to the Attorney General for scrutiny and clearance. Therefore, the contract in question was submitted to the Attorney General for scrutiny and approval and as such, the Ministry of Defence could not alter any clauses therein.

Committee's Observations and Recommendations

The Committee expresses displeasure at the Attorney General's failure to note the absence of a performance guarantee in the contract. However, procurement officers at the Ministry of Defence should have also noted the omission and alerted the Attorney General because provision of a performance guarantee is one of the conditions that validates a contract. The Committee urges the Controlling Officer to put in place measures to ensure that due diligence is conducted so that all procurement regulations are adhered to. In this vein, the Committee urges the Controlling Officer to institute disciplinary actions against officers who neglected to include the stated provision in the contract. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

- **Unfair Contract Clauses**

In response, the Controlling Officer submitted that in accordance with Article 177(5)(d) of the *Constitution Chapter 1 of Laws of Zambia*, before any contract was executed, it would be submitted to the Attorney General for scrutiny and clearance. The contract in question was submitted to the Attorney General for scrutiny and approval and as such the Ministry of Defence could not alter any clauses therein.

Committee's Observations and Recommendations

The Committee expresses displeasure at the inclusion of an unfair provision in the contract by the Ministry procurement officers. The Committee finds it unacceptable and urges the Controlling Officer to institute disciplinary action against officers' failure to detect the anomaly at contract evaluation stage. The Committee notes, with concern, that the Office of the Attorney General proceeded to approve a contract that had unfair clauses and wonders how diligent the office is in protecting public interest. In view of this, the Committee urges the Office of the Attorney General to put measures in place ensure that the contract vetting processes are enhanced without undue delay. The Committee urges the Controlling Officer to avail supporting documents to Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

iv. Procurement of Radiology Equipment.

- **Questionable Invitation of Bidders**

In response, the Controlling Officer submitted that the Ministry of Defence had put in place a database of suppliers who had been vetted and approved to do business with the Ministry. It was from this database that suppliers would be identified whenever a specific procurement need arose. Additionally, the subject company was registered in the engineering category which included supply of equipment components and electronic components where radiology equipment fell, as it was electronic in nature.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to put in place measures to ensure that due diligence is conducted when identifying suppliers of medical equipment. The Committee also urges the Controlling Officers to ensure that supporting documents are availed to the Office of the Auditor General for audit verification and will await a progress report on the matter.

- **Uncompetitive Procurement – Cover Bidding**

In response, the Controlling Officer submitted that the Zambia Air Force had since intensified the processes of conducting due diligence on suppliers. The suppliers' credibility had since been reviewed.

Committee's Observations and Recommendations

The Committee notes, with concern, that there was collusion in the bidding process and expresses dismay at the failure by procurement officers to conduct due diligence to avert the irregularity. The Committee urges the Controlling Officer to devise mechanisms to ensure thorough evaluation of bids so that anomalies are curtailed at inception. The Controlling Officer is, further, called upon to institute disciplinary measures on procurement officers for the omission and avail all supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Failure to Pay Supplier**

In response, the Controlling Officer submitted that the Zambia Air Force had obtained Treasury Authority for the procurement from the Ministry of Finance and National Planning. Therefore, the failure to pay suppliers was as a result of the delay in the release of funds by the Ministry of Finance and National Planning.

Committee's Observations and Recommendations

The Committee is deeply concerned at the failure by the Ministry of Finance and National Planning to meet contractual obligations. The Committee is of the view that the continued delay in paying the supplier could result in the Government incurring charges in interest that will prove to be a strain on the public funds. The Committee is, further, concerned that despite the equipment being delivered, it has not been installed for it to be utilised as intended. The Committee, therefore, implores the Controlling Officer to lobby the Secretary to the Treasury to consider settling the outstanding balance without undue delay and also ensure that the equipment is installed without any further delay. The Committee resolves to await a progress report on the matter.

v. Procurement of 30,000 Combat T-shirts

In response, the Controlling Officer submitted that in future, the Zambia Air Force would pay particular attention and conduct thorough due diligence at bid evaluation stage to ensure such practices (cover bidding) were curtailed at inception stage.

Committee's Observations and Recommendations

The Committee is deeply saddened at the failure by procurement officers at the Ministry to conduct due diligence at bid evaluation stage in order to curtail the anomaly. The Committee is of the view that if due diligence is conducted, suppliers that share the same contact persons, phone numbers and directors can be identified at bid evaluation process. The Committee urges the Controlling Officer to devise a mechanism that will ensure that due diligence is conducted at bid evaluation stage to stop the conspiracy. The Committee also recommends that suppliers who collude should be blacklisted from doing business with the Government. The Committee urges the Controlling Officer to institute disciplinary measures against procurement officers for the lapse and to avail all documentation to the Office of the Auditor General for audit verification and resolves to await a progress report.

• Questionable Pricing of T-Shirts – K550

In response, the Controlling Officer submitted that the guidance provided in the recently promulgated Cabinet Circular on price reasonableness and value for money, as well as the Zambia Public Procurement Authority market price index, the Zambia Air Force would endeavour to adhere to the provisions of the cited regulations.

Committee's Observations and Recommendations

The Committee finds unacceptable the impunity with which procurement officers in the Ministry flout procurement regulations. The Committee urges the Controlling Officer to institute punitive measures against officers who were involved in the procurement process. The Committee also implores the Controlling Officer to put measures in place to ensure that due diligence is undertaken to ascertain the reasonable prices of goods before awarding a contract. Further, the Committee urges the Controlling Officer to submit all supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

vi. Purchase of Farmland – Failure to obtain Title Deeds

In response, the Controlling Officer submitted that the delay was occasioned by lack of State consent to assign from the vendor. The State consent was availed and had an assignment and the subsequent processes were underway.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to be proactive to ensure that Title Deeds for the farm land are acquired without undue delay. The Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General for audit verification and will await a progress report.

vii. Irregular Splitting of Procurements - K2,384,658

In response, the Controlling Officer submitted that the Zambia Air Force had instituted corrective measures and this irregularity would not reoccur.

Committee's Observations and Recommendations

In noting the submission, the Committee finds it unacceptable that procurement regulations are abrogated with impunity. The Committee, further, urges the Controlling Officer to institute punitive measure against procurement officers involved in the splitting of the purchase order. The Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General for audit verification and will await a progress report.

c. Accounting Irregularities

i. Management of Accountable Imprest

In response, the Controlling submitted that the funds involved were to cater for air movement operations for VVIP (positioning of fuels in remote areas, crew allowances, in flight meals, handling, packing and other airport charges for foreign movements), command and control (delegated tasks, security operations, operations and security other than war e.g. border operations), sudden aircraft taskings (body run ó funerals, medical evacuations, search and rescue, sudden radar repairs aircraft recoveries from the fields), disaster response (evacuations, search and rescue ó casualties, food relief in remote and rural areas, reconnaissance such as mines, game parks etc.

Further, the lead times (times in which to respond) were short in most of these undertakings, thereby making it inevitable for the Zambia Air Force to use cash as opposed to cheques and electronic transfers that would delay carrying out the taskings or diminish the chances of success during the operations. The situation was further compounded by the lack of banking facilities in most of the remote areas where these aircraft taskings were being undertaken.

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

ii. Irregular Payment of Subsistence and Transport Allowances using Cash

In response, the Controlling Officer submitted that the cash was paid to cater for travel movements of individuals who were called upon at short notice to Air Force Headquarters to undertake operational assignments of an emergency nature where time was of essence.

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

MINISTRY OF DEFENCE - ZAMBIA NATIONAL SERVICE

PARAGRAPH 37

Audit Findings

An examination of accounting and other records maintained at the Zambia National Service Headquarters and selected stations carried out for the Financial Year Ended 31st December, 2021, revealed irregularities to which the Controlling Officer submitted as outlined below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a provision of K1,320,336,729, was made to cater for operations of the Zambia National Service (ZNS) against which amounts totalling K1,316,156,227, were released resulting in an underfunding of K4,180,502.

Although, ZNS was underfunded, as at 31st December, 2021, amounts totalling K1,275,663,957, had been spent, leaving a balance of K40,492,271.

In addition, amounts totalling K52,103,782, were raised under the Production and Land Development Branch out of which amounts totalling K28,326,470 were spent, while amounts totalling K23,777,313 were reinvested in the Production and Land Development activities.

In response, the Controlling Officer submitted that the Ministry of Defence had continued to engage Ministry of Finance and National Planning to release the funds budgeted for so that all budgeted activities were executed according to the budget.

Further, the Zambia National Service received some funds towards the end of the financial year and therefore, could not utilise all the funds received. However, the Ministry of Defence applied for retention and authority was granted to retain the said funds and spent in the financial year 2022.

Committee's Observations and Recommendations

The Committee notes the response, and urges the Secretary to the Treasury to ensure that funds are released on time so that all planned activities are implemented as provided for in the budget. The Controlling Officer is also implored to be proactive to ensure that funds are spent timely and as appropriated by Parliament. The Committee notes the response and awaits a progress report on the matter.

b. Procurement Matters – Irregular Splitting of Procurements

In response, the Controlling Officer submitted that the procurement of the farming inputs were as requested by individual units. This meant that contracts were done for units as requested in order to facilitate the timely formulation of contracts so as to meet the timelines of the farming season. The units were to make payments for the inputs using their own resources from the 2019/20 maize proceeds.

Committee's Observations and Recommendations

In noting the submission, the Committee finds it unacceptable that procurement regulations are abrogated with impunity. The Committee urges the Controlling Officer to institute punitive measures against procurement officers involved in the splitting of the purchase order. The Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General for audit verification and will await a progress report on the matter.

c. Infrastructure – Land Development Branch (LDB)

i. Construction of Sentry Post, Concrete Driveway and Steel Gate - ZNS LDB HQ - Contract Without Approval of the Attorney General

In response, the Controlling Officer submitted that the contracts that were entered into post December, 2021, had complied with procurement guidelines.

Committee's Observations and Recommendations

In noting the submission, the Committee finds it unacceptable that procurement regulations are flouted with impunity. Procurement officers at the Ministry failed to ensure that the contract was approved and cleared by the Treasury and Attorney General as provided for under the *Public Procurement Act, No. 8 of 2020*. The Committee, therefore, urges the Controlling Officer to institute punitive measure against procurement officers involved in the omission of this important provision and avail supporting documents to the Office of Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Construction of Phase 1 River View Park Infrastructure Development Twin Palm Land – K478,159,473,

- **Contracts without Attorney General's Advice**

In response, the Controlling Officer submitted that contracts that were entered into post December, 2021, had since complied with procurement guidelines.

Committee's Observations and Recommendations

In noting the submission, the Committee finds it unacceptable that procurement regulations are flouted with impunity. Procurement officers at the Ministry failed to ensure that the contract was approved and cleared by the Treasury and Attorney General, as provided for under the *Public Procurement Act, No. 8 of 2020*. The Committee, therefore, urges the Controlling Officer to institute punitive measure against procurement officers involved in the omission of this important provision and avail supporting documents to the Office of Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Irregular Award of Contracts above Zambia National Service Authorisation Threshold**

In response, the Controlling Officer submitted that all future contracts would adhere to procurement guidelines.

Committee's Observations and Recommendations

In noting the submission, the Committee finds it unacceptable that procurement regulations are flouted with impunity. The Committee also bemoans the failure by procurement officers to advise the Commandant about his allowable threshold of K50,000.00 for awarding a contract. The Committee urges the Controlling Officer to institute punitive measure against procurement officers involved for the omission of this important provision. The Committee, also urges the Controlling Officer to ensure that the Commandant familiarises himself with the procurement regulations and avail supporting documents to the Office of Auditor General for audit verification. The Committee will await a progress report on the matter

- **Irregular Opening and Closing of Bank Account without Authority**

In response, the Controlling Officer submitted that there were no records which indicated that the Zambia National Service opened and closed the ZNS Escrow Account. In this vein, the matter had since been reported to investigative wings.

Committee's Observations and Recommendations

The Committee notes the submission but wonders why this explanation was not given to the auditors during the audit or exit meeting. The Committee, therefore, recommends that this matter be reconciled with the Office of the Auditor General. The Committee awaits a progress report on the matter.

iii. Equipment Rental Agreement – Zambia National Service and AVIC International Limited - K28,848,960

• Failure to Account for Rentals

In response, the Controlling Officer submitted that as per conditions in the solicitation document, the machinery holding was meant for the purpose of bidding for a contract from National Pension Scheme Authority, and not that the Zambia National Service equipment was rented out as was indicated. Documentation was available for audit verification.

Committee’s Observations and Recommendations

In noting the submission, the Committee recommends that the Controlling Officer should ensure that the money, which was supposed to be collected from the lease of the equipment, is collected without undue delay. The Controlling Officer is further urged to submit the documents to the Auditor General’s Office for audit verification and resolves to await a progress report on the matter.

• Failure to Collect Security Deposit

In response, the Controlling Officer submitted that the Zambia National Service did not lease out the equipment and, therefore, there was no requirement to collect a security deposit.

Committee’s Observations and Recommendations

The Committee notes the submission but wonders whether or not this explanation was availed to the auditors during the exit meeting and why the query would stand if this was done. The Committee is deeply concerned at the *laissez-faire* attitude exhibited by procurement officers for failure to collect security deposit which was provided for in the contract agreement. The Committee urges the Controlling Officer to ensure that due diligence is conducted whenever a contract is being implemented. The Controlling Officer is further urged to submit the documents to the Auditor General’s Office for audit verification. The Auditor General’s Office is further being encouraged to undertake a further audit so as to ascertain whether indeed the equipment was not leased to Avic International and why the Company was permitted to use the said equipment for two years. The Committee resolves to await a progress report on the matter.

• Lease of Government Equipment without Authority from Secretary to the Treasury.

In response, the Controlling Officer submitted that the Zambia National Service did not lease out equipment to AVIC, and as such Zambia National Service did not seek authority from the Secretary to the Treasury.

Committee’s Observations and Recommendations

The Committee notes the submission from the Controlling Officer and wonders why the ZNS Command failed to satisfy the auditors with the explanation submitted above. The Committee, therefore, implores the Office of the Auditor General to undertake a further audit so as to ascertain whether or not the equipment is not leased to AVIC International. The Controlling Officer is further urged to submit the documents to the Auditor General’s Office for audit verification and resolves to await a progress report on the matter.

• Failure to Provide Evidence of Payment of Insurance During the Lease Period

In noting the submission, the Controlling Officer submitted that the Zambia National Service did not lease the equipment to AVIC.

Committee's Observations and Recommendations

In noting the submission, the Committee finds it unacceptable that procurement regulations are flouted with impunity. Procurement officers at the Ministry failed to ensure that the contract was approved and cleared by the Attorney General, as provided for under the *Public Procurement Act, No. 8 of 2020*. The Committee urges the Controlling Officer to institute punitive measures against procurement officers involved in the omission of this important provision. The Committee also urges the Controlling Officer to ensure that procurement regulations are applied without exception and avail supporting documents to the Office of Auditor General for audit verification. The Committee will await a progress report on the matter.

• Failure to Avail Approval from Attorney General

In response, the Controlling Officer submitted that since December, 2021, the Zambia National Service had since been adhering to procurement guidelines.

Committee's Observation and Recommendations

In noting the submission, the Committee finds it unacceptable that procurement regulations are being flouted with impunity. Procurement officers at the Ministry failed to ensure that the contract was approved and cleared by the Attorney General as provided for under the *Public Procurement Act, No. 8 of 2020*. The Committee urges the Controlling Officer to institute punitive measure against procurement officers involved in the omission of this important provision. The Committee urges the Controlling Officer to ensure that procurement regulations applied without exception and avail supporting documents to the Office of Auditor General for audit verification. The Committee will await a progress report.

d. Lack of Title Deeds for Properties

In response, the Controlling Officer submitted that the twenty-two properties not on Title were at different stages as follows:

- i. five were on invitation to treat with Ministry of Lands;
- ii. six were pending court cases;
- iii. one was launched at Ministry of Finance and National Planning for lease endorsement seal;
- iv, two were re-submitted to State House for concept approval; and
- v. six property were at different stages.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to expedite the process of acquiring Title Deeds for the properties without any further delay and resolves to await progress report on the matter.

e. Mansa Timber Processing Factory – ZNS Shandong

i. Failure to avail a No Objection from ZPPA to Single Source

In response, the Controlling Officer submitted that failure to obtain a No Objection from ZPPA to single source Shandong was regrettable.

Committee's Observations and Recommendations

The Committee strongly cautions the Controlling Officer and urges him to put in place measures to ensure strict adherence to procurement regulations without exception. The Committee implores the Controlling Officer to implement punitive measures against all those involved in the omission of this important provision. The Committee, further, urges the

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

ii. Joint Venture Agreement without Clearance from the Attorney General

In response, the Controlling Officer regretted the failure by the Ministry to obtain a clearance from the Attorney General.

Committee's Observations and Recommendations

In noting the submission, the Committee finds it unacceptable that procurement regulations are flouted with impunity. Procurement officers at the Ministry failed to ensure that the contract was approved and cleared by the Attorney General, as provided for under the *Public Procurement Act, No. 8 of 2020*. The Committee urges the Controlling Officer to institute punitive measures against procurement officers involved in the omission of this important provision. The Committee, further, urges the Controlling Officer to ensure that procurement regulations are applied without exception and avail supporting documents to the Office of Auditor General for audit verification. The Committee will await a progress report on the matter

iii. Irregular Issuance of Licences and Permit to Export Mukula

In response, the Controlling Officer submitted that the matter had since been reported to the investigative wings.

Committee's Observations and Recommendations

The Committee finds it unacceptable that procurement officers ignored procurement regulations with impunity by irregularly issuing licenses and permits to export mukula. The Committee urges the Controlling Officer to institute punitive measures against procurement officers involved in the omission. The Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General for audit verification. The Committee will await a progress report.

iv. Expired Tax Clearance Certificate

In response, the Controlling Officer regretted that a tax clearance certificate was not obtained from the Zambia Revenue Authority.

Committee's Observations and Recommendations

In noting the submission, the Committee finds it unacceptable at the Ministry's failure to renew its tax clearance certificate. The Committee strongly cautions the Controlling Officer and urges him to put in place measures to ensure that tax laws are not flouted and also urges him to implement punitive measures against all those involved in the omission which caused the Government to lose revenue. The Committee, further, urges the Controlling Officer to avail supporting documents to the Office of Auditor General for audit verification and will await a progress report on the matter.

v. Questionable Selling Price of Exported Mukula to China

In response, the Controlling Officer submitted that the matter had since been reported to investigative wings.

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

vi. Failure to account for five 40 Foot Containers of Mukula Logs

In response, the Controlling Officer acknowledged that five 40-foot containers of Mukula were unaccounted for and the matter had since been reported to the investigative wings.

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

vii. Unretired Accountable Imprest - Factory Operating Costs – K9,431,654

In response, the Controlling Officer submitted that the documents were not availed to the auditors because a Chinese officer who was responsible was out of the country at the time of audit. However, the imprest was retired and the documents were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee wonders why a Chinese national was entrusted with the responsibility of handling accountable impress documents in a military establishment. However, the Committee urges the Controlling Officer to avail the now available supporting documentation to the Office of the Auditor General for audit verification subject to which the matter must be closed.

MINISTRY OF EDUCATION

PARAGRAPH 38

Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters for the Financial Year Ended 31st December, 2021 revealed various irregularities to which the Controlling Officer responded as set out below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a provision of K10,564,640,834 was made to cater for various activities against which amounts totalling K10,213,353,659 were released resulting in underfunding of K351,287,175.

In response, the Controlling Officer submitted that the underfunding resulted in some activities not being implemented as planned for in the 2021 financial year. Additionally, the unspent K12,034,615, was part of the funds received in December, 2021 for the Zambia Education Enhancement Project under the World Bank. As such, it was too late to spend all the funds within the month of December. However, the Treasury authorised that the funds be carried over to the 2022 financial year. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the response and urges the Secretary to the Treasury to ensure that funds are released on time so that all planned activities are implemented as provided for in the

budget. The Controlling Officer is also implored to be proactive to ensure that funds are spent timely and as appropriated by Parliament.

b. Operational Matters

• Weaknesses in the Management of the School Feeding Programme

In response, the Controlling Officer submitted that the weaknesses in the management of the school feeding program were due to the reasons set out below.

• Failure to Honour Payment Instructions by Ministry of Finance and National Planning

Upon being funded in 2018, the Ministry of Education duly processed an instruction to the Ministry of Finance and National Planning to pay the Food Reserve Agency(FRA) K18,493,334.00 towards liquidating part of the debt that had accumulated over the years. However, the Ministry of Finance and National Planning did not effect the payment instruction to FRA. Follow-up letters dated 9th July, 2019 and 4th November, 2021, were written to the Secretary to the Treasury for the clearance of the outstanding payment but to no avail. Documentation was available for audit verification.

• Non-Receipt of Budgeted and Approved Funds for the School Feeding Programme

The Ministry of Education was not receiving all the budgeted and approved funds. As at 31st October 2019, of the K39, 544,164.00 allocated to the School Feeding Programme, only K3,296,180.00 was released. The Ministry of Education wrote to the Ministry of Finance and National Planning for payment to FRA, but the request was not honoured.

The Committee was informed that in 2021, that the Ministry paid K15,038,642 to FRA which reduced the amount to K109,214,158.00. The Ministry committed to dismantling the debt owed to FRA when funds were made available by the Treasury and the Ministry had since stopped acquiring maize on credit from FRA but instead started disbursing funds directly to the District Education Board Offices (DEBO) for procurement of the commodity.

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

i. Weaknesses in the Management of the Secondary Education – Infrastructure Development Sub-Programme

• Interest on Delayed Payments – Wasteful Expenditure

In response, the Controlling Officer submitted that interest claims on delayed payments were contractual obligations as per General Conditions of Contract (Clause 43.1). However, delayed payments were due to the ministerial budget constraints which had not provided for already accumulated debt.

Further, the Ministry had its 2022 infrastructure budget provision funded in full and that enabled the Ministry to pay a total of K418,198,197.80 towards the outstanding debt as at 14th November, 2022. The Ministry was still in the process of paying all contractors for the 115 schools by December, 2022 as funds were available. Documentation was available for audit verification.

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

" Delayed Completion of School Infrastructure

In response, the Controlling Officer submitted that the Ministry had made progress in dismantling the outstanding IPCs and contractors have gone back to the sites and works were progressing well.

Further, the 2023 budget for the Ministry had allocated a total of K1.5 billion towards school infrastructure development, broken down as K819,630,747.00 from the Government, while K630,369,252.53 was expected to come from the World Bank.

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

• Water Reticulation and Construction of Water Tank Stand – Ministry Headquarters

In response, the Controlling Officer submitted that the contractor applied for an extension to complete the works before the end of the year and was on site. Documentation was available for audit verification.

Committee's Observation 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. The Committee also urges the Office of the Auditor General to undertake a verification exercise.

• Questionable Establishment and Status of the Zambia Education Projects Implementation Unit (ZEPIU)

In response, the Controlling Officer submitted that prior to the audit of the Ministry, an investigation was done by the new Management, to establish the legal status of ZEPIU arising from an Internal Audit Report which brought out the anomalies cited by the external auditors. After it was established that ZEPIU was not gazetted to operate as a stand-alone entity, the then Director at ZEPIU, was charged for misconduct. In the process of charging the Director, it was discovered that he was also involved in the FTJ University matter and was later suspended. He had since been appearing before the Courts of Law.

The Ministry had written to Cabinet to normalise the establishment of ZEPIU due to the strategic nature of the entity. A lean structure was approved by the Management Development Division and in a phased approach, the Ministry would appoint staff to run ZEPIU as a unit under Planning and Information Department after Treasury Authority was granted.

Further, measures had been put in place to ensure that ZEPIU planned and implemented all activities such as core operations, procurements, financing and human resource activities after seeking authority from the Controlling Officer. Key directorates in the Ministry were providing the required oversight before activities were implemented by the Unit. Documentation was available for audit verification.

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

MINISTRY OF EDUCATION

PARAGRAPH 39

Audit Findings

An examination of accounting and other records maintained at Provincial Education Offices and selected District Education Offices during the period under review revealed irregularities to which the Controlling Officer responded as set out below.

a Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December 2021, a total provision of K272,348,804 was made to cater for operations of the Ministry against which amounts totalling K272,276,117, were released resulting in an underfunding of K72,687. As at 31st December 2021, the Ministry had spent amounts totalling K272,275,875.

In response, the Controlling Officer submitted that the Ministry was unable to undertake some of the planned activities as a result of underfunding.

Committee's Observations and Recommendations

The Committee notes the response, and urges the Secretary to the Treasury to ensure that funds are released timely so that all planned activities are implemented as provided for in the budget. The Controlling Officer is also implored to be proactive to ensure that funds are spent timely and as appropriated by Parliament. The Committee awaits a progress report on the matter.

b. Early Childhood and Primary School Grants - Misapplication of Funds -K1,118,993

In response, the Controlling Officer submitted that the cited four District Education Boards Secretaries (DEBS) were charged. In order to strengthen the management of school grants and avoid misapplication of grants by DEBS, the Treasury was sending grants quarterly and directly to schools beginning January, 2022. Documentary evidence was available for audit verification.

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

c. Accounting Irregularities

i. Unaccounted for Revenue-Southern Province

In response, the Controlling Officer submitted that revenue collected by the schools was deposited directly into the school bank accounts by the learners and the receipts issued to the learners had been reconciled with bank statements. Therefore, all the revenue received had since been accounted for. Documentation was available for audit verification.

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

ii Delayed Banking

In response, the Controlling Officer submitted that the Head Teacher at Katongo Secondary School in Western Province was charged for failure to bank funds on time and had since exculpated himself. Documentation was available for audit verification.

Further, the officer at Highland Secondary School in Southern Province was not a qualified accountant. In order to strengthen internal controls in schools, training was conducted for officers carrying out accounting duties in all schools in the first quarter of 2022. Documentation was available for audit verification.

Committee's Observation and recommendations

The Committee expresses concern that unqualified officers are allowed to carry out accounting duties resulting into failure to keep accountable documents properly for easy retrieval once needed. The Committee urges the Controlling Officer to ensure that qualified accountants are deployed in needy areas to avert the recurrence of this anomaly. The Committee further urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

iii Failure to Collect Rental Income - K138,200

In response, the Controlling Officer submitted that rental payments in amounts totalling K38,550.00 had since been collected at Copperbelt Provincial Education Office leaving a balance of K 76,650.00 and eviction letters had since been served on the tenants.

Further, Zamtel had since paid K18,000.00 to Chembe Secondary School in Luapula Province, leaving a balance of K5,000.00 and efforts were being made to recover the balance. Documentary evidence was available for audit verification.

Committee's Observation and recommendations

The Committee finds it unacceptable that PEOs failed to collect rentals from the tenants as well as Zamtel for such a long period of time. The Committee wonders how effective internal audit systems are if they cannot detect such anomalies before external audits are conducted. The Committee strongly cautions the Controlling Officer to ensure that internal auditors perform their duties diligently to avert such anomalies. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

iv Unsupported Payments

In response, the Controlling Officer submitted that supporting document had since been retrieved for Western, Lusaka, Southern and Central provinces. The documents were misfiled and officers had been cautioned against their inability to safely store accounting documents which should be readily availed to the auditors during the audit process.

Further, as for Eastern Province, the accounting officer was involved in suspected fraudulent activities, which resulted in the recovery of K17,000.00 from one supplier and the balance of K9,120.00 was being recovered from the accountant's salary. Any outstanding amount would

be recovered from the terminal benefits, as the accountant had been charged and recommended for dismissal. Documentation was available for audit verification.

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

v Unretired Accountable Imprest

In response, the Controlling Officer submitted that documents have since been retrieved at Nalolo District Education Office (DEO) in Western Province and were available for audit verification.

Further, the officer at Chadiza DEO in Eastern Province was the same officer that was cited in the case of unsupported payments and had since been charged and recommended for dismissal. In the meantime, recoveries had been effected from his salary pending the determination of his case. Documentation was available for audit verification.

Committee's Observation and recommendations

The Committee finds it unacceptable that accountable documents were not availed to the auditors during the audit process. This is an indication of weak internal audit systems and urges the Controlling Officer to strengthen internal audit systems to avert a recurrence of such anomalies. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

vi Over Payment of Fuel Imprest – Northern Province - K118,196

In response, the Controlling Officer submitted that the nine officers cited as having received fuel imprest for various field trips above had been instructed to pay back and a prescribed formula had been put in place. Documentation was available for audit verification.

Committee's Observation and recommendations

The Committee finds it unacceptable that internal audit systems could not stop the overpayment of fuel allowances. This is an indication of weak internal audit systems because this could have been averted by internal auditors before the officers were paid. The Committee urges the Controlling Officer to strengthen internal audit systems to avert a recurrence of such anomalies and avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

vii Questionable Expenditure for Women's Day – Kamwala Secondary School K34,800

In response, the Controlling Officer submitted that the observations by the auditors regarding questionable expenditure for Women's Day was noted and acknowledged. The funds had since been recovered. Documentation was available for audit verification.

Committee's Observation and recommendations

The Committee finds it unacceptable that internal audit systems could not stop the transport refunds as well as purchase of Women's Day attires. This is an indication of weak internal audit control systems because this could have been averted by internal auditors before refunds and purchases were made. The Committee urges the Controlling Officer to strengthen internal audit systems to avert a recurrence of such anomalies and avail supporting documents to the

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

viii Wasteful Expenditure - Kabulonga Girls Secondary - K26,560

In response, the Controlling Officer submitted that the school Management engaged the supplier for a refund as he was unable to deliver the correct materials. Unfortunately, the cheque the school received was not honoured by the bank because it was an inadequately funded account for the supplier. As a result, the matter was reported to the police and had not yet been concluded. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General and will await a progress report on the matter.

ix Failure to Recover Salary and Tuition Advances – K1,344,185

In response, the Controlling Officer submitted that the recoveries had since been effected. Documentation was available for audit verification.

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

x. Misapplication of Funds - K885,185

In response, the Controlling Officer submitted that the two DEOs for Western Province had since paid back the funds. The PEO for Southern Province had been charged for substandard performance and financial misconduct. However, the PEO Southern Province submitted a report that the misapplication of funds happened in 2021 and he was transferred to the Province in May, 2022. The responsible officer linked to the matter had already retired from Public Service by the time the audit query was raised. The Province had put in place measures to ensure that no similar financial irregularities would be recorded. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General and will await a progress report on the matter.

d. Management of Assets

i Failure to Secure Title Deeds

In response, the Controlling Officer submitted that the process of acquiring Title Deeds was at different stages and presented as set out below.

Western Province

The process of acquiring Title Deeds had commenced by engaging the local leadership.

North Western Province

The mapping of all Government buildings in the province had commenced and survey diagrams have been attached.

Northern Province – Chilubi District Education Officer

The DEBS in Chilubi District had started the process of acquiring Title Deeds for the office as well as schools. The district council had been engaged to facilitate the issuance of Title Deeds.

Luapula Province – Provincial Education Officer

The Ministry of Lands and Natural Resources had been engaged concerning the matter and all processes had been completed.

Mansa – Provincial Education Officer The Ministry of Lands and Natural Resources had been engaged concerning the matter and a response was being awaited.

Milenge Secondary School

The district council had been engaged to facilitate the issuance of Title Deeds.

Mutende Secondary School

Management had taken steps by getting the property No. 293 from the council and the school had since received an invitation to treat from the Ministry of Lands and Natural Resources.

Milenge Secondary School

The traditional leadership had since been engaged to facilitate the issuance of Title Deeds.

Southern Province

Management had engaged the district local authority to ensure that the Title Deeds were issued for the land on which the Provincial Education Office was situated.

Central Province

The college started the process to secure the properties and awaited the issuance of Title Deeds by Ministry of Lands and Natural Resources.

Lusaka Province

The Ministry of Lands and Natural Resource had been engaged by the two DEBS offices to facilitate the issuance of Title Deeds. Documents for the process of acquisition of Title Deeds were available for audit verification.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to expedite the process of acquiring Title Deeds for the Ministry’s properties without any further delay and resolves to await progress report on the matter.

ii Failure to Insure Motor Vehicles

In response, the Controlling Officer submitted that all the vehicles and motor bikes were registered and had since been insured. As regards the Toyota Land Cruiser GRZ 470 CR belonging to Itezh-tezhi DEO, which was involved in a road traffic accident on 2nd February, 2022, the vehicle was worked on by the insurance company and was operational. The delay to insure motor vehicles and bikes was due to none availability of funds. Documentation was available for audit verification.

Committee's 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 and will await the progress report on the matter.

e. Management of Stores

i Unaccounted for Stores

In response, the Controlling Officer submitted that the documents had since been retrieved and were available for audit verification. Further, school managers, accounting, procurement and stores officers were trained in financial, procurement and stores management this year. Internal audit also undertook routine review of internal controls put in place in schools. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place that will augment stores and records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

MINISTRY OF FISHERIES AND LIVESTOCK

PARAGRAPH 40

Audit Findings

An examination of accounting and other records maintained at the Ministry Headquarters, Provincial Fisheries and Livestock Coordinating Offices and selected District Fisheries and Livestock Coordinating Offices (DFLCOs) revealed irregularities to which the Controlling Officer responded as set out below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a provision of K830,843,343 was made to cater for the operations of the Ministry against which amounts totalling K453,649,414 were released, resulting in an underfunding of K377,193,929. As at 31st December 2021, the Ministry had spent amounts totalling K415,299,260.

In response, the Controlling Officer submitted that the Ministry could not utilise all the funds because some of the funds were received late in December, 2021. However, the Ministry sought authority from the Treasury to retain the funds from 2021 to 2022. Authority was granted and the funds had since been used for the intended purpose.

Committee's Observations and Recommendations

The Committee notes the response and urges the Secretary to the Treasury to ensure that funds are released on time so that all planned activities are implemented as provided for in the budget. The Controlling Officer is also implored to avail supporting documents to the Auditor General for verification subject to which the matter should be closed.

b. Failure to Secure Land - Chilanga Aquaculture Research Station

In response, the Controlling Officer submitted that the Ministry of Fisheries and Livestock engaged the Ministry of Lands and Natural Resources on this matter although there had been little progress. The Ministry of Lands and Natural Resources gave guidance on how the Ministry would work with the Provincial Surveyors Offices on the process of acquiring the Title Deeds. In 2014, the Parliamentary Committee on Agriculture, Lands and Natural Resources instructed that the fish farm be moved to another place where there would be adequate water resources and land for expansion. To this effect, the Ministry, through the Zambia Aquaculture Enterprise Development Project identified land in Kafue, where an Aquaculture Research Institute was being developed. So far, the construction works were at 95 per cent as at 30th September, 2022. After completion, all research activities would be moved to Kafue.

Further, the council had requested that the land in question be surrendered to Chilanga District Council for development projects as it had been designated as the Central Business District for Chilanga. Documentation was available for audit verification.

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

c. Irregular Cash Withdrawals – Department of Fisheries - K344,769

In response, the Controlling Officer submitted that the imprest was drawn to pay officers who were coming from Lusaka District that accompanied the Minister on an urgent assignment. The activities for which the imprest was drawn were undertaken. The activity report and retirement details were available for audit verification.

Further, the officer who drew the imprests was reprimanded for not adhering to the Ministry of Finance Treasury and Finance Management Circular No. 1 of 2020 on the management of imprest. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee wonders why the retirement details were not availed at the time of the audit and questions their authenticity. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

MINISTRY OF FISHERIES AND LIVESTOCK

PARAGRAPH 40

ENHANCED SMALLHOLDER LIVESTOCK INVESTMENT PROGRAMME

Audit Findings

An examination of accounting and other records maintained at the Project Implementing Unit and selected districts revealed several irregularities to which the Controlling Officer responded as set out below.

a. Budget, Funding and Expenditure

In the E-SLIP annual work plan and budget for the Financial Year Ended 31stDecember, 2021, a provision of K222,187,164 was made to cater for various activities against which amounts totalling K148,335,368 were released, resulting in an underfunding of K73,851,796. As at 31st December, 2021, amounts totalling K130,402,988 had been spent.

In response, the Controlling Officer submitted that the unspent funds amounting to K17,932,380 were only received by the Programme in the last week of December, 2021 and could not be utilised as at 31stDecember, 2021. These funds were retained and carried forward to 2022 and had since been utilised for the intended purpose. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the response, and urges the Secretary to the Treasury to ensure that funds are released on time so that all planned activities are implemented as provided for in the budget. The Controlling Officer is also hereby implored to be proactive to ensure that funds are spent timely and as appropriated by Parliament.

b. Operational Matters

i. Component 1 – Animal Disease Control Sustainably Improved

• Failure to Meet Target – Failure to Train Farmers in Animal Disease Control - K113,750

In response, the Controlling Officer submitted that out of the 600 livestock farmers that were targeted for training in 2021, 458 farmers were trained, leaving 142 untrained. The 142 farmers were not trained because the funds for the training were received during the farming season when most farmers shunned the training because the planting season had begun. Trainings for the 142 farmers that were not trained in 2021 were scheduled for 2022, and had since been conducted. Going forward, the programme had trained community Contagious Bovine Peuropneumonia taskforces who in-turn were to train the local farmers on a continuous basis. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the response, and urges the Secretary to the Treasury to ensure that funds are released on time so that all planned activities are implemented as provided for in the budget. The Controlling Officer is also implored to be proactive to ensure that funds are secured timely and as appropriated by Parliament in order to protect animals. The Committee awaits a progress report on the matter.

• Failure to Meet the Immunisation Target

In response, the Controlling Officer submitted that 157,934 calves were not immunised because some farmers were not able to raise the fees being charged for East Coast Fever immunisation. The Ministry had enhanced extension and sensitisation of farmers to adopt the calve immunisation.

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

ii. Component 2: Livestock Production System Sustainably Improved - K168,881,966

• Failure to Sign Contracts with Beneficiary Groups– K1,823,175

In response, the Controlling Officer submitted that farmer groups had signed on undesignated forms acknowledging receiving the animals instead of formal contract forms. The farmer groups affected had since signed the contract on formal contract forms to normalise the contracts. Going forward, the programme had availed the formal contract forms to the district officers and community facilitators to ensure that contracts were signed when the animals were given to the farmers. Samples for the formal contracts were available for audit verification.

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

~ Failure to Conduct Training

In response, the Controlling Officer submitted that auditors were not availed the documentation pertaining to the training because they were still with the officers who conducted the training in Ndola and Masaiti Districts. When the auditors came for audit verification, they did not go to the districts to verify the information. As a result, the matter remained outstanding. The documentation supporting the training had since been collected by the Programme Coordination Office and were available for verification. Going forward, community facilitators and district officers had been advised to share supporting documents as part of the acquittal for funds released for trainings.

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

~ Unaccounted for Livestock

In response, the Controlling Officer submitted that there was a discrepancy in the records held at the districts and those held at the Programme Coordination Office for the livestock and vaccines that were sent for distribution to beneficiaries. The affected districts were asked to reconcile their documents with those held by the Programme Coordination Office and to maintain an updated record of all their activities. Further, the Fisheries and Livestock Offices in the districts had no stores officers. Therefore, the districts coordinators had been advised to appoint officers to be responsible for stores management. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to deploy stores officers to areas that did not have and avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

c. Accounting Irregularities

i. Unretired Accountable Imprest – Programme Coordination Office - K2,308,625

In response, the Controlling Officer submitted that the imprest in question was not retired at the time of audit as the activities for which the imprest was given had not yet been concluded.

The funds were sent to the districts at the close of 2021 and activities were only implemented in 2022. The unretired imprest had since been fully retired and documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee wonders why the submission above, was not tendered to the audit team, which could have resulted in the query being dropped. However, the Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

ii. Unsupported Payments – CBBP Vaccinations K54,355

In response, the Controlling Officer submitted that the payments in question were approved at the Programme Coordination Office but other documentations such as invoices, GRNs and Goods Issued Vouchers were not attached. The payments were not adequately supported because of the district's inability to follow the laid down procedure when making payments.

The district in question had since submitted relevant documents to support the payments in line with the financial regulations and guidelines. The District Coordinators had also been guided to follow applicable financial guidelines and regulations when making payments regardless of whether or not the payment was being made by the Government or Project. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern at Management's failure to provide accountable documents during the time of the audit process. The Committee finds it unacceptable and urges the Controlling Officer to institute disciplinary measures against officers to avert the recurrence of the anomaly and also to put measures in place to augment stores and the records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

iii. Unaccounted for Stores K318,113

In response, the Controlling Officer submitted that the anomaly was caused by the district's inability to follow procedure when collecting and distributing the vaccines from their store room. The districts in question had fully accounted for all the items received from the Programme Coordination Office and their records had been reconciled with the ones held at the Programme Coordination Office. The respective districts had since been advised to appoint an officer to ensure stores records maintained at district level matched the records maintained at the Programme Coordination Office.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place to augment the stores and records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

MINISTRY OF FISHERIES AND LIVESTOCK

PARAGRAPH 40

Departments: Provincial and District Fisheries and Livestock Offices

Audit Findings

An examination of accounting and other records maintained at the Provincial Fisheries and Livestock and selected District offices revealed irregularities to which the Controlling Officer responded as set out below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a provision of K30,573,745 was made to cater for operations against which a total amount of K26,813,970 was released resulting in an under funding of K3,759,775.

In response, the Controlling Officer submitted that the Ministry was under funded by K3,759,775 and only spent K24,044,672.00 as at 31st December, 2021 out of K26,813,970.00 released. The Ministry had submitted funding profiles to Ministry of Finance and National Planning during the year under review according to the budget, but the Treasury only released funds as stated above. The funds that remained unused at the end of the year were part of the Foot and Mouth Disease Control Funds that were sent to the provinces. The provincial and district offices could not spend all the funds received by 31st December, 2021 because the Foot and Mouth Disease vaccination exercise was done in phases. The Ministry sought authority from the Treasury to retain the funds from 2021 to 2022, which was granted. The funds had since been used for the intended purpose.

Committee's Observations and Recommendations

The Committee notes the response, and urges the Secretary to the Treasury to ensure that funds are released on time so that all planned activities are implemented as provided for in the budget. The Controlling Officer is also implored to be proactive to ensure that funds are spent timely and as appropriated by Parliament. The Committee awaits a progress report on the matter.

b. Operational Matters - Management of Breeding Centres, Fish Farms, Dip Tanks and Veterinary Camps

i. Failure to Meet Revenue Target

In response, the Controlling Officer submitted that the three cited revenue collection centres under-collected revenue to a total of K616,153.00. The under-collection was caused by the COVID-19 outbreak in 2021, which restricted movement of staff to undertake patrols and inspections and the clients could also not travel to access services resulting in under-collection of revenue. In addition, the country experienced animal disease outbreaks compelling the Government to put restrictions on animal movements thus contributing to the under-collection of revenue.

The Ministry had been making efforts to control animal diseases as from last year and there had been an improvement in revenue collections especially that human movement restrictions caused by COVID-19 had been lifted. Documentation was available for audit verification.

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

ii. Failure to Insure Animals

In response, the Controlling Officer submitted that it was regrettable that the above stated four animal multiplication centres had not insured the animals in the year under review. The centres had not insured the animals mainly due to inadequate funding and reduced revenue collected by the centres. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that animals are insured without any further delay and avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

iii. Failure to Mark Animals – Shang'ombo District and Livestoc Office

In response, the Controlling Officer submitted the fifty-eight cattle were not marked with identification marks as at 31st July, 2022, because the district could not purchase ear tags due to inadequate funding. The fifty-eight cattle that were not marked at the time of the audit have since been marked and tagged. The district coordinator had since been guided to prioritise the marking of animals whenever the district was funded in order to avoid pilfering of the animals. Documentation was available for audit verification.

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

c. Accounting Irregularities

i. Unaccounted for Stores

In response, the Controlling Officer submitted that fifteen stations failed to account for stores items costing to K616,972. This was because the Ministry had inadequate staff including stores officers in provincial centres who could not adequately account for the stores in question. However, the stores in question had been updated and the receipt and disposal details were available for audit verification. The Provincial and District Fisheries and Livestock Coordinators had been advised to use the services of identified officers for stores management so that all stores procured were accounted for adequately. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place to augment the stores and records management system. The Committee also urges the Controlling Officer to ensure that qualified stores officers are deployed to all needy areas and avail retrieved accountable documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iv. Unsupported Payments - K104,621

In response, the Controlling Officer submitted that the stations in question had not collected the receipts from the suppliers, while in some cases, the supporting documents were misplaced. However, the payments in question had been supported with the relevant documents. The Provincial and District Fisheries and Livestock Coordinators had been directed to ensure that all payments were properly supported. Documentary evidence was available for audit verification.

Committee's Observations and Recommendations

The Committee finds it unacceptable that accountable documents could not be availed to the auditors during the time of audit because they were misfiled but have been traced now. The Committee urges the Controlling Officer to discipline the officers responsible for the misfiling and to put measures in place to enhance proper record management systems. The Controlling Officer is urged 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. Irregular Payment of Subsistence Allowance

In response, the Controlling Officer submitted that K42,325.00 was paid as subsistence allowances on fish ban patrols and manning of check points, broken down as K3,800.00 for fish ban patrols and K38,525.00 for manning check points. The K3,800.00 was paid to seven officers as meal allowances to facilitate fish ban patrols on the Lower Zambezi River. The patrols were conducted at night with the support of law enforcement agents to ensure compliance and also for security of the officers. The patrols were on the Lower Zambezi River bordering Zambia with Zimbabwe ranging from Luangwa Boma right at the Luangwa ó Zambezi River Confluence up to Kavalamanja, which was porous and closely associated with fish and livestock tax evasion.

Further, K38,525.00 was paid to officers to man check points at Luangwa Bridge Check Point in Rufunsa District to regulate animals, animal products and animal bi-product movements for the purpose of controlling animal diseases. The officers from Lungwa District, on authority from the Provincial Veterinary Officer (PVO) were paid subsistence allowances considering that they were working at Rufunsa Check Point which was in another district.

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

iv. Un-acquitted Payments – Batoka Fisheries and Livestock Development Centre – Southern Province

In response, the Controlling Officer submitted that three payments in amounts totalling K39,153, made at the centre were not acquitted. The payments in question were in fact acquitted by the beneficiaries and the acquittal sheets were verified by the auditors at the time of audit. The verified acquittal sheets were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee wonders why the query was sustained if the acquittal sheets were availed to the auditors. The Committee, therefore, urges the Controlling Officer to discipline the officers responsible and avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

v. Failure to Settle Obligations - K21,087,525

In response, the Controlling Officer submitted that nineteen stations had outstanding obligations in amounts totalling K21,087,525. The failure to liquidate the arrears was attributed to the fact that the Ministry was dependent on the Treasury for funding to pay out outstanding arrears. The Treasury released funds amounting to K 6,136,064.00 in June, 2022 against an outstanding amount of K41,555,039.19. Documentary evidence was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee wonders why this information was not availed to the auditors and if it was, why the query was sustained. The Committee, therefore, urges the Controlling Officer to take punitive action against the officers occasioning the query and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

d. Administrative Matters

i. Failure to Secure Title Deeds

In response, the Controlling Officer submitted that the Ministry of Fisheries and Livestock engaged Ministry of Lands and Natural Resources on the matter although little progress had been made. However, the Ministry of Lands guided on how the Ministry could work with the Provincial Surveyor's Offices as regards acquiring Title Deeds.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to pursue this matter vigorously and ensure all properties are titled without fail and avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

ii. Failure to Insure Motor Vehicles and Motorcycles

In response, the Controlling Officer submitted that fifteen motor vehicles and thirty-four motor bikes at eleven stations were not insured because of inadequate funding. Some vehicles and motor cycles were not operational during the year, so they could not be insured. However, some of the vehicles and motor cycles had since been insured, while arrangements were being made to insure the rest. The Provincial and District Coordinators had since been directed to prioritise the insuring of assets when they receive funding for Recurrent Departmental Charges. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to pursue this matter vigorously and ensure that all vehicles and motor cycles are insured without fail and avail supporting documents to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

OFFICE OF THE PRESIDENT – MUCHINGA PROVINCE

PARAGRAPH 41

Audit Findings

An examination of accounting and other financial records maintained at the Provincial Administration and six selected district offices revealed irregularities to which the Controlling Officer responded as outlined below.

a. Funding and Expenditure

During the Financial Year Ended 31st December 2021, a total amount of K21,575,108 was received by the Provincial Administration to cater for various activities. In addition, amounts totalling K10,207,367 were brought forward from 2020, bringing the total funds available to K31,764,475. Included in the balance brought forward, was an amount of K10,095,715, meant for infrastructure development. As at 31 December, 2021, amounts totalling K23,789,655 had been spent leaving a balance of K7,974,820.

In response, the Controlling Officer submitted that prudent financial management would be applied in the use of funds in the General Deposit Account and other thirty party accounts in line with the *Public Financial Management Act, No. 1. of 2018*.

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

b. Weaknesses in the Management of Youth Empowerment Projects

i. Failure to Insure Loans

In response, the Controlling Officer submitted that the insurance of loans was the responsibility of the borrowers. The engagement of beneficiaries was also being managed at Ministry of Youth, Sport and Arts Headquarters. Management had, however, been reminding borrowers on the need to have their loans insured. Further, a committee had been instituted to deal with the youth empowerment fund to avoid future recurrence of such anomalies.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to devise a mechanism that will compel all beneficiaries of the youth empowerment fund to insure their loans urgently. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

iii. Failure to Recover Loans

In response, the Controlling Officer submitted that beneficiaries had been paying back their loans through the Ministry of Youth, Sport and Arts Headquarters bank account and not the Provincial Administration bank account. However, Management contacted loan beneficiaries to share their deposit slips as proof of repayment. So far, out of the K2,876,900 disbursed, K30,954.00 had been recovered, leaving a balance of K2,845,946.00. Management would continue to engage loan beneficiaries to continue paying back as per the terms and conditions of the loans disbursed. Documents were available for verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer not to relent in his effort to ensure that the loans are recovered without any further delay. The Committee also implores the Controlling Officer to devise a mechanism that will compel all beneficiaries of the youth empowerment fund to pay back the loans. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

iii. Failure to Monitor Beneficiary Groups

In response, the Controlling Officer submitted that the monitoring component for the Youth Empowerment Fund was not provided for. The Ministry of Youth, Sport and Arts only remitted funds to be disbursed to beneficiaries as per approved provided disbursement schedules received from the Ministry Headquarters. As a result, the district administration offices were unable to monitor the projects being implemented by beneficiaries.

Despite district administration offices failing to monitor youth projects, the Provincial Administration had been doing so through integration with other programmes being undertaken in districts in the spirit of achieving more with less. Management continued to engage the fifteen youth cooperatives and individuals who were loaned amounts totalling K395,300 in August, 2021, but had not commenced any activities as at 31st May, 2022. The fifteen youth cooperatives and individual group had since started implementing their projects. Documents were available for audit verification.

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

iv. Internship Programme

• Engagement of Interns Aged above 35 Years

In response, the Controlling Officer submitted that out of the twelve beneficiaries that were over age, two were eligible as they were within the age requirement at the time of being engaged. However, it was regrettable that the National Youth Development Council under Ministry of Youths, Sports and Arts engaged beneficiaries who were above the age limit for internship eligibility. Management would continue to engage the National Youth Development Council on the need to approve youths who were within the prescribed age limit. Documents were available for audit verification.

Committee's 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 and awaits a progress report on the matter

• Outstanding Stipends (Wages) payments

In response, the Controlling Officer submitted that at the time of audit, Management was still reviewing and verifying files for all interns who had not been paid. However, all interns with outstanding stipends for September and October, 2021 had since been paid after verifications. Documentation was available for audit verification.

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

• Unaccounted for funds – Stipends for interns

In response, the Controlling Officer submitted that documents had been retrieved from districts and schools where they were operating from and were ready for further scrutiny. The Controlling Officer regretted the gaps in their record keeping at the time of audit. However, this had since been resolved as the documents had been retrieved and were ready for verification.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place to augment stores and records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

c. Infrastructure Development – Failure to Complete Projects and Poor Workmanship

i. Construction of a Three-Storey Civic Centre for Chinsali Municipal Council

In response, the Controlling Officer submitted that the project was under the retention defects liability period. However, despite the period coming to an end and due to the rains, the building was still considered to be settling hence the defects liability period was still running. The provincial infrastructure office carried out a final defect inspection and prepared a report for the contractor to work on.

- Installation of an elevator
- Testing and commissioning of air conditioners
- General attendance to plumbing installations and leakages
- External water reticulation system
- General attendance to electrical fittings
- Remedial works on tiling in selected offices
- General attendance to louver window glazing
- Installation of firefighting equipment
- Installation of telephone and data services
- Laying of carpet tiles
- Painting in selected areas
- Attendance to PVC ceiling in council chamber
- General attendance to hardwood, flush doors and door locking mechanism.
- Installation of pillar lights on palisade.

The Committee was informed that the air conditioners in the said building were not operational at the time of audit because the contractor had not yet handed over the remote controls as they had partially handed over the building to the Council Management. The contractor was engaged on the matter and had since handed over the remotes and the air conditioners were now working. Further, the contractor was also engaged to report back on site and work on the pending installation of an elevator. It was also worth noting that landscaping was no longer part of the issues that the contractor could work on as there was a request for variation of works which was approved. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Office of the Auditor General to revisit the site for an on-the-spot check. The Committee will await a progress report on the matter.

OFFICE OF THE PRESIDENT – MUCHINGA PROVINCE

PARAGRAPH 42

Audit findings

An examination of accounting and other records maintained at the Provincial Administration and six selected district offices revealed irregularities to which the Controlling Officer submitted as outlined below.

a. Budget, Funding and Expenditure

In the Estimate Of Revenue And Expenditure for the Financial Year Ended 31stDecember, 2021, a total provision of K11,786,049 was made to cater for operations at the Provincial Administration and the whole amount was released. As at 31stDecember, 2021, amounts totalling K11,210,062 had been spent.

In response, the Controlling Officer submitted that Management would continue to engage the Treasury on the need to continue fulfilling the budgetary obligations in each financial year.

Committee's Observation and Recommendations

The Committee notes the response, and urges the Secretary to the Treasury to ensure that funds are released on time so that all planned activities are implemented as provided for in the budget. The Controlling Officer is also implored to be proactive to ensure that funds are spent timely and as appropriated by Parliament.

b. Procurement of Goods and Services/Expenditure

i. Failure to Observe Threshold

In response, the Controlling Officer regretted that four Districts Commissioners paid a total sum of K156,048 above their authorised threshold for goods and services. Management cautioned the concerned District Commissioners and affirmed that all future procurements by District Commissioners would be within the prescribed procurement threshold and authority would be sought through the Permanent Secretary for those above the threshold. To that effect a memorandum was circulated to all District Commissioners within the Province to guide on their procurement threshold in line with the *Public Procurement Act No.8 of 2020*. Documentation was available for audit verification.

Committee's 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 and awaits a progress report on the matter.

ii. Claims Without Obtaining Prior Authority – Lavushimanda District

In response, the Controlling Officer submitted that deductions had been effected on the payroll for respective officers and evidence was available for audit verification.

Committee's 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 and awaits a progress report on the matter.

iii. Undelivered Sports Items

In response, the Controlling Officer submitted that the supplier was engaged on a number of times on the failure to supply sports items and was advised to ensure that the remaining items were delivered without any further delays. The items in question had since been delivered and documents were ready for audit verification.

Committee's 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 and awaits a progress report on the matter.

c. Management of Assets

i. Uninsured Motor Vehicles

In response, the Controlling Officer submitted that some vehicles on the list were not operational during the period under review as they had major faults, while the remaining motor vehicles on the list have since been insured and insurance policies were available for verification. The delay in having the vehicles insured was due to lack of funding at that time.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to state the number of vehicles that are faulty as well as those that had been insured and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

ii. Delayed Motor Insurance Compensation – Kanchibiya District

In response, the Controlling Officer submitted that at the time of the accident involving the Toyota Hilux Registration No. GRZ 463 CP, Kanchibiya District had only made a partial payment toward the insurance cover although it was comprehensively insured with the Zambia State Insurance Cooperation (ZSIC). The District only completed the full payment in February, 2022 and had since engaged ZSIC for the indemnity which had since been honoured. The vehicle had since been repaired, running and available for audit verification. However, it was regrettable that the matter was not reported to the standing committee immediately after the accident happened.

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

iii. Failure to Secure Title Deeds for Properties

In response, the Controlling Officer submitted that the process of acquiring title Deeds for the office buildings in question started with the Ministry of Lands. Further, the land offers have since been obtained for all the properties in question awaiting surveys to be completed. Documentations were available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to be proactive to ensure that Title Deeds for all the properties are acquired without undue delay. The Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General for audit verification and will await a progress report on the matter.

MINISTRY OF AGRICULTURE

PARAGRAPH 43

Audit Findings

An examination of the accounting and other records maintained at the Ministry Headquarters and selected stations revealed several irregularities 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, 2021, a total provision of K13,472,802,795, was made to cater for various activities, against which amounts totaling K5,766,543,959 were released, resulting in an underfunding of K7,706,258,836. As at 31st December, 2021, amounts totaling K5,765,092,715, had been spent.

In response, the Controlling Officer submitted that the Ministry received K210,000,000.00 funding to pay Agro Dealers on 29th December, 2021. The unspent balance was due to dormant accounts for some vendors whose transactions failed to go through. The vendors were contacted but the process of reactivating accounts with their respective banks took long. As a result, transactions were reversed and subsequently the funds were mopped by the Treasury. However, the Ministry requested for the release of funds in 2022, and the Agro Dealers had since been paid in 2022 financial year. Documentation was available for audit verification.

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

b. Failure to Meet Revenue Projections

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, the Ministry budgeted to collect a total revenue of K723,976,806. However, as at 31st December, 2021, revenue in amounts totaling K492,998,584 was collected, resulting in an under collection of K230,978,222.

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

i. Import Declaration Fees

The Ministry of Agriculture did not collect Import Declaration Fees. This revenue type was erroneously included on the Ministry of Agriculture Revenue collection vote. The Ministry engaged the Budget Office at the Ministry of Finance and National Planning to remove the Revenue Code 123094 from Ministry of Agriculture budget allocation with effect from 2022.

Therefore, in the 2022 Estimates of Revenue and Expenditure, the budget line had since been removed.

ii. Seed Control and Certification Institute – Inspection Fees

During the period under review, the Department collected revenue amounting K4,338,140.00, against the approved revenue projection of K6,000,000.00, resulting in an under collection of K1,661,860.00. The under collection was due to external factors that included the ones below.

- **COVID 19 Restrictions on Cross Border Travels**

The projection for revenue collection during the period under review was made on the basis that there would be an increase in the hecterage under seed production and in the quantity of seed produced. However, COVID-19 related restrictions on border movements imposed by a number of countries, resulted in a number of companies reducing on their operations. This action subsequently resulted in less hecterage and low seed production, thereby affecting revenue collections by the Department of Seed Control Certification Institute.

- **Inadequate Funding During the First Quarter of the Period Under Review**

The Department of Seed Control Certification Institute made the projection considering the request that was made to the Secretary to the Treasury for authority to retain funds raised from user fees. It was anticipated that the retained funds would be used on executing variety testing, registration and protection of seed systems, inspections and official seed testing activities, if authorised. It would also enable the Department to implement the programmes timely and effectively. The Secretary to the Treasury only granted the Department authority to retain funds towards the end of the first quarter of 2021. The delay affected timely execution of the three programmes which were key in revenue generation, especially that most commercial seed companies demanded for services related to import and export during the first quarter of the year.

- **Food Reserve Agency– Proceeds From Sale Of Crops**

The Agency was mandated to procure and maintain Strategic National Food Reserves of 500,000 metric tonnes or more of white maize in its reserves. However, due to changing market dynamics, the Agency faced challenges in the 2019 and 2020 Farming Season, during which only 86,510 and 350,192 metric tonnes of white maize were purchased, respectively. The state of affairs had a negative impact on the stock levels in the reserves, resulting in the Agency taking cautionary measures such as restricting sales to critical areas in order to protect the reserves.

In addition to the low stock levels in the reserves, the country experienced floods, which reduced crop production in 2021. As such, sales from FRA reserves were restricted to schools, community sales and releases to deal with disasters in affected areas. Therefore, the Agency could not proceed to sell maize, as planned. However, the reported revenue of K61,852,520 did not include the value of maize released on credit to DMMU and stocks released as subsidy.

c. Implementation of the Farmer Input Support Programme

“ **Direct Input Supply (DIS)**

“ **Electronic Voucher (e-Voucher)**

i. Continued Procurements through Direct Bidding (Single Sourcing)

The Public Procurement Regulation of 2011, Regulation 29(1) provided for procuring either as a whole or in lots. In this case, the Ministry opted to procure seed and fertiliser as a whole, as opposed to lots. These were two-year running contracts for 2020/2021 and 2021/2022 Farming Seasons for seed and fertiliser. The Ministry was constrained with time when procurement was being undertaken. Therefore, in order for the Ministry to be within the planned timeline, the procurement entity decided to use direct bidding, as provided for in the *Public Procurement Act, No. 8 of 2020*, section 46(2) (b).

Further, the allocation of the fertiliser-quantities to suppliers was based on capacity, availability of the commodity and previous performance. The suppliers that were contracted had a track record with the Ministry in the supply and delivery of fertiliser for a long time.

The quantity allocation for seed was dependent on what suppliers registered with the Department of Seed Control and Certification Institute on the Seed Production Data Base Sheet.

In future, the Ministry would ensure that procurement processes commenced early and that subsequent fertiliser procurements were done competitively.

Committee’s Observations and Recommendations

The Committee notes the submission but wonders why the Ministry could not convince the auditors during the exit meeting. However, the Committee urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

• **Questionable Allocation of Fertiliser and Seed Quantities**

In response, the Controlling Officer submitted that bids were invited from suppliers to quote for the quantities that were allocated to them. The Ministry received bids that had different prices. The bids were evaluated and suppliers were awarded according to their negotiated prices. The suppliers’ sources of the commodities were different and therefore, the prices might not be the same. Additionally, no one supplier had enough fertiliser stocks to meet the required quantities in the respective districts.

Further, the Ministry endeavored not to allocate more than one supplier in one district for the same commodity. The Ministry would ensure that in subsequent agricultural farming seasons, fertiliser would be procured in lots to ensure that there were reduced disparities in prices in the same regions. This measure would increase the number of suppliers participating in the supply and delivery of fertiliser. This would also help to manage contracts easily and ensure compliance with the *Public Procurement Act, No. 8 of 2020*, as well as the Public Procurement Regulations on packaging of procurements.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

ii. Discounts on Fertiliser and Seed Supplies

In response, the Controlling Officer submitted that the Ministry collected data in various forms such as inquiring from online sources, international and local market prevailing prices. This formed the basis on which the negotiating team was given as a benchmark for the maximum charge of the price per metric tonne. However, there were other factors which were overlooked at the time when prices were being collected from the market, such as transportation costs to far flung rural districts, warehousing and storage fees by the supplier, which increased the costs for some suppliers to an average of US\$1,200 per metric tonne.

Therefore, the Ministry reasonably believed that it conducted a market price analysis. The Market Price Index (MPI) was only issued in the last quarter of 2021.

In future, the Ministry would ensure that fertiliser procurement would be done competitively and the Market Price Index issued quarterly by ZPPA would be used to determine the price reasonableness to ensure that the Government achieved value for money.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

• Additional Costs on Failure to Meet the Negotiated Price

In response, the Controlling Officer submitted that the negotiations were a win ó win situation and the suppliers were only ready to reduce the price for Compound D to US\$1,008.67 and Urea to US\$1,004.00, respectively. In future, the Ministry would endeavour to adhere to the ZPPA - MP), which had a ^{+/-}10 per cent range of the offered price.

The Ministry would also ensure that subsequent fertiliser procurements were done competitively and the MPI issued quarterly by ZPPA was used to determine the price reasonableness to ensure that the Government achieved value for money.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

iii. Fertiliser Input Support Programme (Direct Input Supplies)

• Conversion of Letters of Credit to Loans

In response, the Controlling Officer submitted that financing under the Direct Input Supply under the Farmer Input Support Programme (FISP) was secured through letters of credit facility executed between Ministry of Finance and National Planning and three commercial banks. Bonds with a maturity period of two to three years, were issued to commercial banks as securities of the transaction. Therefore, interest charges were factored in the bond repayments. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

- **Additional Cost through Processing Fees**

In response, the Controlling Officer submitted that arrangement and administrative fees were standard fees that banks charged for providing credit facilities to the Government. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

iv. Delayed Delivery of Fertiliser

In response, the Controlling Officer submitted that all the four fertiliser suppliers had not completed supplying in full due to various reasons such as, the continuous closure of most sectors including fertiliser manufacturing industries in most parts of the world and restrictions in travel due to COVID 19. This mainly affected the movement of fertiliser from the country of origin to various ports of entry up to Zambia. The Ministry could not enforce the requirements of the clauses in the contract to terminate the contract or claim liquidated damages from the suppliers due to force majeure. However, the contracted quantities of fertiliser had since been delivered by the three suppliers in full except for NERIA's Investments Limited.

The Ministry made a claim on NERIA's Investment Limited's performance bond due to failure to fulfill its contractual obligations. Even if the contracts were terminated, the period to contract another supplier would have resulted in more delays. Therefore, the Ministry weighed the options and opted for the suppliers to be given ample time to complete the delivery of fertilisers. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

- **v. Irregular Payments of Inputs**

In response, the Controlling Officer submitted that three out of the four suppliers were paid according to confirmed quantities delivered. It was unfortunate that NERIA's Investments was paid in full when it had not made 100 per cent supply. NERIA's Investments was paid in full on the basis that it had 100 per cent stocks in its warehouses and satellite depots. The supplier submitted to the Ministry that fertiliser had been delivered to all districts up to the storage capacity of the Districts and others were in strategic holding satellite depots of the supplier.

The Ministry made numerous efforts, without success to compel the supplier to deliver the outstanding inputs that had earlier been paid for. As a result of the failure by the supplier to deliver the outstanding inputs, the Ministry wrote to the Insurance Company to encash the Performance Bond, and at the same time the issue was brought to the attention of the Attorney General for legal redress.

The matter regarding the payment that was made for inputs which were purported to have been delivered was being investigated by the law enforcement agencies and the Ministry awaited the conclusion of these investigations. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee is deeply saddened that a company that did not meet its contractual obligation was paid in full. The Committee wonders how effective the internal audit system at the Ministry is because this anomaly could have been detected before the payment was made. While the Committee notes that the issue is under investigation, the Controlling Officer should institute punitive measures on all officers involved to deter would be offenders in future. The Committee also implores the Controlling Officer to strengthen its internal audit mechanism and also take keen interest in the matter to ensure that it receives the attention it deserves and avail supporting documents to the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

vi. Questionable Acknowledgement of Fertiliser Delivery – NERIA'S Investments Limited

In response, the Controlling Officer submitted that according to FISP Guidelines, the District Agricultural Co-ordinator had to confirm the receipt of the fertiliser in the district. However, the fertiliser suppliers had stocked the FISP inputs in the same storage sheds which were also used to stock their non-FISP fertiliser, which were being sold on the open market. Therefore, when the warehouse managers reported to have received the fertiliser, they never disclosed the commingling of FISP and non-FISP stocks. This posed a challenge to the officers at the district.

Following the observations by the Auditor General, the Ministry implemented measures outlining how fertiliser would be delivered, stored and distributed. It also required that the fertiliser be acknowledged only when the farmer had collected the inputs.

The matter regarding the payment that was made for inputs which were purported to have been delivered was under investigation by the law enforcement agencies and the Ministry awaited the conclusion of the matter.

Committee's Observations and Recommendations

The Committee notes the submission but wonders whether or not the warehouse managers have been disciplined for such an omission. In this regard, the Committee urges the Controlling Officer institute punitive action against the erring officers and to avail supporting documents to the Auditor General for audit verification. The Committee resolves to await a progress report on the investigations.

vii. Questionable Distribution of Soya Bean Seed

In response, the Controlling Officer submitted that the Zambia National Service was given inputs based on the resolution of the Food Security Taskforce. In addition, the unallocated 440 x 50 kilogramme bags of soya bean seed was as a result of the late commencement of the redeeming period.

During the time of audit, the bags had not been distributed to the farmers as redeeming of optional packs commenced late. However, the bags had since been distributed and documentation was available for audit verification.

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

viii. Supply of Uncontracted Seed Variety

In response, the Controlling Officer submitted that there were a number of maize varieties commercialised by various seed companies. Pannar had commercialised maize varieties targeting different maturity groups (early, medium and late). The company had a number of varieties in each maturity group. The varieties in each maturity group were different in identity and similarly in performance and in some key characteristics such as maturity period, yield potential, and disease resistance.

The uncontracted seed lots of hybrid maize PAN 3M-05 and PAN7M-87 used for replacement to satisfy supply and delivery of contracted volumes were duly certified by the Seed Control and Certification Institute. The varieties were replaced with those of the same maturity group (PAN 3M-05 for the early maturity group and PAN 7M-87) for the late maturity group), and with similar performance levels.

Further, prior to commercialisation of a variety in Zambia, it was evaluated by the Seed and Control Certification Institute for identity and performance. Only varieties found suitable were released and commercialised. Seed multiplication of such varieties was registered with the Seed Control and Certification Institute, which inspected seed crops to ensure genetic identity and purity. Seed crops that met minimum standards were approved for harvesting as seed. The resultant seed lots from the harvest were tested by the Institute for physiological and physical seed quality attributes, and subjected to laboratory standards. Seed lots that met these standards were certified for supply in the country. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee wonders why the exit meeting was not utilised to convince the auditors on the matter. However, the Committee urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

d. Uncompetitive Contracts of Supply - Procurement of Army Worm Chemicals and Pesticides

In response, the Controlling Officer submitted that the Ministry procured the chemicals, through direct bidding because they were of an emergency nature, as they were unforeseen occurrences. These companies had the chemicals available in stock and the procurement was in conformity with ZPPA Act and Circular No. 3 of 2017.

Army worm chemicals were always procured in an emergency situation. Despite the procurement being done in emergency situations, it would be subjected to the MPI to ensure that the chemicals were procured on competitive prices. The Ministry would ensure that the price reasonableness was conducted and the provisions of the Public Procurement Act and the Public Procurement Regulations were adhered to, which also included negotiation of the price.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

e. Outstanding Local Transportation and Warehouse Management Costs

In response, the Controlling Officer submitted that the Ministry owed local transporters and warehouse managers, a total amount of K2,622,479 for the 2018/2019, 2019/2020 and 2020/2021 farming seasons exceeding the required ninety days. This had been due to insufficient funding.

The Ministry of Finance and National Planning had been releasing funds to liquidate outstanding bills. A total of K705,419.00 had been paid, as at 16th November, 2022, leaving a balance of K1,917,059.00. The Ministry was in the process of liquidating the remaining outstanding balance. Documentation was available for audit verification.

Unpaid Warehouse Managers

No.	District (DACO)	Year Engaged	No. of Transporters	Comment
1	Kasenengwa	2021/2022	1	Not Invoiced to the Ministry
2	Luposohsi	2021/2022	1	Not Invoiced to the Ministry
3	Mungwi	2021/2022	1	Not Invoiced to the Ministry
4	Limulunga	2021/2022	1	Not Invoiced to the Ministry
5	Sesheke	2021/2022	1	Not Invoiced to the Ministry
6	Livingstone	2021/2022	1	Not Invoiced to the Ministry
	Total		6	

In response, the Controlling Officer submitted that the warehouse managers in six (6) selected districts had not invoiced the Ministry. The Provincial Agriculture Co-ordinators and District Agriculture Co-ordinators had been directed to engage the warehouse managers to expedite the process of invoicing. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

f. Other Weaknesses in the Management of Farmer Input Support Programme

i. Beneficiaries Granted Authority to Deposit Without Authority to Collect

In response, the Controlling Officer submitted that the 274 would-be beneficiaries were not issued with Authority to collect because they failed to abide with the FISP guidelines, hence

the failure to redeem their inputs. Some of the transgressions that led to the failure to redeem inputs were because of double deposits, duplicate and counterfeit NRCs and appearing on both the Fertiliser Input Support Programme, as well as the Food Security Packs.

The failure to redistribute the pack in Limulunga District was due to ICT configuration, which only allowed a minimum of two farmers to deposit. Due to system challenge, it was decided that the pack be carried over to the following farming season. Arising from the observation, the system had since been reconfigured to allow for a minimum of one farmer.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

ii. Irregular Issuance of Farming Inputs to Civil Servants - Senga Hill DACO

In response, the Controlling Officer submitted that out of the seven beneficiaries, three were civil servants who benefitted in two consecutive seasons bringing the number to six, while the seventh beneficiary was an eligible farmer.

During the 2019/2020 Farming Season, the three civil servants were eligible as they were not in employment then. However, in 2020/2021 Farming Season, the three civil servants were deemed ineligible as they were in employment. The three civil servants had since deposited K2,000 each as paybacks for 2020/2021 Farming Season. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

iii. Unaccounted for Inputs – Kasama and Mpulungu

In response, the Controlling Officer submitted that inputs from Kasama and Mpulungu Districts were unaccounted for as they were stolen, whilst in the custody of the warehouse manager.

The warehouse manager was directed to replace the stolen inputs which had since been replaced. The inputs were stolen by the watchman in Mpulungu who had since been imprisoned to eighteen months. As for the stolen inputs in Kasama, the District Agriculture Co-ordinator reported the matter to the police and investigations had since been instituted. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

iv. Uncollected Farming Inputs by Beneficiary Farmers – Kazungula

In response, the Controlling Officer submitted that I 15.81 metric ton of inputs were not collected by farmers because they were intercepted by the District Commissioner, who was suspicious of fraudulent activities. The District Commissioner engaged the Drug Enforcement

Commission to investigate the matter. However, the Ministry had not received any feedback from the District Commissioner despite several requests for progress on the same matter. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

v. Farming Inputs without Documentation - Kasama DACO

In response, the Controlling Officer submitted that NERIA's Investments Limited did not avail documentation for 746.25 tonnes of inputs. Several follow ups were made to NERIA Investments Limited requesting for copies of the missing GRNs. Unfortunately, the company had not provided the missing copies of the GRNs. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to report the matter to investigative wings for further investigations and avail supporting documents to the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

vi. Failure to Pay Warehouse Managers

In response, the Controlling Officer submitted that the Ministry owed warehouse managers a total amount of K160,031 for the, 2019/2020 and 2020/2021 farming seasons in two Provinces. This was due to insufficient funding. The Ministry of Finance and National Planning had since been releasing funds to liquidate outstanding bills.

On the Copperbelt Province, Masaiti Seed Growers for 2020/2021 season and for Ngwifra Farmers Solution had since been paid, while the file for the Masaiti Seed Growers for 2019/2020 season was returned to the client because some attachments were missing.

In North-Western Province, both Mwinilunga District Cooperative Union and Halimwene Contractor had since been paid documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

vii. Failure to Pay Local Transporters

In response, the Controlling Officer submitted that the Ministry owed local transporters a total amount of K520,514 for the 2020/2021 Farming Seasons in two provinces. This was due to insufficient funding.

The Contract sum for the Copperbelt transporter was to K115,728.87 before verification. After verification, it was discovered that there were calculation errors which made the Contract amount reduce to K108,133.29. Therefore, the amount of K7,595 cited by the Auditors was the difference between the Contract sum and the verified amount, resulting in a nil balance after payment of K108,133.29. The five transporters for Central Province had all been paid. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

viii. Failure to Pay Agro Dealers on Time

In response, the Controlling Officer submitted that the Ministry failed to pay Agro Dealers on time amounts totaling K115,907,796 because of insufficient funding. The Agro Dealers had since been paid. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

ix. Lack of Graduation of Beneficiaries

In response, the Controlling Officer submitted that the Farmer Input Support Programme did not have a graduation mechanism. The Ministry enhanced the security features of each farmer on the farmer register using biometrics. The Ministry also identified farmers who had been benefiting from the Programme for a long time with a view to graduating them and would be given notice to prepare themselves. Once this was done, farmer sensitisation would be conducted for the graduation process.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

x. Failure to Grant ATD to Eligible Farmers on Farmer Input Support Register

In response, the Controlling Officer submitted that there was a register of farmers from which the Farmer Input Support Programme beneficiaries were drawn. The number of farmer-beneficiaries under Programme was less than the total number of farmers on the Register. In addition, the selection for the farmer-beneficiary was a preserve of the Camp Agriculture Committee, whose membership was drawn from the community, with the camp officer only providing secretariat services. The Ministry would start the process of gradual farmer-graduation, starting with farmer sensitisation during the 2023/2024 Farming Season.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to expedite the process of graduating the Farmer Input Support Programme beneficiaries and avail supporting documents to the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

xi. E-Voucher System - Failure to Supply Inputs by Agro Dealer - 2019/2020 Farming Season - Namwala DACO

In response, the Controlling Officer submitted that the Agro dealer in question, did not have the inputs in stock, but redeemed the farmers' inputs. The Ministry reported the agro dealer to the Zambia Police Service and investigations had since been instituted. However, the matter was still under investigations. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

xii. Irregular Beneficiaries

In response, the Controlling Officer submitted that the anomaly was because of the Zambia Integrated Agricultural Management Information System (ZIAMIS) not being linked to the Food Security Pack under the Ministry of Community Development and Social Security beneficiaries or some of the Government social protection programs under other Government institutions to enable the Ministry isolate such cases.

The Ministry was working with the Smart Zambia Institute to link the ZIAMIS to the FSP data base to avoid the repetition of the anomaly. The identified double beneficiaries had since been deactivated from Farmer Input Support Programme to stop them from benefiting from both Programmes. In Mansa, forty-one out of the 270 farmers had since paid back. All the 506 farmers had since been blacklisted, and cooperatives advised not to allow these farmers to access any inputs from the Programme.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Auditor General to conduct a verification exercise on the system to avert a recurrence of the anomaly. The Committee resolves to await a progress report on the matter.

xiii. Stolen Farm Inputs - Kabwe District Co-ordinator

In response, the Controlling Officer submitted that Proxim Company was selected as a warehouse Manager and inputs were in their custody. However, during the process of distribution, they submitted a report of theft involving 202 by 50 kilogramme bags of Soya beans and six by 50 kilogramme bags of Maize.

The warehouse manager reported the matter to the Police and a police report was submitted to the DACO's office. The warehouse manager entered into an agreement (Commitment letter) with the DACO's office to replace the stolen inputs. So far the warehouse manager had replaced all the maize seed, six by 50 kilogramme bags and eighty by 50 kilogramme bags of soya beans leaving a balance of 122 x 50 kilogramme bags of soya beans. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that all the bags are replaced and invite officers from the Auditor General to conduct a verification exercise. The Committee resolves to await a progress report on the matter.

MINISTRY OF AGRICULTURE

PARAGRAPH 44

Audit findings

An examination of accounting and other records maintained at the Provincial Agriculture Coordinating Offices in selected District Agriculture Coordinating Offices and Farmers Training Institutions revealed irregularities to which the Controlling Officer responded as set out below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a total provision of K21,414,648, was made to cater for operations at the Provincial and District Agriculture Coordinating Offices, against which amounts totaling K15,952,148 were released, resulting in an under funding of K5,462,500. As at 31st December, 2021, amounts totaling K15,952,148, had been spent.

In response, the Controlling Officer submitted that the Treasury did not release all the funding, as tabulated in the Estimates of Revenue and Expenditure. The Ministry was hopeful that the Secretary to the Treasury would release all the funding as appropriated in the 2022 Estimates of Revenue and Expenditure budget.

Committee's Observations and Recommendations

The Committee notes the response, and urges the Secretary to the Treasury to ensure that funds are released on time so that all planned activities are implemented as provided for in the budget. The Controlling Officer is also hereby implored to be proactive to ensure that funds are spent timely and as appropriated by Parliament.

b. Failure to Collect Rental Income

In response, the Controlling Officer submitted that the practice of using Farmer Training Institutes to provide extension services was commonly used during the period of the Training and Visit Methodology of Extension. The Institutes became inactive over the years. As a result, most of the infrastructure became dilapidated and was being vandalised. As such, the Institutes allowed officers to occupy the housing units.

Therefore, Namwala Farmer Training Institute had since started collecting rentals from the tenants. At the Mansa Training Institute, the housing committee resolved to allow the would-be tenants to work on the houses before moving in and the cost incurred on the rehabilitation be converted to monthly rentals. The cost of the rehabilitation had since been recovered and the tenants were paying monthly rentals. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

c. Use of Private Printed Receipt Book - Mansa Farmer Training Institute

In response, the Controlling Officer submitted that the Institution had been using private printed receipt books, which was against Government regulations. The Ministry had written to all the Farm Training Institutes and Training Colleges which collected revenues to start

collecting receipt books from Ministry of Finance and National Planning Strong room Superintendent. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

d. Failure to Remit Government Revenue to Control 99 – Mansa PACO

In response, the Controlling Officer submitted that the failure to remit funds generated from the Zambia Agricultural Research Institute and the Mansa Farmer Training Institute, to Control 99 was because of the absence of accounting officers. Therefore, the officers were collecting rentals and depositing in their working account. The Ministry had written to Treasury to seek authority to retain the locally generated revenue as the Institutes were not funded by the Central Government. The revenue collected through rentals and other receipts was used in the day to day operations of the Institute. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

e. Copies of Receipt Forms without Details– Mansa Farmers Training Institute

In response, the Controlling Officer submitted that the issue of three receipts which had no details on the duplicate, was caused by failure to put a carbon paper on the second copy for receipts. Amounts collected on the receipts in question were deposited. Receipts ranging from 596 to 600 were not used. The officer was cautioned for negligence for the manner the receipts were written as they were sensitive accountable documents. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee takes great exception to the officer's negligence of duty and failure to comply with accounting regulations. The Committee, therefore, urges the Controlling Officer to sternly discipline the officer involved and avail supporting documents to the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

f. Inadequately Supported Payments

In response, the Controlling Officer submitted that thirty-three payments were unsupported at the time of audit. This was attributed to poor filing system which resulted in failure to avail the documents at the time of the audit. However, all the thirty-three payments had since been supported with the relevant documentation. In addition, the filing system had since been improved. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee doubts the authenticity of the documents purported to be available for verification if they could not be availed at the time of audit and urges the Controlling Officer to put measures in place to augment the stores and records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

g. Irregular Cash Withdrawals

In response, the Controlling Officer submitted that two stations withdrew imprest to pay allowances amounting to K92,758.00, due to the officers' negligence. The erring officers had been warned and cautioned against using imprest to pay allowances. The practice had since stopped, and the stations were sending an instruction to the bank to pay in individual officers' accounts. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documents to the Auditor General for audit verification and resolves to await a progress report on the matter.

h. Unaccounted-for Stores

In response, the Controlling Officer submitted that during the time of audit, stores worth K553,847.00 was unaccounted-for because of poor filing system, which resulted in failure to avail the documents to the auditor and lack of qualified stores personnel in districts. The two provinces had since accounted for the stores and attached receipts and disposal details. The Ministry had started training officers manning stores. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to put measures in place to augment stores and records management system. The Controlling Officer should also ensure that the qualified stores officers are employed to manage the stores section the districts and avail supporting documents to the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

i. Lack of Title Deeds

In response, the Controlling Officer submitted that public properties under the Ministry were not secured with Title Deeds at the time of audit because prior to the enactment of the *Public Finance Act, No. 1 of 2018*, acquisition of Title Deeds was not mandatory.

Following the enactment of the *Public Finance Act, No. 1 of 2018*, the Ministry commenced the process of obtaining Title Deeds for its various properties. This process was ongoing and it was at different stages for the various properties, such as approval stage by local authorities and the Ministry of Lands and Natural Resources. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to pursue the matter vigorously and ensure that all properties are titled without fail and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

j. Failure to Settle Obligations

In response, the Controlling Officer submitted that the Ministry had outstanding obligations amounting to K16,142,177 because of lack of funding from the Treasury. In addition, in 2021, the Ministry did not have a budget line for other Personal Emoluments, as this was centrally managed by Ministry of Finance and National Planning. The Ministry wrote to Secretary to the Treasury requesting for the release of funding for Personal Emoluments and other outstanding

bills. Additionally, the Ministry submitted quarterly outstanding bills to the Secretary to the Treasury. The Ministry would continue pursuing the Treasury for the release of other personal emolument and other outstanding bills.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to continue engaging the Secretary to the Treasury for requisite funding and resolves to await a progress report on the matter.

MINISTRY OF AGRICULTURE – Cashew Infrastructure Development Project

PARAGRAPH 45

Audit Findings

An examination of accounting and other records maintained at the Ministry of Agriculture Headquarters, Western Province, Provincial Administration Office and the Project Implementation Unit in Mongu revealed irregularities to which the Controlling Officer submitted as set out below.

a. Budget, Income and Expenditure

During the period under review, the Cashew Infrastructure Development Project budgeted to receive amounts totaling K166,034,880 (US\$9,224,160), out of which amounts totalling K76,685,251 (US\$4,996,441), were received resulting in underfunding of K89,349,629 (US\$4,227,718).

As at 31st December, 2021, amounts totalling K77,108,614 (US\$4,921,103.82) had been spent, leaving a balance of K1,431,425 (US\$75,338.16).

In response, the Controlling Officer submitted that the undisbursed funds of ZMW89,349,629.50 (USD4,227,718.02), were tied to various infrastructure works and the projects were being undertaken in the ten project implementing districts, which would be paid once works were concluded and certified by the respective supervising engineers.

Further, the un-utilised funds amounting to ZMW1,431,425.04 (USD75,338.16) were received in the last quarter of 2021, and the Ministry was in the process of implementing the said programmes.

The Ministry had put in place measures to speed up the execution of works and from the undisbursed amount of USD4,227,718.02, amounts totalling to USD1,891,911.65 had since been released, leaving a balance of USD2,335,806.37. The measures included, but not limited to, more frequent supervision visits to the Project sites including raising and processing of IPCs for enhanced implementation of works.

The funds amounting to K1,431,425.04 (USD75,338.16) reported as un-utilised at the time of the audit, had since been utilised. At the request of the Government to the African Development Bank (AfDB), the Project had been extended to 30th June, 2023. Documents were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to engage the Secretary to the Treasury to ensure that funds are released timely so that the project is implemented as planned. The Committee, further, urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

b. Operation Matters - Failure to Achieve Targets

In response, the Controlling Officer submitted that the Project suffered technical start-up delays as highlighted below in (a) and (b) and had just delivered the key project outputs.

- (a) The loan was approved in November, 2015, and the first loan operational funds disbursement was made mid 2016.
- (b) The project Implementation Unit (PIU) was only fully operationalised in 2018, with key position of technical advisor filled in January, 2018.

This resulted in delayed production and supply of improved genetic planting materials from 2016 to 2018, which delayed Project implementation by two years. During the same period, it was anticipated that 6 million trees would be planted and were expected to be produced within the Project period according to the project design.

Of the six million seedlings that were planned to be produced and planted by the project, only five million seedlings were produced and delivered between 2019 and 2021. At the time, the Project was expected to wind up in June, 2023. However, the plants were still not yet at production stage. These were the plants that could have significantly contributed to the outcome targets by the fifth year of Project Implementation.

Despite the delay, the Project had delivered the planned Project Outputs and it was expected to start impacting positively on the planned outcomes in the medium to long-term.

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

c. Procurement of Goods and Services

i. Questionable Valuation of Donated Seeds - Contract for Rejuvenation of old Cashew Plantation and Establishment of New Plantations

In response, the Controlling Officer submitted that the 25 metric tons of cashew seed donated by the Republic of Tanzania, was given to the Export Trading Group Company (ETG) for storage purposes. This was because the Government did not have appropriate storage facilities for seed, such as cashew polyclonal, which required regulated temperature conditions. If the Government did not secure appropriate storage facilities from ETG, the seed would have lost its viability.

Further, at the time the seed was donated, ETG was procuring the same polyclonal seed of about 25 tons from Tanzania, at a total value of US\$125,000.00. In this regard, it was established as a basis for valuation of the same quantity of polyclonal cashew seeds. The

Ministry engaged the ETG on the matter and was given a written and signed commitment by ETG. The Ministry had since recovered the USD125,000.00 from the contract under the retention amount. Documents were available for audit verification.

Committee’s 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 and resolves to await a progress report on the matter.

ii. Poor Management of Seedlings

In response, the Controlling Officer submitted that the projected mortality rate may not be representative of the whole project status owing to the narrow and unrepresentative sample size and spatial distribution covered during the audit. The report of the first quarter of 2022, districts indicated an average mortality rate of about 34 per cent as presented in table below.

District	Mortality rate
Kalabo	38%
Limulunga	20%
Mitete	35%
Mongu	30%
Senanga	30%
Nalolo	25%
Sioma	30%
Sikongo	51%
Shangombo	52%
Lukulu	29%
Average	34%

The spraying being referred to, was not meant for the seedlings but mature existing trees. These were trees that were in existence prior to inception of the project. The major cause of the plant loss reported, the unfavorable climatic conditions (drought) coupled with poor cashew field management by farmers. Additionally, the Project did not have a separate extension support system but used the existing Government extension infrastructure under the Ministry of Agriculture, with the support of the Project. The existing Government extension infrastructure suffered from several challenges that included, but not limited to, lack of transport for camp officers and some camps had remained unmanned. This made the management of farmers and the crop extremely difficult.

The Project management was mindful of the effects of plant mortalities on the Project’s ability to achieve Project objectives. To this effect, the Project had been implementing the replanting and gap filling of cashew fields in the Project area to replace the seedlings lost and this was ongoing. Farmers were encouraged to request from their respective District Agricultural Coordinators for more seedlings for replanting.

In 2019 and 2020, a total of 5,330,245 seedlings were distributed and planted out of which 4,123,727 and 228,767 seedlings were used for new plantations and replanting respectively, whereas 977,751 were used for gap filling.

The Ministry, with the Project support, had undertaken activities of farmer trainings aimed at strengthening the capacity of farmers in field and crop management and this was on-going. Further, the Ministry procured and distributed motorbikes to some camps to mitigate the transport challenge.

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

iii. Over Commitment on Covid-19 Prevention Materials

In response, the Controlling Officer submitted that the over-commitment was as a result of prices of various goods escalating during the COVID-19 period and there was a demand for additional goods for nutritional support.

Contrary to the earlier statement that the procurement method used was in accordance with the AfDB cleared the procurement plan for COVID-19 goods, the AfDB procurement rules and procedures made reference to the Zambian procurement regulations. The Controlling Officer apologised for the incorrect statement that the AfDB used its own procurement regulations. However, the contract expired and no payment had been made to that effect. Documents were available for audit verification.

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

iv. Supply and Delivery of COVID-19 Materials

" Failure to Obtain a No Objection from ZPPA

In response, the Controlling Officer submitted that contrary to the earlier submission, the AfDB cleared the COVID-19 procurement plan in accordance with the Zambian procurement regulations. The contract was not executed due to the supply and logistical challenges that the supplier brought to the attention of the procurement entity, resulting in no funds being committed and spent. Documents were available for audit verification.

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

" Cover Bidding

In response, the Controlling Officer submitted that due diligence was not conducted at evaluation stage because of the emergency nature of the procurement. This was a politically influenced procurement because initially the correct procedure of a duly authorised public advert was done by the Project but later cancelled by the Controlling Officer. After discovering the anomalies in the procurement process, the contract was left to expire and no payment had been made.

Committee's Observations and Recommendations

While acknowledging that this is a legacy issue, the Committee sternly cautions the Controlling Officer against flouting procurement regulations and urges him to put in place measures that will ensure strict adherence to procurement regulations without exception. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

" Failure to Complete Delivery of Contracted Items - K2,967,500

In response, the Controlling Officer submitted that the supplier wrote to the Project indicating failure to complete deliveries due to market price escalation. The contract was left to expire through the expiration of a lease term and no payment had been made on this contract.

Committee's Observations and Recommendations

The Committee expresses concern that the internal audit system failed to alert Management that contracted items were not delivered according to the contract period. The Committee is of the view that if internal audit is diligent at its work, the issue of non-delivery of items could have been brought to the attention of the Controlling Officer before a report from external auditors. The Committee sternly cautions the Controlling Officer to put in place measures to strengthen the internal audit systems and ensure that such anomalies do not recur. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

" Questionable Distribution

In response, the Controlling Officer submitted that the distribution report had anomalies regarding the quantities reported as at February, 2021. This was because the materials were received in batches and not at once. However, all the materials, worth K2,393,000, had been received and delivered to the beneficiary districts. Documentation was available for audit verification.

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

v. Contract for the Supply and Delivery of Tuku-Tuku Tricycle Motor Vans

" Use of Questionable Quotation from Camco Equipment Zambia Ltd

In response, the Controlling Officer submitted that due diligence was not conducted and regretted that the Project used questionable quotations to procure tricycle motor vans. The responsible officer had since been reported to the anti-fraud unit of the Zambia Police and investigations had since been instituted. Documents were available for audit verification.

Committee's 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 and await a progress report on the matter.

" Delivery of Tuku-Tuku Motor Tricycle Vans with wrong Specifications

In response, the Controlling Officer submitted that two Tuku-tuku tricycles motor vans were received without proper technical inspection and the vans were being used at the Simulombe

Research Station since receipt. The vans could not be replaced because they were worn-out and were second hand. The Ministry, through the Project, had written to the supplier demanding for refund on the over payment. Documents were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern that two Tuku-tuku Tricycles motor vans with wrong specifications were received. The Committee finds it unacceptable that procurement officers received Tuku-tukus with wrong specification and urges the Controlling Officer to institute punitive measures on all procurement officers for the lapse. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

- **Failure to Register the Tricycles**

In response, the Controlling Officer submitted that the two Tuku-tuku tricycles that were delivered by the supplier were not in conformity with the procurement specifications hence the failure to register them with RTSA, pending resolution of the matter. The Ministry had since engaged the supplier to refund the overpayment. The process of registration of the vans had since been commenced. Documents were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern that an overpayment was made on the Tuku-tuku motor vans which had wrong specifications. The Committee is of the view that the omission is purely a failure to audit by the internal auditors. This is because if internal audit mechanisms are effective, such anomalies can be detected before payments are made. The Committee urges the Controlling Officer to strengthen internal audit mechanisms so as to avert a recurrence of such anomalies in future. The Committee, further, urges the Controlling Officer to report this matter to the investigative wings and avail supporting documents to the Office of the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

- vi. **Supply and Delivery of Computers and Office Equipment - Major Business Solutions Limited - K2,477,330**

- **Irregular Use of Simplified Procurement Method**

In response, the Controlling Officer submitted that the procurement method used was in accordance with the approved CIDP Project document, which cleared the Procurement Plan without referring to the *Public Procurement Act. No 8 of 2020*. Contrary to the assertion, the AfDB procurement rules and procedures made referred to the Zambian procurement regulations and the Controlling Officer apologized for the incorrect statement. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee is deeply saddened at the wanton abuse of the well-intended provision in the procurement regulation by procurement officers. The Committee urges the Controlling Officer to put measures in place that will avert such anomalies in future. The Committee urges the Controlling Officer to institute punitive measures to all officers involved and avail supporting documents to the Office of the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

- **Undelivered Goods– K23,200**

In response, the Controlling Officer submitted that the four shredders were part of the second delivery and not as indicated on the first delivery note reviewed by the auditors. The goods in question were delivered within the contract period and were allocated accordingly. Documents were available for audit verification.

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

- **Unaccounted for Goods K2,477,330**

In response, the Controlling Officer submitted that during the time of audit, the stores disposal records were kept at the respective user departments and could not be reviewed. The Ministry through, the Project, had since made available all the disposal records and documents were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern at the Management's failure to avail accountable documents to the auditors during the audit process. The Committee urges the Controlling Officer to institute disciplinary measures on the officers responsible for the lapse and avail supporting documents to the Office of the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

vii. Supply and Delivery of Cashew Processing Plant

- **Irregular Use of Simplified Procurement Method– K972,972**

In response, the Controlling Officer submitted that contrary to the earlier statement that the procurement method used was in accordance with the AfDB cleared procurement plan, it had been established that the purported AfDB procurement rules and procedures referred to the Zambian procurement regulations. The Controlling Officer apologised for the incorrect statement. Documents were available for audit verification.

Committee's Observations and Recommendations

The Committee is deeply saddened at the wanton abuse of the well-intended procurement regulation by officers. The Committee urges the Controlling Officer to put measures in place that will avert such anomalies in future. The Committee urges the Controlling Officer to institute punitive measures on all officers involved in this anomaly and avail supporting documents to the Office of the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

ii. Failure to Operationalise the Cashew Processing Plant

In response, the Controlling Officer submitted that the initial plan was to use an existing structure at Simulambe Research Station, which was later found to be inappropriate for the type of processing equipment and hence the decision to find or construct an alternative building. The procurement process for engaging a contractor for the construction works took long.

The procurement process was underway and to this effect, the following had been done:

- i. designs of the processing plan;
- ii. bill of quantity (BoQ) had been prepared; and
- iii. tender documents were prepared.

The procurement process was at contract stage awaiting the Attorney General's clearance. Further, a temporary installation of the processing equipment with the laboratory building had been made at Simulambe Research Station and processing activities had commenced. In the meantime, Management awaited the completion of the processing plant.

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

viii. Unaccounted for Scions - Supply and Delivery of Scions - US\$400,000

In response, the Controlling Officer submitted that the scions were procured at a total cost of K400,000.00 and not USD400,000.00 as indicated in the report. At the time of the audit, the stores disposal records were kept at the Zambia Agriculture Research Institute offices at Simulambe Research Station, and the research officers were in the field. The Ministry had since made available all stores' records on the scions. Documents were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern at the Management's failure to avail accountable documents to the auditors during the audit process. The Committee urges the Controlling Officer to institute disciplinary measures on the officers responsible for the lapse and avail supporting documents to the Office of the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

ix. Construction 26.4 kilometres of Selected Feeder Roads - Irregular Variation - K35,668,664

In response, the Controlling Officer submitted that the varied funds were meant for Mitete District and not Lukulu District. The Mitete Road was cancelled due to a number of challenges as set out below.

- i. inability to move heavy construction equipment across the Zambezi into Mitete District using the existing small pontoon;
- ii. the access for the 45kilometres stretch from Pontoon Bay traversed in the flood plains, with deep heavy sand and no defined road;
- iii. the first 30kilometres passed through the flood plain and accessibility was limited to water transport until the end of August, limiting the contractor to a narrow working window of three months; and

- iv. the remaining 15 kilometres traversed through the deep Kalahari Sand before the starting point of the section to be constructed.

Ultimately, the contractor should have first constructed a 45kilometre stretch by raising the embankments and installation of culverts and bridges at various points to enable the contractor work on the proposed 5 kilometres stretch.

Arising from the issues highlighted, there was need to reallocate funds to construct the 5 kilometres road in Kalabo District in order to connect it to the existing Mapungu Rural Health Center. Tender procedures were followed and authority from the Provincial Tender Committee regarding the reallocation was granted. Documents were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee finds it unacceptable that procurement regulations are flouted with impunity by failure to ensure that the variation was approved by the Attorney General, as provided for under the *Public Procurement Act, No. 8 of 2020*. The Committee urges the Controlling Officer to institute punitive measures against procurement officers involved in the omission of this important provision. The Committee urges the Controlling Officer to avail supporting documents to the Office of Auditor General for audit verification and will await a progress report on the matter.

x. Construction 20 kilo metres of Selected Feeder Roads - Overpayment on Certified Works - K26,037,083

In response, the Controlling Officer submitted that the design to construct the embankment on the Mutomena Road changed. This was necessitated by a change in the design height of the embankment after monitoring the flood levels and in consultation with the local people thereby increasing the quantities for item B33.02 of the bill of quantities. The increase in quantities could only be paid in the final account. The final Interim Payment Certificate was done to close the project and included all the outstanding issues, as well as the said overpayment, in line with clause 54.1 of the signed contract. Documentation was available for audit verification.

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

xi. Clearing of 1000 Hectares of Land – Delayed Completion - K5,350,000

In response, the Controlling Officer submitted that the contractor was only paid an advance payment towards the work as per contract terms and conditions. The contractor did not move on site as planned, as it was difficult to move the equipment to the site. The contractor had to also first finish the works at Nansange Cashew Plantation in Mongu District as it was the same contractor clearing land in Lulangonyi area in Sikongo District. The contractor had since completed the works and the land was ready for planting in the 2022/23 planting season.

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

xii. Matching Grant to Citizen Economic Empowerment Commission- US\$2,215,645

- **Country Millers Limited T/A Rosewood Ranch - Uncompleted Cashew Processing Plant**

In response, the Controlling Officer submitted that the plant was not in use because of the rainy season challenges coupled with the delay in re-mobilising by the contractor. The contractor demobilised after facing financial challenges when the beneficiary was awaited approval and disbursement of additional financing. The procurement of the compressor awaited the disbursement of funds from the commission, while the fence was completed using the budgeted funds. The factory building had since been completed and awaited installation of the equipment once the screw compressor had been procured and delivered. Documents were available for audit verification.

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

- **Tapo Farms Limited - Uncompleted Cashew Processing Plant**

In response, the Controlling Officer submitted that the project stalled because the contractor demobilised after facing financial challenges when the beneficiary was waiting for approval and disbursement of additional financing. The Commission requested the contractor to commence works and significant progress had since been made. The factory building had been roofed with the remaining few works still going on. Documentation and pictures were available for audit verification.

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

- **Uncompleted Cashew Processing Plant – Acamm's Lodge Limited (trading as Acamm's Gardens)**

- **Construction of Cashew Processing Factory - Stalled Project**

In response, the Controlling Officer submitted that the Acamms Project stalled at some point because of the inconsistency in the disbursement of funds by the Citizen Economic Empowerment Commission (CEEC), as the beneficiary had applied for additional funds and processing of the request took too long. This made the beneficiary unable to consistently work on the construction works. A formal request for additional financing was made by the beneficiaries to the Commission and was approved, accordingly. Progress had been made in the implementation of this project since the audit was undertaken. Roofing of the factory had since been completed as shown in the pictures. Documentation was available for audit verification.



Committee's 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 should be closed.

- **Failure to Provide Evidence of the 50 Per cent Beneficiary Contribution**

In response, the Controlling Officer submitted that at the time of audit, the valuation report proving the 50 per cent beneficiary contribution could not be accessed from the Commission. The beneficiary had since availed the valuation report of the land and other assets, which was the 50 per cent beneficiary requirement contribution to access the grant. Documents were available for audit verification.

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

- **Failure to Provide Board Resolution Minutes**

In response, the Controlling Officer submitted that at the time of audit, the minutes of the Board approving the grant could not be accessed from the Commission. The Board resolution had since been made available. Documentation was available for audit verification.

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

- **Irregularities in the Procurement of Equipment - K5,402,799**

In response, the Controlling Officer submitted that the CEEC disbursement of Grants Approved Manual, allowed for the method used in the procurement of goods under the Commission. According to the CEEC Approved Matching Grant Manual, the beneficiaries identified the suppliers and provided the quotations for supply, after which CEEC paid directly to the suppliers. Documents were available for audit verification.

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

- **Undelivered Equipment**

In response, the Controlling Officer submitted that the CEEC disbursement of grants allowed for the methods used in the procurement of the goods under the Commission. A beneficiary identified the suppliers and provided the quotations for the supply of goods after which CEEC paid directly to the suppliers.

The two pieces of equipment for Sandland Limited and Mutepa Sichone, according to the supplier, Italiya International in India indicated that the delay was due to COVID-19 restrictions, coupled with manufacturing backlog thereafter. However, when the COVID-19 cases reduced, the supplier kept promising to ship the equipment.

The third equipment for Tenkara Beta Enterprises was equally undelivered. The manufacturer by the name of DenóMwa Engineering Zambia Limited based in Lusaka had not been cooperative. The Commission had on several occasions reminded the supplier to make a refund and final demand notice had since been issued.

Several communications had been made to Den-Mwa Engineering Zambia Limited on the failure to deliver the equipment. The Commission issued a final demand notice to the supplier and had since reported the matter to the Drug Enforcement Commission. Documentation was available for audit verification.

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

MINISTRY OF AGRICULTURE

PARAGRAPH 46

Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and five other districts offices for the period under review revealed irregularities to which the Controlling Officer responded as set out below.

- a. Budget, Funding and Expenditure**

According to the financial statements for the year ended 31st December 2021, the Project had total available funds in amounts totalling US\$11,377,013 against which amounts totalling US\$10,520,245 were spent leaving a balance of US\$856,768.

In response, the Controlling Officer submitted that the under absorption of the budget was under public infrastructure, which was mainly related to the protracted procurement delays of the following community projects set to commerce in 2021.

- Police Post at Mwomboshi Irrigation Scheme
- School at Mwomboshi Irrigation Scheme
- Health Post at Mwomboshi Irrigation Scheme
- Completion of Resettlement houses at Lusitu Irrigation Scheme

The four contracts were finally awarded in December, 2021, at the total cost of K16,216,786, which was equivalent to US\$ 900,932. The construction works commenced after the rain season in 2022. The signing of the four contracts resulted in all the funds that were meant to be spent in 2021, being committed to expenditure during the year under review, as was originally budgeted. Documentation was available for audit verification.

Committee's 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 and awaits a progress report on the matter.

b. Operational Matters - Failure to Hold Steering Committee Meetings

In response, the Controlling Officer submitted that due to the COVID-19 Pandemic, the Steering Committee could not hold the number of meetings as earlier planned. However, two Steering Committee meetings were held during the period under review and they were supplemented by field monitoring visits and attendance of the Project Implementation Unit meetings by the Technical Committee. The measures undertaken by the Technical Committee ensured that the Project implementation was in accordance with the financing agreement and Project objectives. Documentation was available for audit verification.

Committee's 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 and awaits a progress report on the matter.

c. Construction of Irrigation Schemes

i. Construction of Mwomboshi Irrigation Scheme – Failure to Recover Advance Payments - US\$16,715,017.50

In response, the Controlling Officer submitted that following the termination of the contract with Lamasat International (Z) Limited on 30th April, 2019, the project placed a demand on Innovate General Insurance, being the Guarantor, to pay for the advance payment received less the cost of works certified. When it became apparent that Innovate General Insurance was not moving to honour the payment, the project referred the matter to the Pension Insurance Authority.

The matter was escalated to the Office of the Attorney General and in a response dated 6th April, 2021, the Ministry of Justice, stated that the Ministry should reconsider the proposal that was made by Lamasat before termination. The proposal was that Lamasat offset the balance of the advance payment received by way of providing certain materials in such quantities equal to the balance of the advance payment. The Attorney General advised the parties to negotiate the proposal by Lamasat International Limited and proceed to settle the matter amicably.

In executing the opinion of the Solicitor General, the Project collaborated with Lamasat International Limited in coming up with the consolidated list of preferred items. The two

parties agreed and signed off the materials to be supplied, and Lamasat had since been supplying the materials. As at 20th October, 2022, Lamasat had supplied only 77 per cent of the value. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure the Lamasat honours its obligation, as a matter of urgency, and avail supporting documents to the Office of the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

ii. Contract for Completion of Mwomboshi Irrigation Scheme

• Questionable Lease of the Camp Site at Mwomboshi

In response, the Controlling Officer submitted that when the contractor was awarded the contract to construct the Mwomboshi Dam, there was need to establish a site for the following facilities:

- (i) campsite for residence of employees;
- (ii) workshop for storage of materials and equipment;
- (iii) offices for the Supervising Engineer; and
- (iv) laboratory for the testing of materials.

The Mwomboshi Scheme had two areas of beneficiaries including the small-scale farmers in the north, who were residents on the traditional land and commercial farmers in the south on private land.

The ideal situation would have been to build all the requisite facilities on the northern side and the facilities to be retained at the end of the contract for use by the community. However, the contractor required access to electricity (11kVA) for the equipment, which was not obtaining on the north.

In addition, the southern bank offered some guaranteed security to the expensive equipment from thefts and vandalism, which had continued even today. The southern campsite also provided ease access to the quarry site that had been made available by the Zambia Railways Authorities. The project, therefore, opted for the contractor to setup camp on the southern site to ensure that the project kicked-off in time. A lease agreement was entered into before site establishment and an opinion was obtained from the office of the Attorney General.

The Ministry had since issued a revised lease agreement and the clause that gave ownership of the buildings to the landowners was removed. The Ministry of Lands was engaged to compulsorily acquire the piece of land for the benefit of all the farmers subscribing to the dam. Documentation was available for audit verification.

Committee's 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 and awaits a progress report on the matter.

" Failure to Secure Title Deeds for Mwomboshi Irrigation Scheme

In response, the Controlling Officer submitted that the Title Deeds for Mwomboshi irrigation scheme were delayed because the Project still constituted a TRUST. The TRUST had membership drawn from all participating communities, the Chief's representatives and the District Administration. However, progress had been made towards obtaining the title for the Mwomboshi Dam. The TRUST had been formed and had since been registered with the Registrar of Societies. The TRUST formally submitted application for titling of the land and the maps for the area of interest have already been produced and submitted to Ministry of Lands for numbering and titling after approval by the local Chieftdom and Council. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer expedite the process of acquiring the Title Deed for the Mwomboshi Irrigation Scheme and avail supporting documents to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

" Failure to Operationalise the Irrigation Scheme Following Completion

In response, the Controlling Officer submitted that the delay to fully operationalise the scheme was because the project did not start on schedule, which ultimately affected the timeline on the implementation of associated activities to operate under of the following concepts:

- i. Community Based Public Private Partnership
- ii. adoption of a Four-tier system in Mwomboshi as follows:
 - Tier I- small scale;
 - Tier II- medium scale; and
 - Tier III- commercial Entities;
 - Tier IV- Commercial farmer's resident around the dam;
- iii. engage private entities to manage the commercial farm/s in Tier III; and
- iv. engage private entities to operate, manage and maintain the bulky water system for all the Tiers.

The Committee was informed that items (a) and (b) had been achieved, whilst the procurement of the operator and commercial entities were still in progress at the time of audit. The commercial farmers under Tier IV had already started using the water as they constructed their own water abstraction systems.

The engagement of commercial entities to manage Tier III, and the operator to manage the bulky water supply, had been done and signing of contracts awaited final negotiation meetings. Documentation was available for audit verification.

Committee's 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 and awaits a progress report on the matter.

iii. Construction of the Lusitu Irrigation Scheme – Delayed Completion

“ Failure to Complete

In response, the Controlling Officer submitted that the contractor, Savenda Management Service, failed to execute the works within the contracted timeframe despite two contract extensions.

After the contract lapsed, the Ministry proceeded to demand for withdrawal of the Advance and Performance Guarantees as provided for in the contract. However, Savenda Management Services appealed for an amicable settlement of the matter. This was communicated to the Attorney General who responded and guided that the two parties discuss and settle the matter amicably. The Ministry of Agriculture, through IDSP had since engaged Savenda Management Services as guided by the Attorney General to amicably settle the matter. This process of engagement with Savenda was yet to be concluded.

The Zambia National Service (ZNS) was the commercial farmer that was awarded the contract to manage Tier III at Lusitu Scheme and the Ministry of Agriculture, through IDSP intended to sign a memorandum of understanding with ZNS to complete all the remaining works. Documentation was available for audit verification.

Committee's 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 and awaits a progress report on the matter.

“ Over Compensations for Displaced Project Affected Individuals

In response, the Controlling Officer submitted that it was true that the initial provision was for eighty-four resettlement houses in accordance with the Resettlement Action Plan Phase I estimates. However, at implementation stage, it was established that the actual number of households, who required to be relocated was 114. The local community made a strong appeal to include an additional 30 houses to ensure all the families who were within the catchment area of the project were provided for.

The provision of the additional thirty houses resulted in the project implementation being supported by the local community leading to its successful implementation. Further, the additional expenditure on the Lusitu Project did not negatively impact the overall IDSP implementation. Documentation was available for audit verification.

Committee's 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, after which the query should be closed.

iv. Construction of the Musakashi South Irrigation Scheme

- **Delayed Completion**

In response, the Controlling Officer submitted that it was regrettable that Lamasat International Limited failed to complete the works at Musakashi despite two extensions and addendum. Initially, the delay was caused by the land dispute at the north of the scheme that prompted the project to reduce the area. With the reduced scope of works, however, the contractor's work rate still remained very slow. A second addendum was made to reduce the scope of works.

The Attorney General guided that the contract be terminated. The Zambia National Service was the commercial farmer that was awarded the contract to manage Tier III at Musakashi Scheme. The Ministry, through IDSP, intended to sign a memorandum of understanding with ZNS to complete all the remaining works. Documentation was available for audit verification.

Committee's 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 and awaits a progress report on the matter.

- **Failure to Secure Title**

In response, the Controlling Officer submitted that the project commenced in 2011, and prior to that, engagements were held with project beneficiaries in the project area. There was publicity and public disclosure by both the project and the ZEMA for interested and affected parties to make their submissions.

The process to title the Musakashi Scheme commenced along with the other project sites. However, after documentation was submitted to Ministry of Lands, the process stalled when land claims arose in the project area by other interested parties.

The property owner for the titles of 2019, served a demand notice to the project through his lawyers and the matter along with relevant documentation was referred to the Attorney General for a legal opinion. The other matter was being handled by the Ministry of Lands. Documentation was available for audit verification.

Committee's 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 and awaits a progress report on the matter.

v. Remedial Works on the ten (10) Water Resources Development Project Dams

- ~ **Failure to Complete Works**
- ~ **Ngolongozya Dam – Zimba District**
- ~ **Makaba Dam – Namwala District**
- ~ **Nachibanga Dam – Pemba District**
- ~ **Ndoni Dam – Pemba District**
- ~ **Katembula Dam – Lufwanyama District**
- ~ **Chibalashi Dam – Mansa District**

In response, the Controlling Officer submitted that it was unfortunate that the UNOPS contract had not been triggered to effect Phase II, which allowed actual remedial works to be carried out. The contract lapsed on 31st July, 2021, without Phase I being concluded with the desired deliverable.

The Ministry of Agriculture, through the Project, communicated to the UNOPS to express concerns about the non-delivery of the outputs. The concerns were also raised with the World Bank. The zero-contract had since been signed between UNOPS and the Ministry of Agriculture to enable UNOPS to conclude the remaining deliverables. Documentation was available for audit verification.

Committee's 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 and awaits a progress report on the matter.

OFFICE OF THE PRESIDENT - LUSAKA PROVINCE

PARAGRAPH 47

a. Funding and Expenditure

During the Financial Year Ended 31st December, 2021, a total amount of K22,478,120 was received by the Provincial Administration to cater for various activities in the Province. Additionally, amounts totalling K3,151,395 were brought forward from 2020, bringing the total funds available to K25,629,515. As at 31st December, 2021, amounts totalling K23,520,761 had been spent, leaving a balance of K2,108,754.

In response, the Controlling Officer submitted that the unspent balance of K2,108,754.00 could not be disbursed as at 31st December, 2021, due to a large number of incomplete applications which lacked vital details such as bank account numbers, unsigned constitutions, certificate of registration and copies of National Registration Cards for the members of the cooperatives, among others.

The Lusaka Provincial Administration had since requested for fresh submissions with complete details. So far, the Provincial Administration Evaluation Committee had received several applications, of which forty-seven cooperatives had since been recommended with an expected pay-out of K1,410,000. The evaluation process for the remaining balance was still ongoing.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that funds are disbursed, as a matter of urgency without undue delay and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

b. Weaknesses in the Management of Youth Empowerment Funds

i. Failure to Insure Loans

In response, the Controlling Officer submitted that it was true that the loans were not insured by the borrower at the time of disbursement. However, Lusaka Provincial Administration had since engaged the beneficiary youth groups and the Ministry of Youth, Sports and Arts over the

omission. Further, the Provincial Administration was actively engaging the Ministry of Youth, Sports and Arts and the beneficiary youth groups over the need to insure the loans.

Committee's Observations and Recommendations

The Committee is deeply saddened that loans were disbursed before being insured at source. The Committee is aware that this is a legacy issue but urges the Controlling Officer to devise a mechanism that will compel all beneficiaries to insure their loans without any further delay and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report.

ii. Failure to Monitor Beneficiaries by the District Administration

In response, the Controlling Officer submitted that during the period under review, the District Administration offices were not allocated funds for monitoring of beneficiary groups. The funds received were not meant for logistical support. However, a request was made to the Ministry of Youth, Sports and Arts for funding to undertake monitoring and strengthening of internal controls. The Provincial Administration still waited a response on the request.

Committee's observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to avail supporting documents to the Auditors General's Office for audit verification and will await a progress report on the matter.

iii. Loan Recoveries

In response, the Controlling Officer submitted that all loan recoveries were collected and retained centrally by the Ministry of Youth, Sports and Arts. As such, loan recoveries details could only be accessed through the Ministry of Youth, Sports and Arts. The Controlling Officer assured the Committee that the Lusaka Provincial Administration would continue encouraging all beneficiary youth groups to abide by the agreed repayment plan so that other youths could also benefit from the revolving fund.

Committee's 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 and Committee will await a progress report in the matter.

iv. Unaccounted For Funds – Stipends for Interns - K16,023,567.00

In response, the Controlling Officer submitted that details for the recipients were retained centrally by the Ministry of Youth, Sports and Arts being an institution that undertook the recruitment and placement of interns. The Lusaka Provincial Administration merely transmitted stipends in amounts totalling K16,023,567.00, based on the schedules and funding received from the Ministry of Youth, Sports and Arts. Further, the Provincial Administration observed that there could be risks associated with paying stipends to interns without sufficient details. Therefore, a request was made to the Ministry of Youth, Sport and Arts for funding to undertake a physical verification exercise and strengthening of internal controls systems.

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 and resolves to await a progress report on the matter.

OFFICE OF THE PRESIDENT – COPPERBELT PROVINCE

PARAGRAPH 48

Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and seven selected districts for the period under review, revealed irregularities to which the Controlling Officer submitted as outlined below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a total provision of K15,960,953 was made to cater for operations at the Provincial Administration and the whole amount was released. As at 31st December 2021, the Province had spent amounts totalling K15,960,953.

In response, the Controlling Officer submitted that Management noted the auditor's findings regarding the financial year 2021 budget and releases for Copperbelt Provincial Administration.

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

b. Procurement of Goods and Services

i. Undelivered Stores Items –Provincial Administration

In response, the Controlling Officer submitted that there was an oversight in paying the amount in question before actual delivery of the drilling materials. It was hoped that the delivery would be done as it was not the first time the vendor had done business with Copperbelt Provincial Administration. Unfortunately, the vendor did not deliver the materials that should have been used to carry out borehole works in Masaiti and Mpongwe Districts. However, it was regrettable that the vendor could not deliver the paid for materials.

The Provincial Administration followed up on the vendor on 27th October, 2022, during which the vendor responded in writing, stating the reasons for his failure to deliver the paid-for materials. Based on the letter, the matter was reported to the Zambia Police Service in Ndola on 27th October, 2022. Documentation was available for audit verification.

Committee's 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 and awaits a progress report on the matter.

ii. Unsupported Payments

In response, the Controlling Officer submitted that two receipts, one from Tamz General Dealers and another from Kafubu Water and Sewerage Company had not been obtained at the time of audit. The receipt relating to Tamz General Dealers amounting to K48,647.50 could not be obtained at the time because the vendor was reportedly out of town.

The fuel disposal details for the Disaster Management and Mitigation Unit were not completed at the time of audit because the fuel statement was not ready from SGC Filling Station.

Whereas the receipt relating to Tamz General Dealers amounting to K48,647.50 could not be obtained because the vendor was reportedly out of town, supporting documents relating to the other two queried transactions were available at Draft Audit Report Paragraph stage. The following receipts were available for audit verification.

- The receipt number 095 for Tamz had since been obtained.
- Kafubu Water and Sewerage Company receipt No. 364251-017, amounting to K2000.00.
- Fuel disposals for the DMMU totalling K28,000.00, showing vehicles that drew fuel; fuel coupons and Receipt No. 96212, amounting to K28,000.00.

Committee's Observations and Recommendations

The Committee finds it unacceptable that accountable documents were not availed to the auditors during the time of audit and wonders why the internal audit system did not detect the anomaly before the external audit. The Committee, therefore, also urges the Controlling Officer to strengthen the internal audit systems and also institute punitive measures on the officers for the lapse. The Committee implores the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

iii. Unaccounted-for Materials

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

- There were no ink pads to enable those who could not write to acquit materials using thumb prints at the given time.
- The Red Cross officials who signed for the iron sheets and cement on the Goods Received Notes for subsequent issuance to the various beneficiaries did not make six of the beneficiaries sign because of lack of ink pads to enable those who could not write to acquit the materials using thumb prints.
- Two beneficiaries, Richard Chibale and Paul Kanama, were not present on the material day but later signed alongside those who used thumb prints.
- The acquittals for the quoted various stores items costing K80,600.00, were not accounted for because the recipients from Masaiti, Chililabombwe, Lufwanyama, Luanshya, Chingola and Kalulushi District Disaster Management Committees (DDMC) did not sign in the Goods Issued Vouchers.

The Committee was informed that the six beneficiaries of cement and iron sheets had since signed the acquittal forms. The DDMC acknowledged receipt of the granular chlorine amounting to K80,600.00. Documentation was available for audit verification.

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 and awaits a progress report on the matter.

c. Department of Water Resources Development

i. Unaccounted for Revenue ó K383,490

In response, the Controlling Officer submitted that the matter had been brought to attention of Management through an Internal Audit Report No. 01 of 2022, in which various irregularities were highlighted. Based on the report, disciplinary measures were instituted against the erring officer, who had since been suspended. The Provincial Disciplinary Committee recommended to the Public Service Management Division for summary dismissal and recovery of the funds in question. Further, the books of accounts for the Water Resources Department were now being handled at Provincial Administration Headquarters. Documentation was available for audit verification.

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 and will await a progress report on the matter.

ii. Missing Original Copies of Cancelled Receipts

In response, the Controlling Officer submitted that the matter was brought to the attention of Management through an Internal Audit Report No. 01 of 2022, in which various irregularities were highlighted. Based on the report, the disciplinary measures were instituted against the erring officer, who had since been suspended and the Provincial Disciplinary Committee recommended to the Public Service Management Division for summary dismissal and recovery of the funds in question. Documentation was available for audit verification. Further, the books of accounts for the Water Resources Department were being handled at Provincial Administration Headquarters.

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 and awaits a progress report on the matter.

d. Disaster Management and Mitigation Unit – Borehole Drilling and Installation of Six Hand Pumps

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

- Direct bidding was used because of the emergency nature of the state of affairs. As such, Management obtained one quotation from a reliable drilling company, who agreed to undertake the emergency works even before payment could be made. As such, the procurement process was streamlined to respond to the emergency timely, leading to the non-invitation of the bidders.
- The invoice did not show the breakdown of the cost for drilling, casing and hand pumps, among others. This was because the items were supplied as one complete package, with all the contractual conditions met by the vendor.
- The three hand-pumps that were not working at the time of audit were vandalised by the community way after the boreholes were handed over on 8th October, 2020.

- The vandalism was outside the 30-day warrant period. Meanwhile, the queried civil works of aprons and slabs were not part of the contract as could be evidenced by Circulation Paper No. 14/2020 under 3.2 on other contractual conditions. However, Management engaged the local leadership to see how the boreholes could be repaired through a community response.

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 and will await a progress report on the matter.

OFFICE OF THE PRESIDENT - COPPERBELT PROVINCE

PARAGRAPH 49

Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and seven selected district offices for the period under review revealed irregularities to which the Controlling Officer responded as set out below.

a. Funding and Expenditure

During the Financial Year Ended 31st December 2021, a total amount of K42,049,816 was received by the Provincial Administration. Additionally, amounts totalling K3,704,486 were brought forward from 2020, bringing the total funds available to K45,754,302. Included in the amounts brought forward, were funds for procurement of agricultural inputs for the Youth Empowerment Programme amounting K3,120,000. As at 31st December, 2021, amounts totalling K35,391,844 had been spent, leaving a balance of K10,362,458.

In response, the Controlling Officer submitted that the activities relating to the balance of K10,362,458.00, were as tabulated below.

S/N	Activity	Amount(K)
01	Misaka Compensation of displaced lot holders	8,244,900.50
02	Youth Empowerment -Agricultural inputs	364,457.06
03	MOCSS ó Insurance for motor bikes)	157,500.00
04	Infrastructure projects	1,595,600.37
	Total	10,362,458.00

The remaining lot holders under Misaka had not yet provided full documentation such as Title Deeds, while others disputed the values awarded to them. Also, some had gone to court over land ownership with previous owners.

Committee’s Observations and Recommendations

The Committee notes the response, and urges the Secretary to the Treasury to ensure that funds are released on time so that all planned activities are implemented as provided for in the

budget. The Controlling Officer is also implored to be proactive to ensure that funds are spent timely and as appropriated by Parliament.

b. Weaknesses in the Management of Youth Empowerment Programme

i. Failure to Sign Loan Agreement Forms

In response, the Controlling Officer submitted that the matter was brought to Management’s attention through the internal audit report on agro inputs. Management immediately tasked the Provincial Youth Coordinator to engage the beneficiaries in an effort to have the agreement forms signed. However, the groups were still reluctant to sign for various reasons, among them, the fear of failure to pay back within the stipulated period as they claimed that their businesses did not perform as expected.

Management followed up on the matters and out of the forty-eight youth cooperatives from the three districts, eighteen signed the loan agreement forms as tabulated below.

No.	District	No. of Cooperatives
1.	Kitwe	3
2.	Mufulira	5
3.	Lufwanyama	10
	Total	18

However, Management was still engaging the youths from Kalulushi for purposes of signing the loan agreement forms. The Province had since engaged all the other youth groups to complete the agreement forms. Documentation was available for audit verification.

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 and resolves to await a progress report on the matter.

ii. Failure to Recover Loans- Agriculture Input Loans

In response, the Controlling Officer submitted that the matter was brought to Management’s attention through an internal audit report on agro inputs and it was regrettable that repayments were very slow. Youth groups had been engaged through field visits to encourage them to pay back the loans. However, to date, only two youth groups from Chililabombwe District commenced repayments of their loans and deposit slips were available for verification, while other youth groups committed to commence once they sold their produce (maize or soya). Further, Management had done the following:

- Management issued demand notices to cooperatives to pay back the loans obtained in April, 2022.
- Management wrote to the Office of the Attorney General’s Chambers to assist with recovery of the loans.
- Management submitted the names of all erring cooperatives to the Credit Reference Bureau to ensure that the contact persons did not obtain other loans until they settled their agricultural input loans.

Documentation was available for audit verification.

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 and resolves to await a progress report on the matter.

iii. Failure to Insure Inputs

In response, the Controlling Officer submitted that beneficiaries could not insure the items before receiving them because the loans were tied to the various different farming inputs. Further, not all insurance companies had agricultural insurance policies.

The matter was brought to Management's attention through an internal audit Report on agro inputs and it was regrettable that none of the youth cooperatives insured their loans. The technicalities had been noted and for future empowerments, Management would endeavour to engage all necessary stakeholders to ensure compliance to all guidelines. The Management engaged several insurance companies on how best the youths could be assisted, but could not because insurance of loans could not be done in retrospect.

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 and resolves to await a progress report on the matter.

c. Internship and Apprenticeship Component

i. Unsupported Payments – Internship Stipends

During the period under review, amounts totalling K199,500 were paid as stipends to thirty-two interns in six districts. However, the payments were not supported by relevant documents such as internship attendance tracker, internship performance assessment form, copies of national registration cards and names of host organisation.

In response, the Controlling Officer submitted that the files were kept by the Ministry of Youth and Sport in Lusaka, which managed the process. At Draft Audit Report Paragraph level, Management made an appeal to have the query transferred to the Ministry of Youth, Sport and Arts who managed the process. This was because the Ministry was better placed to respond as the internship programme was solely managed at the Headquarters.

A follow up was made on the Permanent Secretary at the Ministry of Youth, Sport and Arts on 25th October, 2022, as all files were maintained at the Ministry. Out of the thirty-two intern files with missing information, thirteen had been found. Additionally, files for two interns whose information was missing had been retrieved. Documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and regrets that stipends were paid without relevant documentation. However, the Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and resolves to await a progress report on the matter.

ii. Irregular Payment of Stipends to Individuals who were not Working

In response, the Controlling Officer submitted that the interns worked for a shorter period and left. However, not all attendance trackers were attached to the payments as they were kept by the institutions where the interns worked. At Draft Audit Report Paragraph level, Management requested that the query be transferred to the Ministry of Youth, Sport and Arts, who managed the process. A follow up letter was made to the Permanent Secretary at the Ministry of Youth, Sport and Arts on 25th October, 2022, because all files were kept at the Ministry Headquarters. The fifty interns who were paid stipends but allegedly said not to have worked, did actually work and were only paid for the months they worked. The departments where these interns worked had since been engaged to ensure that all attendance trackers and performance assessment forms were submitted, accordingly. Documentation was available for audit verification.

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 and resolves to await a progress report on the matter.

d. Accounting Irregularities

i. Unsupported Payments

In response, the Controlling Officer submitted that all the receipts and other supporting documents had since been retrieved and Management would ensure that all documents were filled, accordingly.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to put measures in place to augment the stores and records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

ii. Unaccounted-for Stores

In response, the Controlling Office submitted that materials were directly delivered to the site because they were bulky. Further, handling of the fuel amount totalling K24,000.00 relating to the State funeral of the late Dr Kenneth Kaundaby a third party, the Zambia Army, who kept the said disposal details without submitting them to Provincial Administration where the payment was made. However, the disposal details had since been availed. Additionally, the disposal details for other stores amounting to K20,823.28 had also been retrieved. Management would ensure that, going forward, all fuel statements and coupons were collected timely and kept safely. All documentation was available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to put measures in place to augment stores and records management system. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

OFFICE OF THE PRESIDENT – CENTRAL PROVINCE

PARAGRAPH 50

Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and seven selected district offices for the period under review, revealed irregularities to which the Controlling Officer submitted as set out below.

a. Funding and Expenditure

During the Financial Year Ended 31st December, 2021, a total amount of K12,199,236 was received by the Provincial Administration. Additionally, amounts totalling K130,099 were brought forward from the previous year, bringing the total funds received to K12,329,335. As at 31st December, 2021, amounts totalling K10,111,341 had been spent, leaving a balance of K2,217,994.

In response, the Controlling Officer submitted that the Provincial Administration received amounts totalling K12,329,335, in the General Deposit Account during the period under review. Out of which, a total of K10,111,341 was spent, leaving a balance of K217,994.

The General Deposits Account received third party funds for implementation of activities on behalf of line ministries. During the period under review, funds were received to cater for operations of various departments at Provincial Administration at different times of the year. As a result, 90 per cent of the balance in question was received in the last quarter of 2021. Most of the funds could not be utilised at the end of the financial 2021, because of late release of funds. Hence, the unutilised funds amounting to K2,217,994 was carried forward to the 2022 financial year.

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 and will await a progress report on the matter.

b. Weaknesses in the Management of Youth Empowerment Programme

i. Unsupported Loan Disbursements

In response, the Controlling Officer submitted that documents could not be provided at the time of audit because they were being held at the Ministry of Youth, Sports and Arts Headquarters because the Ministry was also being audited at the time. However, the files containing details of all the beneficiaries were 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 and will await a progress report on the matter.

ii. Failure to Recover Loans

In response, the Controlling Officer submitted that the Provincial Office did not manage the bank account where all the loan recoveries were being deposited. Therefore, it was difficult for the Provincial Office to state how much had been recovered, especially that some youth groups

did not send the deposit slips to the Office. Further, the bank account was also being managed at the Ministry of Youth, Sport and Arts Headquarters.

However, the Controlling Officer wrote to the defaulting youth groups directly through the District Administration Offices to compel beneficiaries to expedite their loan repayments. It was after making follow ups that some youth groups availed their deposit slips to the Provincial Office. Further, the Controlling Officer wrote to the Ministry of Youth Sport and Arts requesting that a detailed schedule of the loan repayments be availed. The Office still waited a feedback.

Alternatively, the Controlling Officer had a leverage of reporting defaulters to the Credit Reference Bureau according to the guidelines. However, this could not be done because the youth groups were still within the repayment period of thirty-six months. As at 30th June, 2022, there were about twenty-eight months to the end of the thirty-six months repayment period. Nonetheless, pledges to ensure that defaulters were pushed to improve the repayment rate in line with the agreements had been signed by youth groups.

Committee's Observation and Recommendations

The Committee notes the submission and urges the Controlling Officer not to relent in his quest to ensure that loans are recovered without undue delay and will await a progress report on the matter.

OFFICE OF THE PRESIDENT – CENTRAL PROVINCE

PARAGRAPH 51

Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and seven selected district offices for the Financial Year Ended 31st December, 2021, revealed irregularities to which the Controlling Officer submitted as outlined below.

a. Budget, Funding and Expenditure

In the Estimate of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a total provision of K15,568,338 was made to cater for operations at the Provincial Administration and the whole amount was released. As at 31st December 2021, a total amount of K13,547,060 had been spent.

In response, the Controlling Officer submitted that the provision of K15,568,338 included a supplementary provision of K3,782,292,602, which was made to cater for operations at the Provincial Administration and the whole amount was released by the Treasury. This supplementary provision was coming from closing balances from the 2021 Financial Year, which included balances from all the third-party accounts maintained at the Provincial Administration as well as balances from all accounts maintained in the twelve district administration offices in the Province.

The Provincial Administration applied to the Secretary to the Treasury on 5th January, 2022, for authority to carryover the 31st December, 2021, closing balances to 1st January, 2022. Approval was granted on 31st January, 2022, on condition that the office applied for Non-Cash Supplementary Provision Warrant, whose approval was only granted by the National

Assembly. The supplementary funds were made available in the Financial Management and Information System in July, 2022.

Committee’s Observations and Recommendations

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

b. Accounting Irregularities

i. Unsupported Payments

In response, the Controlling Officer submitted that the query arose because a total of sixty-two payments, in amounts totalling K623,436 were inadequately supported at the time of audit. However, the relevant documents for all the sixty-two payments were available and ready for audit verification.

Committee’s Observations and Recommendations

The Committee finds it unacceptable that officers could not avail documents to auditors at the time audit. This is a serious offence under the *Public Financial Management Act, No. 1 of 2018*. The Committee urges the Controlling Officer to put measures in place to augment the stores and records management system. Further, the Controlling Officer is implored to institute punitive measures against all officers involved and avail supporting documents to the Office of the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

ii. Unretired Accountable Imprest – Itezhi Tezhi District

In response, the Controlling Officer submitted that during the period under review, imprests totalling K25,000 issued to four officers was not availed to the auditors at the time of audit because the documents had been submitted to the former District Commissioner who was not in the office at the time. However, documentation on all the imprests was available and ready for audit verification.

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 and awaits a progress report on the matter.

c. Weaknesses in the Management of Stores

i. Unaccounted for Stores

The Controlling Officer submitted that the query arose because stores items costing K280,179, comprising general stores (K154,963) and fuel (K125,216) procured during the period under review were not accounted for because there were no receipt and disposal details. However, the disposal details in question were available for audit verification.

Committee’s Observations and Recommendations

The Committee expresses concern at the failure by the Provincial Office to avail accountable documents to the auditors during the time of audit. The Committee is of the view that this could be attributed to poor record keeping by officers responsible and therefore recommends that punitive measure be taken against them. The Committee, further, urges the Controlling Officer to put measures in place to enhance record management at the Office to avert a

recurrence of such queries. Further, the Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

ii. Failure to Insure Motor Vehicles

In response, the Controlling Officer submitted that thirty-six motor vehicles and seven motor-bikes whose values could not be ascertained, were not insured at the time of the audit.

The Committee was informed that out of the thirty-six motor vehicles, thirteen had been insured, two were non-runners, two had been sold under Committee of Survey, while nineteen were yet to be insured. Further, out of the seven motor-bikes, four were non-runners, while three were yet to be insured.

Committee's Observation and Recommendations

The Committee notes the submission and urges the Controlling Officer to expedite the process of insuring the remaining nineteen motor vehicles and three motor cycles without undue delay. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

OFFICE OF THE PRESIDENT – NORTHERN PROVINCE

PARAGRAPH 52

Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and three selected district offices for the Financial Year Ended 31st December 2021, revealed irregularities to which the Controlling Officer submitted as set out below.

a. Funding and Expenditure

During the Financial Year Ended 31st December, 2021, amounts totalling K13,901,784 were received by the Provincial Administration. Additionally, amounts totalling K3,176,200 were brought forward from 2020, bringing the total funds available to K17,077,984. As at 31st December, 2021, amounts totalling K16,271,612 had been spent.

Weaknesses in the Management of Youth Empowerment Programme - Loans Component

i. Failure to Insure Loans

In response, the Controlling Officer submitted that the guidelines that the Ministry of Youth, Sports and Arts provided were not clear regarding loan insurance. There was no indication as to what stage the borrower needed to insure the loan. The guidelines just stated that the loan would be comprehensively insured by the borrower. However, in order to mitigate the problem, the Ministry of Youth, Sport and Arts revised the guidelines on insurance so that insurance costs could be deducted from the principal loan at source. This meant that the loan would be paid, net of insurance to the borrower. This entailed that personnel with finance knowledge on the Provincial Appraisal Committee would assist the Committee in the interpretation of certain clauses, as well as the management of loans. Documents were available for audit verification.

Committees Observations and Recommendations

The Committee finds it unacceptable that the Youth Empowerment Fund was disbursed without clear guidelines on insurance of the loans. The Committee urges the Controlling Officer to devise a mechanism that will compel all loan beneficiaries that did not insure the loans to do so, as a matter of urgency. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

ii. Failure to Recover Loans

In response, the Controlling Officer submitted that the loan repayments by beneficiaries were made directly to the Ministry of Youth, Sports and Arts account and not the Provincial Administration account. This made it difficult to ascertain the total amounts recovered to-date. The Provincial Administration, however, had been making efforts to contact beneficiaries in writing and through phone calls reminding them to honour their obligations. As at 31st October, 2022, the Youth Department had received deposit slips supporting amounts totalling K38,748 as amount recovered.

The Committee was further informed that the youths in the eleven districts, where the Zambia National Commercial Bank (ZANACO) had no branches found it difficult to bank the money since it was the only bank mandated to collect the repayments. Further, the Ministry of Youth, Sports and Arts had not been funding the Youth Department to enable officers to monitor youth empowerment loan recoveries. Thus, to improve monitoring, the Province provided K90,000 in the 2023 budget, which would enable officers to monitor the youth loan empowerment recoveries. The Ministry of Youth, Sports and Arts might also consider extending banking services to mobile money operators to enhance loan recoveries.

Committees Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to discuss the need to extend banking services to mobile money operators so as to enhance loan recoveries with the Ministry of Sports and Arts. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General and awaits a progress report on the matter.

iii. Irregular Issuance of Loans to Groups with Members above thirty-five years

In response, the Controlling Officer submitted that it was regrettable that loans were given to five youth groups who had some members that were above the desired age. The over-aged members were not involved in the management of the said youth groups, but the youths were running their own activities. The Controlling Officer assured the Committee that in future, thorough scrutiny would be made to ensure adherence to the guidelines to avoid bringing in overage members.

Committees Observations and Recommendations

The Committee expresses displeasure at the Provincial Administration's failure to abide by the guidelines regarding the issuance of loans. The Committee is of the view that the Provincial Administration did not conduct due diligence when disbursing funds to ensure that only youth groups whose membership is in line with the guidelines received the loans. The Committee is aware that this is a legacy issue, but urges Controlling Officer to institute disciplinary measures on the officers responsible for the lapse and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iv. Non-Performing Loans – Agriculture Input Loans

The Controlling Officer submitted that the Province had challenges to track the performance of agricultural input loans because the budget line designated for the activity was insufficient. Some agricultural input loans such as the farming input could not perform well because of the poor rainfall pattern the province experienced during the 2021/2022 Farming Season. The Committee was informed that most of the beneficiaries were vulnerable youths and repayment of the agricultural input loans would prove to be a challenge on their part. Management, therefore, wrote to the Ministry of Youth, Sports and Arts and requested that the loans be converted to grants.

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 and will await a progress report on the matter.

v. Unaccounted for Farmer Inputs

In response, the Controlling Officer submitted that some of the beneficiaries were not available at the time of distribution and acquittal sheets were left at the District Commissioner's Office so that they could be signed as inputs were being collected. Goods Issued Notes and acquittal sheets were collected and were available for audit verification.

Committees 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 and will await a progress report on the matter.

vi. Uninsured Loans Disbursed – Agriculture Input Loans

In response, the Controlling Officer submitted that the guidelines that the Ministry of Youth, Sports and Arts provided were not clear on insurance as they did not indicate the stage at which the borrower could insure the loan. The guidelines just stated that the loan would be comprehensively insured by the borrower. However, in order to mitigate the problem, the Ministry of Youth, Sport and Arts should revise the guidelines on insurance so that the costs were deducted from the principal loan at source. This meant that the loan would be paid net of insurance to the borrower. This required including personnel with finance knowledge on the Provincial Appraisal Committee that would assist the Committee in the interpretation of certain clauses as well as management of loans.

Committees Observations and Recommendations

The Committee finds it unacceptable that loans for agricultural inputs were disbursed without being insured. The Committee is of the view that this is purely failure to conduct due diligence when disbursing resources because this anomaly could have been detected earlier and brought to the attention of the Controlling Officer at the Ministry. The Committee urges the Controlling Officer to devise mechanisms that will compel all beneficiaries of agricultural inputs to pay back the loans. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

OFFICE OF THE PRESIDENT – NORTHERN PROVINCE

PARAGRAPH 53

Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and three selected district offices for the Financial Year Ended 31st December 2021, revealed the following.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a total provision of K23,655,952 was made to cater for operations at the Provincial Administration and the whole amount was released. As at 31st December, 2021, the Provincial Administration spent amounts totalling K21,421,394, leaving a balance of K2,234,557.

In response, the Controlling Officer submitted that it was an oversight on the part of Management not to request for retention of funds and would, in future, endeavour to act promptly so that all funds were utilised.

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 and will await a progress report on the matter.

b. Management of Infrastructure Funds - K11,869,905

i. Misapplication of Funds – K451,779

In response, the Controlling Officer submitted that the K451,779 that was used to purchase materials for the construction of Menje Stem Boarding School and completion of the Nsumbu Boarder Post did not come from the K11,869,905, but from refunds from Jonko Contractor and General Dealers K432,399.95 on IPC No. 6 and K526,373.88 on IPC No.7, which were paid to the contractor for the construction of a post office and the houses in Nsama District.

Further, the Mbala Youth Skills Centre and Kapisha Farmers Training Centre projects had been completed. However, the Provincial Administration, through the Department of Maintenance only supported the Ministry of Education through Ntumpa Boarding School with electrification materials and labour and the payments were made as planned.

Committees Observations and Recommendations

The Committee expresses concern at Management's failure to supervise the utilisation of resources to ensure that funds are used as intended. The Committee urges the Controlling Officer to devise mechanisms that will avert misapplication of funds and officers abide by the Financial Regulations without exception. The Committee urges the Controlling Officer to institute disciplinary measures against the officers involved to avert the recurrence of such anomalies. The Committee further urges the Controlling Officer to submit supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

ii. Irregular use of Limited Bidding Procurement Method

In response, the Controlling Officer submitted that the justification to use limited bidding as a procurement method was anchored on the request received from the client in the letter dated 13th November, 2020. The client stated that they needed to commit the funds before the close of the financial year ended 31st December, 2020, hence engaging in open bidding was impractical. The authority to use limited bidding or direct bidding was the mandate of the Procurement Committee in accordance with the provisions of section 28(2) and 34(1)(a) of the *Public Procurement Act No. 8 of 2020*.

Committees Observations and Recommendations

The Committee is deeply saddened at the will-full violation of the well-intended procurement provisions as well as procurement officer's failure to abide by the procurement regulations. The Committee urges the Controlling Officer to ensure strict adherence to procurement regulations and laws, without exception. The Committee implores the Controlling Officer to institute punitive measures against all officers who were involved in the procurement process and avail supporting documents to the Auditor General's Office for audit verification. The Committee awaits a progress report on the matter.

iii. Delayed Completion of Projects

• Completion of Mbala Youth Skills Centre – Mbala District

In response, the Controlling Officer submitted that the delay was as a result of:

- snags that had been identified and the contractor needed to make good at his own costs;
- extra works that the contractor was requested to do; and
- request by the contractor for extension of time at his costs, which was granted and he provided afresh performance security bond.

The project had been completed and was in the defect liability period. The contractor had since requested for an extension and completion certificate. Documentation was available for audit verification.

Committees Observations and Recommendations

The Committee expresses concern at the contractor's failure to complete the works within the contract period. The Controlling Officer is strongly cautioned to ensure that in future, only contractors with capacity to complete projects within the contract period are engaged. Further, the Controlling Officer is implored to ensure that all works are concluded as planned and stand the test of time. The Committee urges the Controlling officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

• Completion of Kapisha Farmers Training Centre – Luwingu District

In response, the Controlling Officer submitted that the delay was a result of:

- snags that were identified and the contractor needed to make good at his own cost;
- extra works that the contractor was requested to do;
- request for an extension of time at his cost which was granted and he provided the fresh performance security bond; and
- the challenges relating to power connection.

The Committee was further informed that while what was provided for in the contract was K75,000, about K350,000, was needed to construct the power line over a kilometre stretch to the Training Centre. The project was practically completed except for the power line. The Provincial Administration would source for funds to ensure that power was connected so that the Centre could become operational.

Committees Observations and Recommendations

The Committee expresses concern at the delay to complete the Construction of Kapisha Farmers Training Centre within the contract period of four months. The Committee urges the Controlling Officer to be proactive and not to act after audit queries. The Committee further urges the Controlling Officer to engage the Secretary to the Treasury for the provision of required funds so that the Training Centre can be connected to the national grid. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

- **Completion of Nsumbu Boarder Post and Two Staff Houses – Nsama District - K427,359**

In response, the Controlling Officer submitted that the contractor abandoned the site despite being reminded twice. The project had since been recommended for termination and the performance security bond had been encashed. The final account was being prepared for damages to be recovered as debt through the Ministry of Justice. Documents were available for audit verification.

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 and will await a progress report on the matter.

- c. **Payments Made without Raising Vouchers – Chilubi District Administration**

In response, the Controlling Officer submitted that the District Administration Office had no accounting officer. Instead, Management attached an accounting officer, who was based at Chilubi District Education Board Secretary's Office to be helping out with accounting duties. After preparing the accounting documents, the officer left them at the District Administration Office. At the time of audit, the payment vouchers could not be found as they were misplaced by non-accounting officers. However, the payment vouchers and other financial records were found in the wrong filing cabinet two weeks after the auditing process had ended. The Provincial Administration engaged the Accountant from Education Department under Ministry of Education to assist with the preparation and maintenance of accounting records. Documents were available for audit verification.

Committees Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that a qualified account is employed without any further delay. The Committee implores the Controlling

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

d. Management of Assets – Failure to Secure Title Deeds

In response, the Controlling Officer submitted that out of the sixteen properties, six had been surveyed and survey diagrams were available. Of the six surveyed properties, one was paid for and the offer letter had been issued, while the other five were yet to be paid for. Other properties for the Zambia Correctional Service and the Provincial Education Office, as well as any others had been surveyed. However, respective departments such as the Office of the Auditor General on Stand No 1490 had not paid statutory fees as required.

The Provincial Administration had put in place a Steering Committee to particularly spearhead the titling of Government properties. The Steering Committee was headed by the Office of the Director of Finance. All survey diagrams and offer letters would be submitted to the Steering Committee, who would forward them to the Ministry of Finance and National Planning in Lusaka, which had a dedicated unit that dealt with titling. This was because all Government properties were registered in the name of the Ministry of Finance and National Planning. Documents were available for audit verification.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to expedite the process of acquiring Title Deeds for all Government properties without any further delay and avail supporting documents to the Office of the Auditor General for audit verification. The Committee resolves to await progress report on the matter.

e. Weaknesses in the Management of Motor Vehicle Insurance

i. Lack of Insurance Contract - K113,075

In response, the Controlling Officer submitted that the transaction for the insurance of motor vehicle GRZ 498CA was handled by the Ministry of Works and Supply. The payments made by the Provincial Administration were based on the invoice supplied by Ministry of Works and Supply. With the dissolution of the Ministry of Works and Supply, it had become difficult to trace the contract relating to the insurance account. Management stopped paying the insurance company until when the necessary documents were availed. The Controlling Officer assured the Committee that all future insurance payments would be supported with insurance contracts.

Committee’s Observations and Recommendations

The Committee wonders whether or not this explanation was given to the auditors and if so, why the query was sustained even after the exit meeting. The Committee urges the Controlling Officer to expedite the process of insuring all Government vehicles without any further delay and avail supporting documents to the Office of the Auditor General for audit verification. The Committee resolves to await progress report on the matter.

ii. Over Payment of Insurance Premiums – Advantage Insurance

In response, the Controlling Officer submitted that the Finance Department made the same observation while reconciling the account in question. A corrective action was made to reallocate the overpayment towards the 2022 outstanding premiums. After the reallocation, the Provincial Administration had an outstanding balance of K9,630.97 as at 31st October, 2022, in respect of three motor vehicles in question, numbered: GRZ 466 CP; GRZ 467 CP; and GRZ 468 CP.

Committee's Observations and Recommendations

The Committee urges the Controlling Officer to expedite the process of insuring all Government vehicles and ensure that the outstanding balance is settled without any further delay. The Controlling Officer is further implored to institute disciplinary measures against the officer for the lapse and avail supporting documents to the Office of the Auditor General for audit verification. The Committee resolves to await a progress report on the matter.

iii. Questionable Payment of Insurance

In response, the Controlling Officer submitted that the Goldman Insurance Company was paid K23,814 on 22nd September, 2021, from the General Deposit Account for the insurance of the vehicle. The Ministry of Works and Supply procured a vehicle that was supposed to be used by the Deputy Permanent Secretary in Kasama. Therefore, an insurance cover was needed when bringing it to Kasama, Northern Province. However, things changed and the vehicle could not be availed to the Province and K450,000 was refunded, which had since been used to procure a new vehicle ó Nissan Navara. The funds for the insurance premium (K23,814) were reallocated to three vehicles, numbered: BAT 632 ZM; GRZ 352 CJ; and GRZ 248 CV.

Committees 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 and will await a progress report on the matter.

f. Unaccounted-for Fuel – K143,032

In response, the Controlling Officer submitted that almost all filling stations supplying fuel to Government departments were currently using tom-card systems, which did not capture details of vehicles that drew fuel. As such, statements produced by the filling stations did not show details of vehicles. Records such as fuel requisitions, log books and fuel registers were maintained by respective departments and were availed for audit verification.

The Committee was further informed that Management had been engaging suppliers of fuel to devise a system which would capture details to motor vehicles that drew fuel from their filling station as auditors requested. In this regard, suppliers were expected to consider implementing the concerns raised. There were several filling stations in the Province and if the supplier did not take into consideration the concern, the Provincial Administration would terminate the contracts and other suppliers would be engaged.

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. The Committee will await a progress report on the proposal for filling stations to devise mechanisms, which will capture details of motor vehicles that refuel from their filling station as auditors demanded.

g. Failure to Settle Obligations

In response, the Controlling Officer submitted that the outstanding obligations had been a challenge for Provincial Administration because of inadequate budget funding. The obligations were so huge that the total amount was more than the budget ceiling for the Province. This made it difficult for the Provincial Administration to liquidate the obligation. The Provincial Administration, however, had been making requests to the Ministry of Finance and National Planning to help with liquidating the whole outstanding obligations.

The Committee was informed that out of the K1,066,054 queried, funds amounting to K639,966 arrears owed to the Workers Compensation Fund and ZAMPOST had been secured by Ministry of Finance and National Planning and payment were expected to be made before the end November, 2022. The obligation to Kasama Sawmill involved payment of wages and was part of Provincial Administration's outstanding bill for personnel emoluments, which was yet to be liquidated by Ministry of Finance and National Planning. Documents were available for audit verification.

Committees Observations and Recommendations

The Committee expresses displeasure at the Management's failure to settle constitutional obligations. In this vein, the Committee urges the Controlling Officer to engage the Secretary to the Treasury, as a matter of urgency, to secure funds to settle outstanding obligations without undue delay. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

OFFICE OF THE PRESIDENT – WESTERN PROVINCE

PARAGRAPH 54

Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and six selected district offices for the period under review revealed irregularities 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, 2021, a total provision of K12,219,549 was made to cater for the operations at the Provincial Administration and the whole amount was released by the Treasury. As at 31st December, 2021, amounts totalling K11,850,500 had been spent.

In response, the Controlling Officer submitted that amounts totalling K369,049 remained unspent due to late award of contracts and the office requested for retention of the funds, which was later authorised. Supporting documents were available for audit verification.

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 and will await a progress report on the matter.

b. Failure to Undertake Paid for Activity – K363,400

In response, the Controlling Officer submitted that allowances could not be refunded because the auction exercise was temporarily halted. However, when the auction was allowed to commence, the Office of the Controller of Internal Audits sent auditors to verify all boarded assets before the auction could commence.

The audit verification report was ready and the exercise was expected to be undertaken by the by 12th December, 2022, so as to allow an advert run in the print media. Supporting documents were available for audit verification.

Committees 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 and will await a progress report on the matter.

c. Management of Stores – Unaccounted for Stores

In response, the Controlling Officer submitted that the receipt and disposal details for stores items costing K567,726 were available for verification. The delay in resolving the audit matter was due to the following:

- i. fuel disposal details were made available at the time of audit. However, the auditors later demanded that logbooks to be part of the disposal details which were never verified; and
- ii. the absence of stores disposal details were due to late submission by district administrations. Management regretted the delay in submission and the anomaly would not reoccur in future.

Committees 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 and will await a progress report on the matter.

d. Management of Liabilities – Failure to Settle Outstanding Bills - K19,335,254

In response, the Controlling Officer submitted that the bills had remained outstanding due to inadequate funds released to these programmes during the period under review. For instance, only K2.7 million had been provided for in the 2023 budget, hence these bills would still remain outstanding. Management was committed to settling all outstanding bills once adequate resources were made available by the Treasury.

Committees Observations and Recommendations

The Committee notes the submission and awaits a progress report on the matter.

OFFICE OF THE PRESIDENT – WESTERN PROVINCE

PARAGRAPH 55

Programmes: General Deposit Account

Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and six selected district offices for the period under review, revealed irregularities to which the Controlling Officer responded as set out below.

a. Funding and Expenditure

During the period under review, a total amount of K27,441,033 was received by the Provincial Administration. Additionally, amounts totalling, K406,802 were brought forward from 2020, bringing the funds available to K27,847,835. As at 31st December, 2021, amounts totalling K22,293,108 had been spent, leaving a balance of K5,554,727.

In response, the Controlling Officer submitted that the funds belonged to line ministries, who had the budget lines. However, the funds were sent to the Province in the Third-Party Account for implementation of various programs on their behalf. Therefore, amounts totalling K5, 554, 727 remained unspent during the period under review and were carried over to 2022.

Committees 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 and will await a progress report on the matter.

g. Weaknesses in the Management of the Youth Empowerment Project – Agriculture Empowerment Fund

i. Irregular Issuance of Loans to Groups with Members above Thirty-five Years

In response, the Controlling Officer submitted that the office disbursed loans to well registered cooperatives whose membership sometimes included a member whose age was above thirty-five years. Hence, the Provincial Appraisal Committee resolved not to disqualify such cooperatives. Management regretted the occurrence and this would not re-occur in future.

Committees Observations and Recommendations

The Committee finds it unacceptable that the Youth Empowerment Fund Project Guidelines were abrogated with impunity. The Committee is aware that this is a legacy issue, but urges the Controlling Officer to institute disciplinary measures against all officers involved at the time for failure to abide by the project guidelines. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

ii. Disbursement of Loans to Individual Beneficiaries

In response, the Controlling Officer submitted that thirty-four individuals did not collect their cheques amounting to K376,500. Therefore, the correct position on the cheques issued to individuals should amount to K45,500 and not K422,000 as observed since funds were available for disbursement to eligible youth groups.

The Provincial Appraisal Committee resolved and recommended individuals based on the revised specific guidelines from the Ministry, which indicated that even individuals could be awarded.

Committees 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 and will await a progress report on the matter.

iii. Irregular Payments to Beneficiaries K1,338,500

In response, the Controlling Officer submitted that the Provincial Appraisal Committee sought for a waiver to issue cheques instead of procuring input materials as time had run out and the materials required were not common to each youth group. The waiver was granted in principle, at the time, as it was evidenced by Minute No. MYSCD/101/13/17 dated 4th March, 2021, to issue cash to North-Western Province for the same programme. Hence, the Provincial Appraisal Committee went ahead to issue cheques. Supporting documents were available for audit verifications.

Committees Observations and Recommendations

The Committee finds it unacceptable that the Youth Empowerment Fund Project Guidelines were abrogated with impunity. The Committee is aware that this is a legacy issue, but urges the Controlling Officer to institute disciplinary measures against all officers involved at the time for failure to abide by the project guidelines. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

iv. Failure to Recover Loans - K1, 338,500

In response, the Controlling Officer submitted that most beneficiaries were struggling to service their loans. Management would keep engaging the youths and make follow ups to ensure that they paid back the loans as planned. However, a challenge had arisen where some youth groups believed the funds were not loans but grants given to them as gratification for supporting the Government.

Committees Observations and Recommendations

The Committee finds it unacceptable that the Management failed to recover loans and urges the Controlling Officer not to relent but devise mechanisms that will compel beneficiaries to pay back their loans. The Committee implores the Controlling Officer to also sensitise beneficiaries so that they know that paying back the loans, will benefit other youth groups. The Controlling Officer is further urged to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

v. Uninsured Loans Disbursed

In response, the Controlling Officer submitted that the amounts disbursed were too low and as a result, beneficiaries were unable to insure the loans. Further, the insurers were not in a position to provide bonds or guarantees as the youths did not have titled properties to offer as collateral.

Committees 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 and will await a progress report on the matter.

vi. Misapplication of Funds

In response, the Controlling Officer submitted that there were a number of developments regarding the implementation of the project.

The initial amount allocated for administrative costs to manage the youth exercise was K105,000. Thereafter, the programme was halted and the Ministry of Youth, Sports and Arts advised to use an additional K500,000 for administrative costs and return the remaining funds. At the time, the programme to disburse funds had been stopped.

Later on, the Ministry was advised to proceed with the programme. Management then started the process again of engaging districts to submit the applications of viable youth groups. As a result, extra resources were needed and used on administrative costs amounting to K128, 864 and not the cited K733, 864.

Further, according to the specific guidelines 3.1, the Provincial Appraisal Committee would plan, budget and monitor the utilisation of disbursed funds. Therefore, the funds were utilised for the purposes of administering the programme.

Furthermore, the failure to recover loans had been attributed partly to lack of monitoring resources, as the programme came with inadequate administrative cost component hence any extra funds used was deemed to have been misapplied. The Ministry had been requested to allow the Provincial Administration to utilise part of the remaining funds on monitoring to ensure that all loans were recovered as planned. The activity reports were availed to the auditors and cleared them during verification. Supporting documents were available for audit verification.

Committees Observations and Recommendations

The Committee in noting the submission wonders why the auditors were not convinced that the explanation given was plausible but sustained the query. The Committee, however, urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

vii. Failure to Provide Information on Stipends for Apprentices – K534,000

In response, the Controlling Officer submitted that it was not true that the details of recipients were not availed for audit. Instead, a list of recipients was availed and that was why the auditors were able to query the amounts paid. It was the information regarding the recruitment of apprentices that was not provided, because the recruitment process was done at the Ministry Headquarters and the province only received a list of interns with the approved allowances for payment. Minute No. MYACD/53/19/1 dated 18th June, 2021, indicated that the role of Provincial Administration was to only facilitate payments as they fell due. Supporting documents were available for audit verification.

Committees 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 upon which the matter may be closed.

h. Infrastructure Development

i. Emergency Repair Works on Lukulu – Watopa Road (D755) and Katunda – Lukulu(D792) Road

• Questionable Hire of Additional Earth Moving Equipment Lukulu – Watopa Road(D755)

In response, the Controlling Officer submitted that the contract was signed on 24th May, 2021, and not 25th June, 2021. Management awarded the contract to Advant Solutions Limited, accordingly, after following normal tender procedures by the Tender Committee. Supporting documents were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges that Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

- **Questionable Contractor and Payment**

In response, the Controlling Officer submitted that the capacity to hire Advant Solutions Limited was based on the reasons that it dealt in other technical activities including hire of earthmoving equipment.

Committee's Observations and Recommendations

The Committee is deeply saddened at Management's failure to conduct due diligence to ascertain whether or not the company had adequate equipment before being awarded the contract. The Committee wonders why Management did not engage ZNS, a Government department, which had the equipment to do the works. The Committee strongly cautions the Controlling Officer and urges him to put in place measures that will ensure that due diligence is conducted before awarding contracts and to institute punitive measures against all those involved for the omission. The Committee, further, urges the Controlling Officer to avail supporting documents to the Office of Auditor General for audit verification. The Committee will await a progress report on the matter.

- **Failure to Subject the Contract Sum to Price Reasonableness Analysis**

In response, the Controlling Officer submitted that price reasonableness analysis was conducted at evaluation stage and thereafter, submitted to ZPPA for approval and authority was granted. Supporting documents were available for audit verification.

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

- ii. **Questionable payment – Construction of the Drainage Mongu – Limulunga Road K2, 271,216**

In response, the Controlling Officer submitted that the works delayed due to non-payment to the main contractor who insisted that the sub-contractor would only work whilst he was also on site to supervise the works. The subcontracted drainage works had since been completed. However, the main contractor was still on site upgrading the road to bituminous standards. Management regretted the delay. However, the payment was on the basis that the Controlling Officer inspected the project and found that it had stalled for a longer period due to non-payment to the subcontractor. The main contractor was engaged as well as the Road Development Agency before the payment was done. Supporting documents were available for audit verification.

Committee's Observations and Recommendations

The Committee expresses concern that payments were made in unclear circumstances and urges the Controlling Officer to report the matter to investigative wings. The Committee awaits a progress report on the matter.

- iii. **Failure to withhold VAT – K1,867,075**

In response, the Controlling Officer submitted that the contract with one of the contractors amounting to K67,899 was VAT exclusive, hence the Provincial Management could not withhold VAT. However, at the time of paying the other contractor amounts totalling K1,799,176, the ZRA portal showed turnover tax status and as such, the Provincial Administration could not deduct VAT. This was due to the time lapse from 2014, when the

contracts were signed. The contractor reverted to turnover tax due to fewer sales in the subsequent years causing an oversight on the office not to withhold VAT.

However, ZRA was informed about the payment made to the contractor because it was above the threshold of VAT registration. Supporting documents were available for audit verification.

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 and awaits a progress report on the matter.

iv. Questionable Payment – Construction of the District Council Office Block and High Cost Houses in Luampa District

In response, the Controlling Officer submitted that Clause 36.1, Changes in the Contract Price, and 37 Variations of the Contract, allowed the Project Manager to order the variation and make the change to the contract price at the Project Manager's own forecast.

The variation given by the Project Manager was within the 25 per cent of the contract price, which was necessitated by the visit of the then Republican President who was scheduled to commission the project. As a result, there was urgent need to work on the car park, water reticulation, road ways and parking areas and culverts which were initially not part of the contract.

It was not true that there were no evidence of works carried out. The contractor engaged ZNS at a fee, who had a compactor to construct the car park and road ways. The water reticulation system was available on site as the tank and borehole was operational. The auditors mistook and insisted that ZNS did the works hence the matter remained unresolved.

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 and await a progress report on the matter.

v. Irregular Payment of Value Added Tax – K791, 951

In response, the Controlling Officer submitted that at the time VBS General Dealers Limited was contracted in 2014, it was duly registered for VAT purposes. Therefore, it was in order to charge VAT on goods and services they provided. Thereafter, the company went on voluntary registration depending on value of sales.

The Provincial Administration in 2021, was merely paying for outstanding Interim Payment Certificates (IPCs) to enable the contractor resume works that had stalled due to non-payments. At the time of payment, the company was at a period when it was not registered for VAT purposes causing an oversight not to deduct VAT charged then in 2014, on the same contracts and Management had since written to ZRA to ensure the VBS General Dealers remitted VAT. Supporting documents were available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee wonders why the submission is being tendered by the Controlling Officer was not made to the auditors and if so, why the query was sustained even after the exit meeting. The Committee, however, notes the submission 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.

vi. Procurement of Goods and Services/Expenditure

i. Failure to Follow Tender Procedures – Maritime Department – K66,375.50

In response, the Controlling Officer submitted that the payment requests were within the Controlling Officers threshold of K32,986.20 and K33,389.30, respectively, for different works in different locations of Lusaka and Kalabo.

It was at the time of making payment that the two requests were combined since the supplier to be paid was the same. Therefore, the Controlling Officer did not abrogate any regulation as he was not even a signatory to the bank accounts.

The dredger classic III C180 developed a fault after it was repaired and was brought back from Kalabo to Mongu awaiting funds to take it for repairs to Lusaka. Supporting documents were available for audit verification.

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

ii. Unsupported Payments - K957, 669

In response, the Controlling Officer submitted that the matter remained unresolved at the time of audit because the office only had printed copies of receipts and not originals which the auditors insisted on. The original receipts had since been obtained from various companies and were available for verification.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place to augment the records management system so that accountable documents are made available on demand. The Committee also urges the Controlling Officer to avail the retrieved accountable documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

i. Unaccounted for Stores

In response, the Controlling Officer submitted that receipts and disposal details for stores items costing K56,808 were made available at the time of audit but were not verified. Supporting documents were available for audit verification.

Committee’s Observations and Recommendations

The Committee expresses displeasure that the issue has come this far when accountable documents were available during the time of audit. The Committee sternly cautions the Controlling Officer to avoiding contending with auditors because the Public Stores Regulation No. 16 is very clear on the mode of operation and urges him to avail supporting documents to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

OFFICE OF THE PRESIDENT – EASTERN PROVINCE

PARAGRAPH 56

Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and nine selected district offices for the period under review, revealed irregularities 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, 2021, a total provision of K12,168,048 was made to cater for operations of the Provincial Administration and the whole amount was released. As at 31st December, 2021, amounts totalling K11,267,789 had been spent, leaving a balance of K900,259.

In response, the Controlling Officer submitted that a total provision of K12,168,048 was released to cater for the operations of the Provincial Administration and K900,259 was unspent as at 31st December 2021. The unspent balance represented the aggregated balances from different budget lines for various departments for the procurement of goods and services. During the last part of the fourth quarter of 2021, the procurement department was non-functional, as all the officers were suspended from duty in order to pave way for investigations. Investigations were still underway and the officers were still on suspension. However, authority to retain the funds was granted by the Secretary to Treasury.

Committees Observations and Recommendations

The Committee expresses concern that the department of procurement was non-functional during the last quarter of 2021, making it difficult for the Provincial Administration to function effectively. The Committee urges the Controlling Officer to put measures in place that will ensure that the suspension of officers in the procurement department does not affect the operations of the Provincial Administration. 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 awaits a progress report on the matter.

b. Operational Matters – Department of Water Resources Department

i. Failure to Drill a Commercial Borehole in – Lumezi District – K400,000

In response, the Controlling Officer submitted that all requirements for servicing, repairing and drilling tools needed to successfully drill two commercial boreholes, were bought from the K314,346 that was provided. Further, the Department of Water Resource and Development drilled three boreholes in Lumezi District, of which one was successful, while two had insufficient borehole yields of .02 litres and 0.5 litres, respectively. The yields were less than the required minimum of at least 1.5 litres to meet the specified yield for a motorised pump. It was emphasised that there was high fuel consumption rate on the first site drilled due to the hard soil formation coupled with the use of three different size bits of 6ø, 8ø and 12ø diameters on the same hole drilled to the same depth in order to attain a final 8ø constructed borehole.

The Committee was informed that in attempting to drill a second borehole, the machine developed a fault. The compressor was unable to generate compressed air to facilitate the drilling process. This compelled the team to disband to Chipata in order to have the fleet

serviced and repaired. However, funds to drill the remaining nine boreholes were available and as soon as the machine was repaired, the boreholes would be drilled.

Committees Observations and Recommendations

The Committee is deeply saddened by Management's failure to drill a commercial borehole in Lumezi District. The Committee is further displeased that even after including geophysical survey (citing), lining and testing, there is still failure to identify a place with sufficient borehole yields where a second commercial borehole can be drilled. The Committee urges the Controlling Officer to ensure, as a matter of urgency, that the machine is fixed so that a second commercial borehole is drilled. Further, the Controlling Officer is being urged to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

ii. Failure to Drilling Domestic Boreholes in Mambwe District – K755,568

In response, the Controlling Officer submitted that twenty boreholes were drilled out of twenty-nine. However, the compressor developed a major fault and stopped working. Efforts to have the compressor serviced and repaired proved futile as the estimated cost was approximately K1,835,000 based on the quotations from the franchise holders. The Department engaged the Headquarters to help with resources to repair the drilling fleet in order to complete the remaining boreholes.

Committees Observations and Recommendations

The Committee is dismayed at the estimated cost to service and repair the compressor and urges the Controlling Officer to conduct due diligence regarding price reasonableness in order to lobby for funds to fix the compressor. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await an update on the matter.

c. Accounting Irregularities

i. Failure to collect Funds – Encroachment and Deforestation of the Forest – Lundazi District – K137,700

In response, the Controlling Officer submitted that the levels of encroachment increased during the Structural Adjustment Programme as forest guards who were manning the forests were all laid-off and traditional leaders started allocating land in the forest reserves. However, efforts had been made by the Department to remind illegal settlers to pay the fines. So far, a total of K4,050 had since been paid. Documents were available for audit verification.

Committees Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that measures are put in place to stop encroachments. Further, the Committee urges the Controlling Officer to ensure that all illegal settlers pay the outstanding fines. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

ii. Irregular Cash Withdrawal – K49,563

In response, the Controlling Officer submitted that the officers who facilitated the payments were charged for their actions. Going forward, Management intended to carry out workshops with all accounting officers in the Province to familiarise them with the provisions of the *Public Finance Management Act, No. 1 of 2018*. Management would also sensitise all

accounting officers on the contents of Finance and Treasury Circular No. 1 of 2023, to provide further guidance on the management of public resources.

Committees Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to ensure that all accounting officers operate in line with the *Public Finance Management Act, No. 1 of 2018*, without exception. The Committee urges the Controlling Officer to conduct workshops in order to familiarise accounting officers with the Public Finance Management Regulations so as to avoid accounting irregularities. The Committee also urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

e. Weakness in Management of Liabilities – Failure to Settle Outstanding Bills – K8,319,014

In response, the Controlling Officer submitted that Management had budgeted a total of K1,890,000 in the 2022 budget, towards dismantling of arrears. Out of which K1,368,000 was funded and paid to beneficiaries. The Treasury also allocated K9,939,800.62, to Provincial Administration for dismantling of personnel-related arrears during the Financial Year Ended 31st December, 2022. The payment processes were underway. Documentation was available for audit verification.

Committees Observations and Recommendations

The Committee expresses concern at the Provincial Administration's failure to settle outstanding bills from as far back as 2008. The Committee urges the Controlling Officer to lobby for funds from the Treasury in order to settle the debt without any further delay. The Controlling Officer is further urged to put measures in place that will ensure that all obligations are honoured timely. The Committee further urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

OFFICE OF THE PRESIDENT – LUAPULA PROVINCE

PARAGRAPH 57

Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and seven selected district offices for the period under review, revealed irregularities 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, 2021, a total provision of K12,014,034, was made to cater for the operations of the Provincial Administration against which amounts totalling K11,617,298 were released, resulting in an underfunding of K396,736. As at 31st December, 2021, amounts totalling K11,536,367 had been spent, leaving a balance of K396,736.

In response, the Controlling Officer submitted that the variance was a result of underfunding. However, Management would continue to engage the Ministry of Finance and National Planning to honour and fund the budget in full.

Committee's Observations and Recommendations

The Committee notes the response and urges the Secretary to the Treasury to ensure that funds are released on time so that all planned activities are implemented as provided for in the budget. The Controlling Officer is also being implored to be proactive to ensure that funds are spent timely and as appropriated by Parliament. The Committee awaits a progress report on the matter.

b. Operational Matters – Failure to Meet Target Output

In response, the Controlling Officer submitted that the failure to meet target outputs was because of the impact of the COVID 19. In future, Management would endeavour to budget realistically according to budgetary ceilings under Economic Development and Natural Resource Programmes. Further, Management would also endeavour to plan for unforeseen events such as COVID 19 and incorporate risk management strategies.

Committee's Observations and Recommendations

The Committee notes the response and urges the Controlling Officer to devise mechanisms that will ensure prudent collection of revenue in order to meet their targets. The Committee awaits a progress report on the matter.

c. Accounting Irregularities

i. Irregular Payment of Subsistence Allowances within the District – K66,630

In response, the Controlling Officer submitted that Management engaged Cabinet Office regarding payment of substance allowances within the district boundary, which was about 60kilometres from the central business districts. The mapping was physical and involved walking long distances in the bush on a daily basis as there were no roads. Therefore, officers camped in the bush to map the resettlement scheme, which had been pending since its establishment in 1989. In addition, the Government was expected to raise revenue in excess of K12,344,302.00 through various fees. Cabinet Office guided that with the justifications provided, the Province was within the provisions of the Cabinet Circular Minute of 2015.

Committee's 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 and await a progress report on the matter.

ii. Unsupported Payments

In response, the Controlling Officer submitted that at the time of the audit, receipts had not been obtained from the suppliers. However, all documents had been collected from suppliers and all payments were now supported with receipts and available for audit verification.

Committees Observations and Recommendation's

The Committee expresses displeasure at Management's failure to provide accountable documents during the time of audit, which is a serious offence in line with the Procurement Regulations. The Committee notes a serious weakness at internal audit control system, which could have detected the anomaly before external audit processes. The Committee urges the Controlling Officer to strengthen internal audit systems to avert such anomalies. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

iii. Unaccounted for Stores – Chembe District Administration – K56,260

In response, the Controlling Officer submitted that stores items amounting to K52,260 were not accounted during the time of audit. However, all stores items had been accounted for and receipts and disposal details were available for audit verification.

Committee’s Observations and Recommendations

The Committee expresses displeasure at Management’s failure to provide accountable documents during the time of audit, which is a serious offence in line with the Procurement Regulations. However, the Committee notes a serious weakness at internal audit control system which should have detected the anomaly before external audit processes commenced. The Committee urges the Controlling Officer to strengthen internal audit systems to avert such anomalies. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

d. Management of Disaster Management and Mitigation Unit

i. Failure to Deduct NAPSA Contributions – K135,060

In response, the Controlling Officer submitted that the payment was for casual workers who were engaged on a one-off contract or piecework to clear the channels in Lunga District. Therefore, the said amounts of money could not be deducted because Cabinet Office on Minute No. PSMD/7/13/1 guided that the Civil Service did not register employees engaged on contractual jobs with any pension scheme including NAPSA.

Committee’s 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 and will await a progress report on the matter.

ii. Unauthorised Transfer of Funds between Accounts – K56,000.00

In response, the Controlling Officer submitted that Management transferred funds amounting to K56,000.00 without authority from the Secretary to the Treasury, because it had initially paid casual workers from Forestry Saw Mill Account instead of the DMMU Account. Management deeply regretted its action to transfer funds without authority and had since put in place measures to avert the recurrence of such irregularities. Further, the erring officers had since been cautioned. Documents were available for audit verification.

Committee’s 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 and will await a progress report on the matter.

iii. Construction of Classroom Blocks – Disaster Management and Mitigation Unit Projects

• Chipili District - Construction of 1x3 Classroom Block

In response, the Controlling Officer submitted that the project was not completed due to inadequate funding and the works had since stalled. Management engaged DMMU to release funding for the project so that the works could be completed.

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

- **Mwansabombwe District – Construction of 1x3 Classroom Block – K784,600**

In response, the Controlling Officer submitted that the project was not completed due to inadequate funding and the works had since stalled. Management engaged the DMMU to release funding for the project so that the works could be completed.

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

- **Samfya District – Stalled Project – Construction of 1x3 Classroom Block – K784,600**

In response, the Controlling Officer submitted that the project was not completed because of inadequate funding and the works on the project stalled. Management engaged DMMU to release funding for the project so that the works could be completed.

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

OFFICE OF THE PRESIDENT – LUAPULA PROVINCE

PARAGRAPH 58

Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and seven selected district offices for the period under review, revealed irregularities to which the Controlling Officer submitted as set out below.

- a. Funding and Expenditure**

During the Financial Year Ended 31st December, 2021, a total amount of K15,404,614 was received by the Provincial Administration. In addition, an amount of K3,107,697 was brought forward from 2020, bringing the total funds available to K18,512,311. As at 31st December, 2021, amounts totalling K18,223,502 had been spent.

- b. Weaknesses in Management of Youth Empowerment Project – K13,413,531**

- i. Uninsured Loans Disbursed – K8,756,974**

In response, the Controlling officer submitted that the Provincial Administration was of the view that the Ministry of Youth Sports and Arts had already insured the loans before sending the funds for disbursement. The Provincial Administration had since engaged the Ministry of Youth, Sports and Arts to ensure that the loans were insured by the beneficiaries at the time of approval. Ministry of Youth, Sports and Arts had since given assurance that no loans would be disbursed without being insured by the beneficiary.

Committee's Observations and Recommendations

The Committee finds it unacceptable that funds were disbursed without being insured. The Committee is of the view that this is purely failure to conduct due diligence before disbursing the funds because if proper procedures were followed, the Controlling Officer would have been alerted about the anomaly. The Committee urges the Controlling Officer to devise mechanisms that will compel all beneficiaries to insure the loans without any further delay. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

ii. Failure to Recover Loans

In response, the Controlling Officer submitted the loan recovery account was held by the Ministry of Youth, Sports and Arts in Lusaka. Therefore, the Provincial Administration was not privy to the information on loan recoveries. Thus, Management could not establish the details on defaulters. Management had since engaged the Ministry of Youth, Sports and Arts to pursue the loan recoveries from beneficiaries and report defaulters to the Credit Reference Bureau.

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

iii. Failure to Conduct Due Diligence – Non-Existent Groups – K510,000

In response, the Controlling Officer submitted that due diligence was conducted by the Ministry of Youth Sports and Arts. Management engaged the Ministry of Youth, Sports and Arts to seek clarification on the two groups of beneficiaries which could not be identified during the time of audit. The Ministry had since provided the documents which would be made available for audit verification.

Committee's Observations and Recommendations

The Committee finds it unacceptable that funds were disbursed to two unidentified youth groups during the time of audit. The Committee is of the view that this is purely failure to conduct due diligence before disbursing funds and a weakness in the internal audit system. If proper procedures are followed, such anomalies can be detected by internal audit systems. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

iv. Failure to Monitor Beneficiaries by District Administration – K755,000

In response, the Controlling Officer submitted that no funds were allocated to District Administration for monitoring and evaluation. However, Management engaged the Ministry of Youth, Sports and Arts to provide resources to District Administration for monitoring and evaluation of the youth projects.

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

c. Unsupported Payment of Stipends – Internship and Apprenticeship – K739,500

In response, the Controlling Officer submitted that all scrutiny and approval of all internship applications were done by the Ministry of Youth, Sports and Arts. Management had since engaged the Ministry regarding the matter, which had since clarified that the internship programme had two categories of youth beneficiaries. The first category involved tertiary and grade twelve certificate holders, while the second category involved youths with grade nine certificates as well as those with no qualifications who were engaged as office orderlies or general workers.

Committee’s 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 and will await a progress report on the matter.

OFFICE OF THE PRESIDENT – NORTH-WESTERN PROVINCE

PARAGRAPH 59

Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and four selected district offices for the period under review, revealed irregularities to which the Controlling Officer submitted as set out below.

a. Funding and Expenditure

During the Financial Year Ended 31st December, 2021, a total amount of K16,688,852 was received to cater for various activities in the Province. Additionally, an amount of K2,917,750, was brought forward from 2020, bringing total funds available to K19,606,602. As at 31st December, 2021, amounts totalling K18, 859,134 had been spent.

b. Weakness in Management of Youth Empowerment Programmes

i. Unsupported Loan Disbursed

In response, the Controlling Officer submitted as outlined below.

- The Youth Empowerment Cooperative received an allocation of K2,000,000 with thirty-eight beneficiaries. Under this component, the beneficiaries were assessed at the Ministry of Youth, Sports and Arts Headquarters. The funds were supposed to be administered by the Ministry but changed the earlier plan and decided that the payments be made at provincial level. The funds and a list of beneficiaries were sent to the Province for payment. At the point of payment, the assurance was that beneficiary groups under this category met the criterion since application forms were sent to the National Technical Committee for consideration. Later twenty-six out of thirty-eight files were transferred from Lusaka to the Province with an exception of twelve files which could not be traced at the Ministry of Youth, Sports and Arts.
- The Agriculture Input Support Programme received amounts totalling K2,855,000, which included K105,000.00 for administrative cost. Each district was allocated an amount and requested to appraise the applicants in line with the Guidelines. Thereafter, the payments were prepared centrally at provincial level based on the recommendations

made at district level. The shortlisted groups or cooperatives were sent to the Provincial Administration for payments and documents filed. District Commissioners were expected to send returns immediately the beneficiaries received their funds but was delayed. Due to time factor, some of the documents cited in the audit query could not be verified as districts were still submitting their returns. In this regard, the Controlling Officer wrote to District Commissioners requesting them to expedite submission of files where all the documents were kept. The documents were available for audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to avail supporting documentation to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

ii. Disbursement of Loans without Signed Agreements

In response, the Controlling Officer submitted that Management regretted that out of 216 youth groups, seventy-nine did not sign the loan agreement forms. The works were mainly done by the former District Commissioners who never handed over properly causing the delay in the submission of files that contained adequate documentation.

The Committee was further informed that the Provincial Administration sent reminders to District Administrators to expedite submission of files. Documents were available for audit verifications.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer to request District Commissioners, as a matter of urgency, to provide files that contained names of beneficiaries and ensure that they signed the loan acquisition forms. The Controlling Officer should avail supporting documentation to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

iii. Failure to Recover Loans

In response, the Controlling Officer submitted that the Ministry of Youth, Sport and Arts was responsible for ensuring that beneficiaries repaid their loans, hence the opening of the Account at the Headquarters in May, 2021. Despite logistical challenges regarding follow ups on the beneficiaries in districts, the Provincial Administration also faced problems in identifying beneficiaries who had deposited the funds in the Ministry of Youth Sport and Art Recovery Fund Account as this could only be accessed by the Ministry. This was because beneficiaries deposited repayment funds directly into the Ministry Recovery Account Number 2016357301270, under the account name: Youth Empowerment Scheme, domiciled at the Government Complex in Lusaka.

The role of the Provincial Office was to remind beneficiaries of their responsibilities and to take frequent follow ups to ensure compliance. However, follow ups on the beneficiary groups were hampered by inadequate resources to monitor progress as the Youth Empowerment Programme Project did not have a monitoring component. In this regard, Management issued follow-up letters to all beneficiaries and some of them notified Management whenever they deposited funds into the account. Documents were available to audit verification.

Committee's Observations and Recommendations

The Committee notes the submission and urges the Controlling Officer not to relent but continue engaging all beneficiaries so that they pay back their loans. The Controlling Officer at the Ministry of Youth, Sport and Arts is also being urged to keep updating the Provincial Administration on the repayments being made by beneficiaries to enable them follow up on defaulters. The Controlling Officer is urged to avail supporting documentation to the Office of the Auditor General for audit verification. The Committee awaits a progress report on the matter.

OFFICE OF THE PRESIDENT – SOUTHERN PROVINCE

PARAGRAPH 60

Audit Findings

An examination of accounting and other records maintained at the Provincial Administration and five selected district offices revealed irregularities to which the Controlling Officer submitted as outline below.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the Financial Year Ended 31st December, 2021, a total provision of K13,012,343 was made to cater for operations against which amounts totalling K11,748,338 were released resulting in an underfunding of K1,264,005. As at 31st December, 2021, amounts totalling K9,364,369 had been spent.

In response, the Controlling Officer submitted that the unspent balance of K2,383,969 in 2021, was because of late receipt of funds for Youth Empowerment Programmes on 31st December, 2021 of K2,268,241.07.

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

b. Operational Matters – Failure to Drill a Borehole and Flush Existing Ones – K30,000

In response, the Controlling Officer submitted that owing to other engagements that needed to be attended to by the Department of Water Resources Development, the materials for the exercise could not be procured before 31st December, 2021. This resulted in the funds requiring Parliamentary authorisation through supplementation before they could be utilised in 2022. This authorisation was granted in July 2022 and the borehole had since been drilled. However, the flushing exercise for the three existing boreholes revealed that the boreholes were dry. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee expresses concern that three boreholes are dry and no other solution has been provided to ensure that the much-needed resource is provided for the people. The Committee urges the Controlling Officer to ensure that new boreholes are drilled in order to provide water to the communities that have been affected and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

c. Irregular Issuance of Concession Licence – Forestry Management Services

In response, the Controlling Officer submitted that the concession license was not issued at the Provincial Administration but at the Ministry of Lands and Natural Resources Headquarters. This was after a court order dated 2nd September, 2019. Supporting documents were available for audit verification.

Committee’s 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 and will await a progress report on the matter.

d. Accounting Irregularities

i. Failure to Undertake Paid for Activity – K84,574

In response, the Controlling Officer submitted that at the time of facilitating for the activity, it became practically difficult to access the area. Therefore, owing to other activities that overtook the exercise due to scheduling, it became necessary to recover through the payroll the payments made to the officers who were supposed to undertake the exercise. These recoveries had since been effected through the payroll except for one officer whose payroll was not held by the Provincial Administration. In addition, the officer’s net pay was also below the authorised threshold to effect any further recovery. However, the recovery would be effected as soon as one of the current running recoveries ends. Documentation was available for audit verification.

Committee’s Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that all funds are recovered and avail 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 Recover Salary and Tuition Advances

In response, the Controlling Officer submitted that the delay to effect the recoveries was because three of the officer’s payrolls were not under the Provincial Administration, while the other three officers were below the allowable threshold to make payroll recoveries at the time of input. However, recoveries of salary and tuition advances paid to the six officers had since been effected on the payroll. Documentation was available for audit verification.

Committee’s Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that all funds are recovered and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

iii. Unsupported Payments

In response, the Controlling Officer submitted as tabulated below.

SN	Account	Details	Amount	Current Status
1	RDC	Zambia Revenue Authority	K400	The query was as a result of the item being inadvertently skipped during the audit process as the transmission copy related to more than one payment. The other payments to which the transmission copy related, were resolved by the auditors and only this payment remained. The Transmission copy which was proof of payment was available.
		Nkhoma Christopher	K2,640	The query was as a result of the item being inadvertently skipped during the audit process as the transfer letter which was the supporting document related to two payments. The other payment to which the transfer letter related, was resolved by the auditors and only this payment remained. Transfer letter for the former Deputy Permanent Secretary was available.
		Zambia Revenue Authority	K1,009.65	This was a reversed (cancelled) payment which was erroneously cited during the audit process. The system document showing this reversal was available.
2.	Namwala DC	Various	K4,850	There were delays in provision of information as the district administration had no Accountant during the period under review and was only being assisted by an Accountant under the Ministry of Education. However, the documents were now available for audit verification.
3.	Monze DC	Various	K9,880	There was a noted weakness regarding procurement related supporting documents such as Local Purchase Orders at the district administration as there was no procurement officer. However, all other supporting documents were available.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that all funds are recovered and avail supporting documents to the Office of the Auditor General for audit verification. The Committee will await a progress report on the matter.

e. Administrative Matters

i. Failure to Insure Motor Vehicles and Motorcycles

In response, the Controlling Officer submitted that all vehicles were covered, except for four non-runners and one vehicle, which was at a garage. One vehicle was transferred to Lusaka and was no longer under the Provincial Administration. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that all vehicles and motorcycles are insured and avail supporting documents to the Office of the Auditor General for audit verification and awaits a progress report on the matter.

ii. Failure to Effect Recoveries from the Surcharged Officers K100,000

In response, the Controlling Officer submitted that the decision by the Accidents Committee had been appealed by one of the officers and the final outcome was being awaited. This matter had now been disposed of and the process to have the surcharged amount recovered had commenced. The other officers' payroll was not held by the Provincial Administration and efforts were still ongoing to have the holding Ministry recover the surcharge. Documentation was available for audit verification.

Committee's Observations and Recommendations

In noting the submission, the Committee urges the Controlling Officer to ensure that recoveries are effected from all officers without any further delay and avail 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

In response, the Controlling Officer submitted that all stores had since been accounted for as set out hereunder.

Table showing Unaccounted for Stores

Account	Amount	Response
RDC	K5,800	The payment had initially bounced and therefore, the transaction could not proceed. However, the payment was later reprocessed in 2022.
Kazungula DC	K8,500	The receipt and disposal details which were initially verified were available for verification.
Monze DC	K70,479	The documents were presented to the auditors and were verified.
Monze DC	K63,419	There was a noted weakness regarding procurement related transactions at the district administration as there was no procurement officer. However, all other supporting documents were available.

All supporting documents were available for audit verification.

Committee’s Observations and Recommendations

The Committee urges the Controlling Officer to put measures in place to augment the stores and records management system. The Committee also urges the Controlling Officer to ensure that procurement officers are employed to avert procurement irregularities. The Committee urges the Controlling Officer to also avail the retrieved accountable documents to the Office of the Auditor General for audit verification and will await a progress report on the matter.

PART III

TOURS

LOCAL TOUR TO CENTRAL, LUAPULA, AND MUCHINGA PROVINCES

Background

The Report of the Auditor General Report for the Financial Year Ended 31st December, 2020, revealed several irregularities. Among them, the construction of office blocks, police stations, post offices, houses and associated external works in the newly created districts under the Ministry of Infrastructure, Housing and Urban Development. The Report also highlighted wasteful expenditure under the Ministry of Agriculture regarding the design, rehabilitation and building of ninety-one grain storage facilities in Zambia by the Advanced African Solutions (ADAS) and the Food Reserve Agency (FRA).

To appreciate what was prevailing on the ground, the Committee undertook a local tour to Central, Luapula, and Muchinga Provinces. The objective of the tour was to augment the Auditor General's findings in the Report of the Auditor General for the Financial Year Ended December, 2023, with primary evidence.

During the tour, the Committee paid courtesy calls on His Royal Highness, Senior Chief Mwata Kazembe; District Commissioners for Chisamba, Chembe, Mwanabombwe, Chipili, Mpika, and Serenje Districts; and the Minister from Luapula Province.

Arising from the tour and subsequent interactions with the Auditor General's Office, Accountant General, Provincial Directors of Engineering as well as Engineers at the Ministry of Infrastructure, Housing and Urban Development and some contractors found on the sites, the findings of the Committee were as set out hereunder.

Chembe District

The Committee inspected six projects in the District as outlined below.

i. Construction of the District Administration Block by Belview Tools Limited

- contract period was from December 2014 to 2016, but had been revised to June, 2023;
- the contract sum was K5,042,458.62;
- amounts paid to the contractor for the interim payment certificate was K4,234,515.67; and
- progress on the works stood at 90 per cent completion.

During inspection, the Committee noted that construction works at the time of inspection were at roof level, the ceiling had been completed, and the wall plastered both inside and outside. The contractor had started working on the fence to secure the property. The contractor was on site and the works were expected to be completed by 30th June, 2023.

Committee's Observations and Recommendations

The Committee notes that the major cause of the delay to complete the works is the delayed payments by the Ministry of Infrastructure, Housing and Urban Development. The Committee, therefore, urges the Controlling Officer to ensure that funds are released on time to ensure that the works are completed within the extended contract period. The Committee will await a progress report on the matter.

ii. Construction of the District Council Office Block and two High Cost Houses by Techrim Enterprises Limited

- contract period was from December, 2014 to December, 2022;
- contract sum K5,786,544.00;
- amount paid K1,842,808.54; and
- project works stood at 40 per cent completion.

The Committee noted that contractual works for the Civic Centre and the two high cost houses were at roof level. The project had been abandoned and buildings had been overgrown with grass and shrubs, which made access by the Committee a struggle. The contractor was not on site at the time of inspection and the contract had since been terminated.

Committee's Observations and Recommendations

The Committee notes that the contractor has been paid for all the works done but has not remobilised to site to complete the outstanding works despite the many reminders sent to him. The Committee also implores the Controlling Officer to enforce contractual provisions including encashment of performance bonds in order to protect Government interests. The Committee urges the Controlling Officer to expedite the process of engaging a new contractor to complete the works without any further delay. The Committee will await a progress report on the matter.

iii. Construction of Ten Medium Cost Houses by Stone King Construction

- construction period was from December, 2014 to December, 2022;
- contract sum K6,696,692.30;
- amount paid K2,798,444.17; and
- project works were at 45 per cent completion.

The Committee noted that one house had been constructed up to window level; four houses were at gable level; while one house was at slab level. At the time of inspection, the contractor was not on site and the project was still at 45 per cent completion. The contract had since been recommended for termination.

Committee's Observations and Recommendations

The Committee notes that the contractor has been paid for all the works done but was not on site during inspection. The Committee implores the Controlling Officer to enforce contractual provisions in order to protect Government interests. The Committee urges the Controlling Officer to expedite the process of engaging a new contractor to complete the works without any further delay. The Committee will await a progress report on the matter.

iv. Construction of twenty low Cost Houses by Jemuro andXTrade

- contract period was from December, 2015 to June 2023;
- contract sum K9,425,560.82;
- amount paid K6,007,174.79; and
- project works were at 90 per cent completion.

The Committee noted that the contractor was on site at the time of inspection and observed that twenty houses had been constructed up to roof level, of which ten had been plastered, ceiling fixed and tiled. Further, the septic tank and soak-away had been constructed and storm water drain excavations were done. The Committee was also informed that the contractor signed an addendum for price variations.

Committee's Observations and Recommendations

The Committee notes that the project stalled because of the changes in the prices of construction materials from the time the contract was signed in 2014 and has since applied for price variation. The Committee is aware that the prices of building materials is not the same as at the time the contract was signed in 2014. The Committee urges the Controlling Officer to expedite the process of reviewing the requests from the contractor to avert further delays. The Committee will await a progress report on the matter.

v. Construction of the Police Post, two medium Cost houses and eight Low Cost Houses by Elios Limited

- contract period was from December, 2014 and was revised to June, 2023;
- contract sum K12, 910,059.54;
- amount plaid K7,551,390.61; and
- progress was at 80 per cent.

During inspection, the Committee noted that ten houses had been roofed; plastered and under-coat paintapplied. The police station had been constructed up to wall plate level. At the time of inspection, the contractor was not on site. However, the contractor had been requested to resume works on site several occasions, but had not responded.

Committee's Observations and Recommendations

The Committee notes that the contractor has been paid for all the works done so far, but has not remobilised to site to recommence the works despite being reminded several times. The Committee implores the Controlling Officer to enforce contractual provisions in order to protect Government interests. The Committee urges the Controlling Officer to expedite the process of engaging a new contractor to complete the works without any further delay. The Committee will await a progress report on the matter.

vi. Construction of Post Office by Chipando General Dealers

- contract period was from July, 2017 to June, 2023
- contract sum K4,801,942.96;
- amount paid K1,591,985.73; and
- project works were at 34 per cent completion.

At the time of inspection, the Committee noted that contractor was on site and works were at wall-plate level. However, the Committee expressed concern at the slow pace at which the contractor was moving. A further look at the works revealed that the contractor only moved on site upon hearing that the Committee would be inspecting the projects.

Committee's Observations and Recommendations

The Committee notes that the contractor has been paid for all the works done so far, but only mobilised to site upon hearing that the Committee was scheduled to inspect the project as they had only constructed a single line of blocks. The Committee urges the Controlling Officer to sternly caution the contractor to ensure that the works are completed without any further delay. The Committee will await a progress report on the matter.

b. Mwanabombwe District

The Committee inspected six projects in the district as outlined below.

i. Construction of the District Administration Block by Greevis Enterprises Limited

- contract period was from December, 2014 and was revised to June 2023;
- contract sum was K4,120,150.77;
- amount paid K2,676,533.74; and
- progress was at 56 per cent completion.

During inspection, the Committee observed that the building structure was at roof level and contractor was not on site.

Committee's Observations and Recommendations

The Committee notes that the contractor has been paid for all the works done but the project had been abandoned. The Committee, therefore, implores the Controlling Officer to enforce contractual provisions in order to protect Government interests. The Committee urges the Controlling Officer to expedite the process of engaging a new contractor to complete the works without any further delay. The Committee will await a progress report on the matter.

ii. Construction of District Council Office Block and two High Cost Houses by Swadocom Trading

- contract period was from December, 2014 and was revised to June, 2023;
- contract sum was K5,985,700.31;
- amount paid K3,809,704.22; and
- project works were at 82 per cent completion.

The Committee observed that the contractor was not on site.

Committee's Observations and Recommendations

The Committee notes that the contractor has been paid for all the works done but has abandoned the site and it was heavily vandalised, as window frames and tiles were being removed from the building. The Committee is aware that the security of the project is a responsibility of the contractor and is of the view that Ministry should put in place mechanisms that will protect abandoned projects from being vandalised. The Committee urges the Controlling Officer to expedite the process of engaging a new contractor to complete the works without any further delay. The Committee will await a progress report on the matter.

iii. Construction of ten Medium Cost Houses by Lawrence Harry Zambia Limited

- contract period was from December, 2024 and was revised to June, 2023;
- contract sum was K8,026,816.04;
- amount paid was K5,552,692.35; and
- project works stood at 80 per cent complete.

The Committee noted that the houses had been constructed up to roof level, but the contractor was not on site at the time of inspection.

Committee's Observations and Recommendations

The Committee notes that the contractor has been paid for all the works done and the houses have been roofed. The Committee wonders why a project that is at 80 per cent completion can be abandoned and urges the Controlling Officer to engage the contractors so as to appreciate what their challenges are in order to find an amicable solution. The Committee also implores the Controlling Officer to enforce contractual provisions if the contractor is found wanting in order to protect Government interests. The Committee will await a progress report on the matter.

iv. Construction of Twenty Low Cost Houses by Refrigeration Agencies Limited

- contract period February, 2014 to June, 2023;
- contract sum K12,161,006.98;
- amount paid K7,989,037.26; and
- project was at 80 per cent.

The Committee observed that contractor was on site and working on external works. On the twenty houses, window seals reviews had been done, windows and doors had also been fitted. The twenty houses had been constructed with concrete drive ways, spoon drains were done and the waste water disposal system was in progress. Further, internal plumbing fittings had been completed on all the twenty houses. The external sewer network was at 100 per cent completion during the time of inspection.

Committee's Observations and Recommendations

The Committee notes that most of the works on this project have been completed and urges the Controlling Officer to ensure that all the snags are corrected during the defect liability period. The Committee will await a progress report on the matter.

v. Construction of the Police Station, Two Medium Cost Houses and Eight Low Cost Houses by Chima Chama Investment Limited

- contract period June, 2015 and was revised to June, 2023;
- contract sum was K15,095,421.96;
- amount paid was K7,762,241.12; and
- project works stood at 55 per cent completion.

The Committee observed that the contractor was not on site at the time of inspection and one wing of the building had been constructed up to ring-beam level while the others were at window level. The eight houses had been roofed while two had been partially roofed. The

Committee was informed that the project had been recommended for termination due to a fundamental breach.

Committee’s Observations and Recommendations

The Committee notes that the contractor has been paid for all the works done but has abandoned the project. The Committee also implores the Controlling Officer to enforce contractual provisions in order to protect Government interests. The Committee urges the Controlling Officer to expedite the process of engaging a new contractor to complete the works without undue delay. The Committee will await a progress report on the matter.

vi. Construction of the Post Office by Chipando General Dealers

- contract period was from June, 2017 to June, 2023;
- contract sum was K4,975,768.96;
- amount paid was K1,348,498.25; and
- project was at 28 per cent completion.

The Committee noted that one wing had been constructed up to window level while the others had been constructed up to a third course. The contractor was not on site at the time of inspection. The Committee was informed that the project had been recommended for termination due to a fundamental contractual breach.

Committee’s Observations and Recommendations

The Committee notes that the contractor has been paid for all the works done but has abandoned the project. The Committee also implores the Controlling Officer to enforce contractual provisions in order to protect Government interests; and urges the Controlling Officer to expedite the process of procuring a new contractor to complete the works without undue delay. The Committee will await a progress report on the matter.

c. Chipili District

The Committee inspected six projects in the District as outlined below.

i. Construction of the Administration Office Block by Woodrock Construction Limited

- contract period was from December, 2014, to June, 2023;
- contract sum was K6,491,081.02;
- amount paid was K3,941,290.24; and
- project works were at 76 per cent completion.

The Committee observed that the building had been roofed. However, the contractor had been given a final warning due to failure to abide by contractual obligations, which might lead to contract termination although he had applied for contract variation.

Committee’s Observations and Recommendations

The Committee notes that the contractor has been paid for all the works done but has abandoned the project despite applying for contract variation. The Committee urges the Controlling Officer to expedite the process of reviewing the contractor’s request regarding price variations. The Committee also implores the Controlling Officer to devise a mechanism that will ensure that the contractor does not abandon the project. The Committee will await a progress report on the matter.

ii. Construction of District Council Office Block and Two High Cost Houses by Devine Link Constructors

- contract period was from May, 2019 and was revised to July, 2023;
- contract sum was K10,686,932.68;
- amount paid was K9,443,068.66; and
- project stood at 98 per cent completion.

The Committee noted that the project had been handed over to the client at the time of inspection although it had not been connected to the electricity national grid. However, feasibility studies had been conducted by Zesco Limited to have the infrastructure connected to the national grid. The Committee noted some snags which they urged the contractor to work on during the defect liability period.

Committee's Observations and Recommendations

The Committee notes that the contractor has completed the works and the building is currently being occupied and also housing the District Commissioner. The Committee urges the Controlling Officer to expedite the process of connecting the infrastructure to the national grid, as a matter of urgency. The Committee also implores the Controlling Officer to ensure that snags are corrected during the defect liability period. The Committee will await a progress report on the matter.

iii. Construction of Ten Medium Cost Houses by Dove Engineering and Construction Limited

- contract period was from May, 2017 and was revised to June, 2023;
- contract sum was at K9,420,341.24;
- amount paid was K5,822,534.93; and
- works were are 79 per cent completion.

The Committee noted that ten houses had been constructed up to roof level, while electrical wiring had been completed on five houses. The metal work installations, as well as plumbing works were still ongoing on the ten houses. The Committee also noted that the drainage works and situ culvert installations were still going on. The external sewer construction was still going on. The excavation works were at 100 per cent, while the septic tank construction was still being constructed. The borehole had been drilled, water reticulation system installed, tank stand and tank erected. The road works and driveways were still ongoing. The contractor was on site and had been working on the final fittings.

Committee's Observations and Recommendations

The Committee notes that most of the works on the project have been completed. The Committee also implores the Controlling Officer to ensure that the contractor completes the works within the contract period. The Committee will await a progress report on the matter.

iv. Construction of Twenty Low Cost Houses by African Contractors Limited

- contract period was from December, 2013, to December, 2022;
- contract sum was K11,632,264.24;
- amount paid was K4,083,221.12; and

- project stands at 35 per cent completion.

During inspection, the Committee noted that seventeen houses had been constructed up to ring beam level, awaiting casting concrete, while three houses had been constructed up to ring beam. The contractor was not on site during inspection and the project had since been recommended for termination and awaited procurement of a new contractor.

Committee's Observations and Recommendations

The Committee notes that the contractor has been paid for all the works done but has abandoned the project. The Committee is of the view that the Ministry should enforce contractual provisions so as to protect the interest of the Government. The Committee urges the Controlling Officer to expedite the process of procuring a new contractor to complete the works without undue delay. The Committee will await a progress report on the matter.

v. Construction of Police Post, Two Medium Cost Houses and Eight Low Cost Houses by Horizon Properties Limited

- contract period was from December, 2014 to June, 2023ø
- contract sum was K13,496,299.33;
- amount paid was K6,346,527.86; and
- project works were at 35 per cent completion.

The Committee noted that three wings of the police station were at ring beam level while one wing was at window level. The Committee was also informed that one borehole had been sunk and equipped. The two medium and eight low cost houses had been constructed up to gable level. However, the contractor was not on site during the time of inspection and the contract had since been recommended for termination due to a fundamental contractual breach.

Committee's Observations and Recommendations

The Committee notes that the contractor has been paid for all the works done but has abandoned the project. The Committee, therefore, implores the Controlling Officer to enforce contractual provisions in order to protect Government interests. The Committee expresses concern that projects that have reached 90 per cent had been abandoned. The Committee is of the view the Government should engage the contractor to resolve the issue amicably rather than terminating the contract. The Committee will await a progress report on the matter.

vi. Construction of the Post Office by Lamusa Company Limited

- contract period was from December, 2014 and was revised to June, 2023;
- contract sum was K3,223, 164.00;
- amount paid was K2,671,714,90; and
- project works were at 89 per cent completion.

The Committee observed that the Post Office had been constructed and roofed, the septic tank had also been constructed and external paving were almost complete at the time of inspection. The Committee was informed that the contractor had applied for contract variation for the remaining works and awaited a response from the Ministerial Tender Committee.

Committee's Observations and Recommendations

The Committee notes that the contractor has applied for contract variation and urges the Controlling Officer to expedite the process of reviewing the contractor's request without any further delay. The Committee will await a progress report on the matter.

d. Chisamba District

The Committee inspected six projects in the District as outlined below.

i. Construction of the District Administration Block by Portmore Contractors Limited

- contract period was from February, 2015, to December 2022;
- contract sum was K5,657,175.81;
- amounts paid was K2,440,568.90; and
- project works were at 35 per cent complete.

The Committee observed that the projects stalled and the contractor was not on site at the time of inspection. The project had since been recommended for termination and would be retendered in order for the works to be completed. The Committee was further informed that the bonds were valid at the time of termination of the contract.

Committee's Observations and Recommendations

The Committee notes that the contract has been terminated and urges the Controlling Officer to expedite the tender procedures to ensure that a new contractor is awarded the contract without any further delay. The Committee will await a progress report on the matter.

ii. Construction of Twenty Low Cost Houses by Ngalitas Hardware and Construction Limited

- Contract period was from February, 2015 to December, 2023;
- contract sum was K8,714,164.17;
- amounts paid was K8,645,822.54; and
- project works were at 95 per cent completion.

The Committee was informed that the contractor had drilled three dry boreholes, which made it difficult for the contractor to connect the water system to the houses. Despite the houses seemingly being completed, the project had not been handed over because it had not been connected to the national electricity grid. The works on the site had stalled because the contractor had applied for price variations and was waiting for a response from the Ministerial Tender Committees.

Committee's Observations and Recommendations

The Committee notes that the houses have been completed but await connection to the national grid and water system. However, the Committee fears that if the houses are not occupied, they risk being vandalised. The Committee implores the Controlling Officer to review the price variation application made by the contractor to ensure that funds to complete the project are provided, as a matter of urgency.

iii. Construction of Ten Medium Cost Houses by MachTech Limited

- contract period was from January 2015, to December, 2021;
- contract sum was K5,576,861.84;
- amounts paid was K2,134,887.32; and
- project works were at 40 per cent completion.

The Committee was informed that the contract and bond had expired. The contract had been recommended for termination on 28th December, 2021 and the Provincial Administration awaited authority from the Ministerial Tender Committee to terminate the contract. However, the Contract had since expired.

Committee's Observations and Recommendations

The Committee notes that the performance bond had expired at the time of termination of the contract and wonders how the money would be recovered. The Committee urges the Controlling Officer to ensure that there is pragmatism in monitoring and supervision of works to ensure that Government does not lose money once the contract is terminated.

iv. Construction of the Council Office Block and Two High Cost Houses by Wichimba Contractors and General Dealers

- contract period was from February 2015 to April, 2023;
- contract sum was K6,235,586.96;
- amount paid was K4,649,393.23; and
- project works were at 95 per cent completion.

The Committee noted that plumbing, electrical and tiling installations at staff houses had been completed and awaited connection to the national grid. With regard to the office block, wall tiling, plumbing, both internally and externally had been completed and the contractor had sunk the borehole at both sites and water tanks have been mounted. The building had not been handed over to the client because it had not been connected to the national grid. However, Zesco had promised to connect the houses to the national grid within a month.

Committee's Observations and Recommendations

The Committee notes that two high cost houses for the Council Secretary and the District Commissioner have been completed, but await connectivity to the national grid. The Committee fears that if the two houses are not occupied urgently, they may be susceptible to vandalism. The Committee urges the Controlling Officer to ensure that electricity is connected to the two houses without any further delay. The Committee will await a progress report on the matter.

v. Construction of the Police Station, Two Medium Cost Houses and Eight Low Cost Houses by Horizon Properties Limited

- contract period was from February, 2015 to December, 2021;
- contract sum was K14,440,330.76;
- amounts paid was K5,875,869.08; and
- project works were at 30 per cent completion.

The Committee noted that the Police Station and ten houses were all at wall plate level. The contractor had drilled a borehole and installed a water tank. However, the site was overgrown with grass and shrubs including inside the structures. The project was recommended for termination on 28th December, 2021, but no response had been received and the contract had since expired.

Committee's Observations and Recommendations

The Committee notes that a request to terminate the contract was made in 2021, and wonders why it has taken so long to get a response. The Committee urges the Controlling Officer to follow up on the request so that works on the said project are not delayed. The Committee will await a progress report on the matter.

vi. Construction of the Post Office and associated external works by TI Enterprises

- contract period was from February 2025 to December, 2021;
- contract sum was K2,139,891.52;
- amount paid K785,056.04; and
- project was at 25 per cent.

The Committee was informed that the Post Office was at wall plate level and the project was recommended for termination on 28th December, 2021, and awaited a response from the Ministerial Tender Committee. However, the contract had since expired.

Committee's Observations and Recommendations

The Committee notes that a request to terminate the contract was made in 2021, and wonders why it has taken so long to get a response. The Committee urges the Controlling Officer to follow up on the request so that works on the said project are not delayed. The Committee will await a progress report on the matter.

f. Ngabwe District

The Committee inspected six projects in the district as outlined below.

i. Construction of the District Administration Block by Stardy Contractors Limited

- contract period was from May 2015 to December 2021;
- contract sum K4,047,806.08;
- amounts paid was K1,131,711.13; and
- project works were at 30 per cent.

The Committee was informed that the projects stalled and the contractor was not on site. The project was recommended for termination on 23rd August, 2021 and no response had been received from the Ministerial Tender Committee and had since expired.

Committee's Observations and Recommendations

The Committee notes that the contract has expired and urges the Controlling Officer to follow up on the matter to ensure that a new contractor is identified without any further delay. The Committee will await a progress report on the matter.

ii. Construction of Twenty Low Cost Houses by Chunsaka Contractors Limited

- contract period was from May, 2015, to April, 2023;
- contract sum was K10,774,510.94;
- amounts paid K9,341,876.90; and
- project was at 90 per cent completion.

The Committee was informed that all the houses had been roofed, plastered and undercoat paint applied, doors and window frames fitted with glazing. Additionally, internal plumbing and electrical installations completed and awaited connection to the national grid. Some of the houses had since been occupied with authority granted by the Director of Public Infrastructures. The contractor had also applied for price variations and waited a response.

Committee's Observations and Recommendations

The Committee notes that the houses have been completed, but awaiting connection to the national grid. However, the Committee fears that if the houses are not occupied, they risk being vandalised. The Committee implores the Controlling Officer to ensure that funds to settle the outstanding bill are released without any further delay, taking into consideration the request that the contractor has made regarding price variations.

iii. Construction of Ten Medium Cost Houses and Associated External Works by Stardy Contractors Limited

- contract period was from May 2015 to March, 2020;
- construct sum was K6,819,526,32;
- amounts paid was K2,689,529.53; and
- project works were at 40 per cent completion.

The Committee was informed that all the ten houses had been completed roofed and plastered, electrical fittings had been done, door and window frames installed but have been vandalised because of absence of security personnel on site. The contract had been recommended for termination on 23rd August, 2021, but awaited a response from the Ministerial Tender Committee to terminate the contract. However, the Contract had since expired.

Committee's Observations and Recommendations

The Committee notes that all the houses have completed and urges the Controlling Officer to engage the contractor in order to reach an amicable solution in order to resolve the matter. The Committee will await a progress report on the matter.

iv. Construction of the Council Office Block and Two High Cost Houses by V.B.S General Dealers

- contract period was from November, 2017 to December, 2023;
- contract sum was K8,956,032.88;
- amount paid was K5,003,531.56; and
- project works stood at 30 per cent completion.

The Committee was informed that staff houses had been roofed, walls plastered both inside and outside and all conduit pipes had been laid. With regard to the office block, roofing had been

partially done with one part of the roof fitted with timber and partially covered with roofing sheets. However, the Committee noted that the works on the structure were very poor. The ring beam was bending and the timber members for the roof being used were 75 x 50 millimetres against the contract provision for the civic centre. The contractor was on site and was sternly cautioned by the Committee against shoddy works, which were also very slow.

Committee's Observations and Recommendations

The Committee notes that despite the contractor being on site, progress on the works has been very slow compared to the time when the inspection was first done by the Office of the Auditor General. Further, the contractor is using wrong roof members contrary to what is stated in the drawings and bill of quantities which is 150 x 50 millimetres for all rafters; 100 x 50 for all internal and diagonal members; and 75 x 50 millimetres for all purlins. The Committee urges the Controlling Officer to ensure that works on the sites are monitored frequently so that the contractor does not lag behind and abides by contractual obligations. The Committee will await a progress report on the matter.

v. Construction of the Police Station, Two Medium Cost Houses and Eight Low Cost Houses by Canbert Enterprises Limited

- contract period was from May, 2015 to April, 2023;
- contract sum was K14,673,995.30;
- amounts paid was K11,707,596.93; and
- project works were at 8 per cent completion.

The Committee noted that the Police Station had been roofed, plastered both inside and outside and aluminum windows fitted and fitting of doors was underway. However, the armory was not being constructed according to the specifications. With regard to staff houses, the Committee noted that all the houses had been plastered, painted both inside and outside, wall and floor tiles fixed, all plumbing works had advance. The Contractor was on site at the time of inspection although progress on the works was very slow. The contractor had been reminded to speed up the works.

Committee's Observations and Recommendations

The Committee notes that despite the contractor being on site, progress on the works has been very slow compared to the time when the inspection was done by the Office of the Auditor General. The Committee urges the Controlling Officer to ensure that works on the sites are monitored frequently so that the contractor does not lag behind. Further, the Controlling Officer is also being implored to ensure that the armory is constructed according to the contract specifications. The Committee will await a progress report on the matter.

vi. Construction of the Post Office and Associated External Works by Diamond Place Construction

- contract period was from May 2019 to June, 2023;
- contract sum was K6,832,549.64;
- amount paid was K3,644,446.52; and
- project was at 40 per cent completion.

The Committee was informed that the Post Office had been roofed, ceiling was being fixed, the walls were plastered both inside and outside, soak-away and septic tank construction was in progress. The Contractor was on site and works were going on.

Committee's Observations and Recommendations

The Committee notes that despite the contractor being on site, progress on the works has been very slow. The Committee urges the Controlling Officer to ensure that works on the sites are monitored frequently so that the contractor does not lag behind. The Committee will await a progress report on the matter.

g. Construction of Grain Storage Sheds by Advanced African Solutions Limited

The Committee also inspected grain storage sheds in Mansa, Samfya districts in Luapula Province and Mpika in Muchinga Province and Serenje and Chisamba districts in Central Province. The findings of the Committee were as set out below.

i. Mansa District

The Committee noted that there were four sheds being constructed on one site. Slab concrete, portal frame and dwarf walls had been done. The project stood at 65 per cent completion. The Contractor was not on site. However, the contract was still running up to June 2024.

ii. Samfya District

In Samfya, the contractor was not on site and no works were going on. The works on the shed were at 7 per cent as only the box had been constructed and backfilled.

iii. Mpika District

The Committee observed that there were three grain storage sheds being constructed at one site. There was no presence of the contractor on site although most materials were present. The slabs and dwarf walls had been constructed on two sheds while one had dwarf walls with an incomplete slab.

iv. Serenje District

The Committee observed that no progress had been made on the storage sites and the contractor was not on site.

v. Chisamba District

The Committee noted that the foundation box had been done and backfilled. The contractor was not on site and no works were going on.

Committee's observations and Recommendations

The Committee notes that the African Advanced Solutions (ADS) has been contracted to design, rehabilitate and build ninety-one grain storage facilities in Zambia and the project is being implemented in a phased manner. The Committee is concerned that since the project commenced in 2021, only fourteen sheds have been partially constructed in the twenty-five out of the thirty-six months allocated, although the project is expected to conclude in June 2023. The Committee wonders how the contractor will manage to fulfill contractual obligations within the contract period when only fourteen out of ninety-one sheds have been partially constructed. The Committee urges the Controlling Officer to ensure that the contractor completes the project without any further delay.

COMMITTEE'S GENERAL OBSERVATIONS AND RECOMMENDATIONS

a. Presidential Pronouncement

The Committee notes that the Presidential pronouncement made in 2018, to focus on the projects that were at 80 per cent completion is among the reasons that led to most of the projects are being abandoned as the projects below the threshold could not be funded. The Committee urges the Controlling Officer to state clearly whether or not the Government policy of focusing only on projects that are at 80 per cent complete has since changed and resources will be provided resources for projects that are below the threshold. The Committee will await a progress report on the matter.

b. Limited Resources

The Committee observes that the Government commenced a lot of projects at the same time resulting in failure to provide adequate resources to complete the projects on time. As a result, the Government resolved to focus on projects that were above the 80 per cent completion threshold. The Committee is of the view that due diligence was not conducted to ascertain the availability of resources before engaging in massive infrastructure development countrywide. The Committee recommends that in future, the Government should not commence new projects until all pending projects are completed. The Committee will await a progress report on the matter.

c. Failure to Respond to Requests for Variations

The Committee notes that most projects commenced in 2014 when construction materials were lower than they are in 2023. As such, some contractors applied for price variations and have not gotten responses for over six months. The Committee implores the Controlling Officer to respond to the requests for price variations as a matter of urgency to ensure that projects are completed on time. The Committee will await a progress report on the matter.

d. Failure to Pay for Interim Payment Certificates on Time

The Committee notes that the Government fails to meet contractual obligations on time, which has resulted in contracts stalling or taking longer to complete than projected. The Committee urges the Controlling Officer to ensure that contractors are paid on time in order to ensure that contracts do not stall.

e. Vandalism of Stalled Projects

The Committee notes that most stalled projects are being vandalised because contractors left the sites after the Presidential pronouncement that Government would focus only on projects that were above 80 per cent complete. While acknowledging that securing a project that is under construction is a preserve of the contractor, the Committee notes that it has become expensive for contractors to secure projects when they do not know when Government will be ready to complete the projects. The Committee, therefore, urges the Controlling Officer to give a clear policy direction on whether or not the Government has secured adequate resources to complete all outstanding projects. The Committee will await a progress report on the matter.

f. Lack of Ownership

The Committee notes that projects that are almost complete have been vandalised because they have been abandoned and no one has taken responsibility to look after the property. The Committee is of the view that District Commissioners and Council Chairpersons should devise ways and means of protecting abandoned construction sites. The Committee urges the Controlling Officer to engage District Commissioners and Council Chairpersons so as devise

mechanism that will ensure that stalled public property in newly created districts is protected without undue delay. The Committee will await a progress report on the matter.

g. Lack of a Systematic Way of Monitoring Project Bonds

The Committee notes that there is an absence of a systematic way to monitor the state of the project bonds. The Committee fears that if bonds are not properly monitored, the Government will find it difficult to encash bonds once contractual obligations are breached. The Committee urges the Controlling Officer to devise a systematic way that will ensure that bonds are monitored during the contract period. The Committee will await a progress report on the matter.

h. Shoddy Works by Some Contractors

The Committee bemoans the poor workmanship exhibited by some contractors. While the Committee agrees with the contractors that the Government delays in paying for their certified works, some buildings were below the prescribed standards. For instance, the Civic Centre in Ngabwe did not meet the standards provided in the contract. The Committee also notes that most slabs were not properly treated as a result they are being attacked by termites even before being handed over to the clients. For some, even grass and shrubs are growing on the slabs. The Committee is of the view that this is purely a result of lack of supervision and wonders how works are certified with such poor quality of works. The Committee urges the Controlling Officer to ensure that Provincial Infrastructure Officers who have certified poor works are charged for the laissez-faire attitude causing the Government to pay for works that are below-par. The Committee will await a progress report on the matter.

i. Blacklisting of Contractors

While acknowledging that the law provides measures that can be instituted when contractors abrogate contractual obligations, the Committee is of the view that failure to institute stern measures has exacerbated the provision of poor quality of works by contractors and at the most, even abandoning projects. As a result, contractors who have breached contractual obligations have not been stopped from participating in Government projects. In this regard, the Committee urges the Controlling Officer to consider blacklisting contractors who abrogate contractual obligation so as to deter others from committing similar offences. The Committee will await a progress report on the matter.

j. Construction of Storage Sheds

The Committee notes that the African Advanced Solutions will take longer than anticipated to complete the construction of the ninety-one. Since 2021 when the project commenced, only fourteen sheds have been constructed, although it is expected to conclude in June 2023. The Committee fears that the contractor will not conclude the project within the contract period. The Committee, therefore, urges the Controlling Officer to ensure that the contractor completes the project without any further delay.

TOUR TO DAR-ES-SLAAM, TANZANIA; LONDON, UNITED KINGDOM AND NEW DELHI, INDIA

a. Introduction

The Public Accounts Committee (PAC) undertook a tour to three Missions Abroad, namely: Dar-es-Slam, Tanzania; London, United Kingdom; and New Delhi, India, from 7th to 16th February, 2023. The tour to the Zambian chanceries and properties in Dar es Salam and London, was based on the outstanding issues from the period 2009 to 2018 and the utilisation

of the mortgage financing. The objective of the tour was to appreciate the challenges the Missions were facing in the financing, construction, rehabilitation and procurement using the said Mortgage Financing Facility as well as Government funding in respect of the Missions in Dar-es-Salaam and London.

b. Background

The Treasury had been spending money on rented properties in Missions abroad. To control the Treasury spending on rented properties, the Ministry of Finance and National Planning sourced a Mortgage Financing Facility Short-Term Loan from Atlas Mara Bank in order to undertake the Ministry's financing initiative to construct, rehabilitate as well as purchase properties in Missions abroad in 2018. The Committee toured one of the mortgage financed missions, New Delhi, India. This activity was a continuation of inspection of Missions Abroad by the Committee which started in 2022. However, because of budget constraints coupled with the COVID-19 Pandemic, the team could not finalise its visit to all the missions, in 2022. The Committee also toured properties in Dar es Salam and London whose rehabilitation works were based on the requests by the two Missions. It is against the backdrop that the Ministry of Foreign Affairs mobilised resources to enable the team to finalise its assignment in February, 2023.

The Committee findings were as outlined below.

c. Properties Owned by the Government in Dar-Es-Salaam, Tanzania

The Committee was informed that the Mission requested for fund from the Ministry of Foreign Affairs and International Cooperation Headquarters to rehabilitate the two staff houses located at Plot No. 393, Toure Drive; Plot No. 517, Masaki, as well as external works at the Chancery. On 21st August, 2019, the Mission was granted authority to undertake the rehabilitation works at a total cost of US\$255,957,34, with a twelve-week completion period.

On 30th October, 2019, Send Star Limited took possession of the site after being awarded the contract. An advance payment of 20 per cent was made in amounts totaling US\$51,191.47 after the contractor submitted a bank guarantee. However, the works were interrupted by the outbreak of the COVID-19 pandemic in 2019. A technical team of inspectors from the Ministry of Infrastructure, Housing and Urban Development travelled to Dar es Salaam to certify the works upon which an interim payment certificate (IPC 1) was issued valued at US\$48,286.47. When the pandemic got to manageable levels, the contractor requested that the contract be extended on two occasions and authority was granted through letters dated 28th September, 2021 and 11th January, 2022, for a period of three months, respectively.

The Mission through the Ministry of Foreign Affairs and International Cooperation, requested the Ministry of Infrastructure, Housing and Urban Development to inspect the works with a view to issuing an IPC. The inspections took place in November, 2022, but an IPC was yet to be issued. So far, a total sum of US\$99,474,94 had been spent, leaving a balance of US\$156,482.40.

The Committee was informed that the works on the two houses involved renovations, landscaping, windows, doors, installations of lights and air conditioners as well as painting in and outside of the two houses.

The inspections on the properties revealed the following.

i. Status of works at Plot No. 396 Toure Drive

The Committee observed that 75 per cent of works had been done and the remaining works included the underlisted.

- Electrical fittings.
- Fixing or repairing the kitchen cabinet.
- Fixing the air conditions.
- Final painting after all the works had been done.
- External works had been partially done.
- Paving was yet to be done.

The Committee was also informed that due to the increase on the cost of construction materials, the contractor was requested to vary some of the works so as to reduce the cost.

ii. Staff Residence Plot No. 517, Masaki Road

The Committee could not access this property because it was being occupied by a staff from the Embassy and the contractor could not commence works on the house because of the same reason. As a result, the Mission resolved that once the works on House No. 396 Toure Drive were completed, the member of staff occupying House No. 517, Masaki Road would vacate the house to pave way for rehabilitation works.

The Committee was informed that the biggest challenge to the works was the poor release of resources.

d. Properties Owned by the Government in London, United Kingdom

The Committee was informed that the Zambian Government owned four properties in London which included: the Chancery, which was acquired in 1971, the Ambassador's residence, 1983, and two staff houses acquired in 1979 and 1984, respectively. The properties owned by the Mission were quite old and required major rehabilitations if they were to give a good image of the Mission. The cost of rehabilitation works required to be carried out on all the properties was estimated at a sum of GBP385,602.00.

i. Chancery – 2 Palace Gate, London

The Committee was informed that funds were released to undertake works on the Chancery in London. The partial repair works had been carried out on the roof after the Mission engaged a contractor, Solutions for Interior Ltd at the contract sum of GBP142, 610. 00 for repair works. The works carried out by the contractor only covered part of the roof as other works were omitted during the initial assessment by officials from the Ministry of Works and Supply. The works were executed according to the scope of works given to the contractor and a completion certificate was issued. The contractor had since been paid a total sum of GBP135,163.65, less 5 per cent retention amount.

An inspection of the London Chancery revealed that the building had the following defects.

- Roof leakages.
- Need to replacement of carpets and tiles in the building.
- Electrical rewiring of the building.
- Plumbing works in the basement.
- Non-functional elevator.

The Committee also inspected other properties which required minor works in order to make them habitable.

ii. Official Residence - Green Banks, 17 Courtney Avenue, London

The Committee was informed that no works had been undertaken on the residence and an inspection of the official residence for the High Commissioner revealed the following defects.

- The mini wall fence had fallen.
- Leaking roof.
- Collapsed roof on the garage.
- Water sipping into basement.
- Cracked wall in residency office.

iii. Staff Residence – No. 13 Fosco Road, Hendon, London

The Committee was informed that interior and exterior painting and partial temporal ceiling repair works worth GBP6, 000.00 had been procured and works were expected to commence during the week starting 13th February, 2023. Other works had not been carried out due to lack of funds.

An inspection of the staff house revealed the following.

- Cracks in structural walls.
- Cracked drainage pipes.
- Electrical works.
- Painting interior and exterior.

v. Staff Residence – No. 12 Chelmsford Square, London

The Committee learnt that the roof had been partially repaired with temporary measures at a total sum of GBP2, 200.00. However, no other works could be carried out due to inadequate resources. An inspection carried out by the Committee revealed the following.

- Leaking roof in one of the bedrooms.
- Need to replace of carpets (the whole house).
- Need to repair Kitchen windows.
- Need to replace the boiler.
- Carpentry and plumbing works were required.

e. Property Owned by the Government in New Delhi, India

The Government had been using a rented property as a Chancery at a cost of US\$ 18,000. As a result, the Government found it prudent to construct a Chancery at the residence that was procured for the High Commissioner in 1975. The property was located in a residential area at Stand No. 7 Panchsheel Marg Chankyapuri in New Delhi with an area of 1,880 square metres.

The Committee was also informed that the last High Commissioner to have lived at the residence was Mr Kelly Walubita from 2004 to August, 2009. Mr Walubita and family vacated the house after part of the dining room ceiling fell down at night when they were all asleep. Since then, the residence had never been occupied. Further, the decision to construct the Chancery at the residence was because, the cost of buying land was very high in India. As a result, the Government resolved to construct the Chancery and the residence at the same stand.

However, the residence was in a dilapidated state and it had been recommended that it be razed to the ground.

The Treasury on 21st January, 2019, disbursed amounts totalling USD2,887,645.10 (ZMK34,829,999.86 million, which was part of the Mortgage acquired from Atlas Mara Bank in order to construct the residence and the Chancery. However, it had been over forty months since the funds were disbursed, but construction works for of Chancery and residence have not commenced.

The delay to commence the works was due to the lengthy procurement processes coupled with the termination of C.P Kukreja Architects who was earlier engaged as a consultant. During the Ministry Procurement Committee meeting held in May, 2019, it was revealed that the Ministry had received privileged information about irregularities in the tender hence the decision to engage C.P Kukreja was annulled and approved for retendering. Details of the time line have been provided at Appendix I.

The Committee was informed that a new consultant, Adharshila Designs Pvt Limited, had since been engaged to provide consultancy services for the following works.

- Demolition of the existing residence.
- Preparation of detailed designs.
- Provision of the Bills of Quantities.
- Provision of bidding document.
- Supervision of works for the proposed construction of a chancery and residence for the High Commissioner.

The Committee was informed that construction works would only start after the consultant finalised the design works, approval granted by the New Delhi Municipality and procurement processes were done to engage a contractor. However, it was reported that the finalisation of the design works and was hindered by the outbreak and subsequent lockdown because of the COVID-19 pandemic. The design works had since been completed and the inception report and interim report have been submitted to Ministry of Housing and Infrastructure Development. The design and pictures of the new Chancery have been provided at appendix II.

The Committee expressed concern at the slow pace at which the processes was being implemented. This was because, while the money was being kept at the bank, it was not only losing value through depreciation, but the Government was also paying interest. In response, the Controlling Officer submitted that the Ministry was moving at a high speed now than previously because it had reached a stage where they were seeking authority to advertise for companies to tender for the construction of the Chancery and residence. Once approval was granted, the Ministry anticipated that the contract would be signed by the end of April, 2023 and construction works would take about eighteen months to complete. The Committee implored the Permanent Secretary to ensure that funds were utilised within the timeframe to ensure value for money.

An inspection carried out by the Committee on the proposed site for the Chancery and the residence revealed that the residence was in a dilapidated state and had not been occupied since 2009. The pictures of the dilapidated residence and the new chancery have been attached at Appendix II.

i. Tour of the Nigerian High Commission in New Delhi

The Committee also paid a courtesy call on the Nigerian High Commissioner to India, His Excellency Mr Ahmed Sule. The purpose of the courtesy call was to learn best practices in terms of constructing permanent structures such as chanceries and staff houses in India. Mr Sule informed the Committee that he was responsible for diplomatic missions of various countries situated across India. He also performed certain duties towards the citizens of Nigeria in India as well as the Indian citizens who wanted any kind of assistance for various reasons. Mr Sule informed the Members that the Embassy was constructed in 1993 by a construction company from India and offered to provide guidance on how to effectively construct the Zambian facilities.

ii. Tour of the Nigerian Chancery in India

The Committee noted that the Nigerian Government had constructed the following on the same piece of land.

- Chancery;
- the official residence
- servants' quarters;
- bedroom staff houses; and
- a place where Nigerian national day celebrations were held.

iii. Dinner in Honour of the Public Accounts Committee

The Ministry responsible for Foreign Relations in India hosted a dinner in honour of the visiting Members of Parliament at which an invitation was extended for the two countries to explore areas of collaboration with the similar accountability Committee of India.

f. Committee's Observations and Recommendations

In view of the foregoing, the Committee makes observations and recommendations as set out below.

i. Lengthy Procurement Processes

The Committee notes that the major hindrance of the progress on the mortgage financed project in India was the lengthy procurement processes. This resulted in the Government losing money in form of interest on the acquired loan as well as through depreciation of the Zambian currency. In this regard, the Committee urges the Controlling Officer to expedite the procurement process to avert the loss of money through interest on loan and depreciation of the Zambian Currency. The Committee urges the Controlling Officer to avail supporting documents to the Office of the Auditor General. The Committee will await a progress report on the matter.

ii. Erratic Release of Funds

The Committee notes that the Government funded construction works at the Zambian Chanceries in Dar-es-Salam and London. However, the erratic release of funds contributed to the slow pace at which the works are moving. In the regard, the Committee urges the Controlling Officer to impress upon the Secretary to the Treasury to release funding on time to speed up the works on the two chanceries. The Committee awaits a progress report on the matter.

FOREIGN TOUR TO KENYA

a. Introduction

The Public Accounts Committee undertook a tour to Kenya from 11th to 17th June, 2023. The purpose of the tour was to benchmark on the best practices in the operations of the Public Accounts Committee with the Parliament of Kenya. The Committee was accompanied by officers from the Offices of the Auditor General, Controller of Internal Audit and Accountant General.

During the tour, the Committee interacted with Audit Committees, Auditor General's Office and the Centre for Parliamentary Studies and Training. The Committee was also afforded an opportunity to attend the Budget Presentation by the Cabinet Secretary, National Treasury and Economic Planning of the Republic of Kenya, Professor Njuguna Ndunú, for the Financial Year 2024.

Some of the findings of the tour are as set out below.

b. Parliamentary System of Kenya

The Committee was informed that the Parliament of Kenya had a **bicameral legislative system** consisting of two houses, namely: the Senate, and the National Assembly. The Senate consisted of sixty-seven Members, while the National Assembly had 349, as well as the Speaker, who was an ex-officio member. The Parliament of Kenya had forty-seven Committees.

c. Tenure and Membership

The Committee was informed that all Committees in the Kenyan Parliament comprised fifteen members except the Implementation Committee which had twenty-one Members. However, all audit committees had seven Members from the ruling party, while eight were a mixture of independent and opposition Members of Parliament. Further, the Chairperson for the Special Funds Accounts Committee was an Independent Member of Parliament, while the rest were members of opposition parties. The Committees were constituted immediately after the general elections and remained in office for three years, while those reconstituted, served the remainder of the parliamentary term.

d. Legal Framework

The Committee was informed that all audit committees were guided by various pieces of legislation enshrined in the Kenyan Constitution as they executed their mandate. The laws included, among others:

- i. Constitution of Kenya 2010;
- ii. Standing Orders;
- iii. Public Audit Act, 2015 and its regulations;
- iv. Public Finance Management Act, 2012 and its regulations;
- v. Public Procurement and Asset Disposal Act, 2015 and its regulations; and
- vi. International Accounting Standards Board.

e. Audit Committees

The Committee was informed that the Parliament of Kenya had six watchdog committees performing functions previously under the Public Accounts Committee. This was because the Public Accounts Committee faced time constraints in the execution of its mandate. Therefore,

to ensure probity, efficiency and effectiveness in the use of public funds, other committees were formed as outlined below.

i. Public Accounts Committee

The Public Accounts Committee was responsible for examining accounts showing the appropriations of the sum voted by the House to meet public expenditure, as well as other accounts laid before the House as the Committee may deem fit.

ii. Special Funds Accounts Committee

The Committee examined the reports of the Auditor General on specific funds established by statute or subsidiary legislation such as the Equalisation Fund; Equalisation Fund Advisory Board; and Political Parties Fund, as well as other funds established by law as the Speaker may deem fit.

iii. Decentralised Funds Accounts Committee

The Committee examined reports of the Auditor General on the Accounts of National Government Constituencies Development Fund and the National Government Affirmative Action Fund, as well as their respective boards.

iv. Public Investments Committee on Governance and Education

The Committee examined reports, accounts and audit reports on public investments in the education, defence, governance, justice and law, among other sectors. It also examined, among others, the context of the autonomy and efficiency of public investments to appreciate whether or not the affairs of the public investments were being managed in accordance with sound financial or business principles and prudent commercial practices.

v. Public Investment Committee on Commercial Affairs and Energy

The Committee examined reports in the energy, environment, general economic and commercial sectors. It also examined reports of the Auditor General on public investments and in the context of autonomy and efficiency of the public investments, and whether or not the affairs of the public investments were being managed in accordance with sound financial business principles and prudent commercial practices.

vi. Public Investment Committee on Social Service, Administration and Agriculture

The Committee was aligned to agriculture, public administration, health and social protection sectors. It examined reports and accounts of public investments, and reports of the Auditor General on public investments. The Committee also examined in the context of autonomy and efficiency of public investments or whether or not the affairs of public investments were being managed in accordance with sound financial business principles and prudent commercial practices.

f. Committee on Implementation

The Committee was informed that the Parliament of Kenya established the Committee on Implementation, which ensured that the resolutions of the House including adopted committee reports, petitions, as well as assurances made by the Executive were implemented. The Committee comprised twenty members and a chairperson. The Standing Order No. 209 provided that parties other than the parties forming government would be more by one.

i. Duties of the Implementation Committee

The functions of the Implementation Committee were, among others, to examine whether or not assurances and resolutions in the reports had been implemented and were implemented, the extent to which they had been implemented, and whether or not such implementation took place within the minimum time necessary. It also checked on whether or not legislation passed by the House had been operationalised and the extent to which such operationalisation had taken place within the minimum time necessary. The Committee also proposed to the House sanctions to be imposed on any Cabinet Secretary who failed to report to the relevant committee the status of implementation without justifiable reasons.

g. Composition of Secretariat

The Committee was informed that a committee was miniature Parliament and its composition reflected what was in the main House. Therefore, to ensure probity, efficiency and effectiveness in parliamentary oversight in audit committees, the composition of secretariat was as set out below.

- i. Four Committee Clerks for the Public Accounts Committee, while other Committees had three clerks
- ii. Parliamentary Budget Officer (fiscal analyst)
- iii. Researcher
- iv. Public Relations Communication Officer
- v. Media Relations Officer
- vi. Hansard Audio Officer
- vii. Hansard Reporter
- viii. Sergeant-at-arms

While Committee Clerks drafted the report, recommendations were drafted in collaboration with officers from the Parliamentary Budget and Legal Departments, officers from the Auditor General, as well as the Ministry of Finance. After the report had been drafted and recommendations proposed, the Committee and Secretariat undertook a retreat in order to refine the recommendations made by the Secretariat.

The Committee was also informed that committees in the Kenyan Parliament submitted quarterly reports and exit reports. Quarterly reports were submitted within the course of the year, while exit reports were submitted at the end of the year. For instance, one of the quarterly reports indicated the challenges that Committees faced such as inadequate rooms where meetings could be held. This resulted in a recommendation that saw the construction of the Bunge House, which would not only host Committee rooms but also offices for Members of Parliament. The exit report stated the challenges faced during the course of the year and made recommendations on the way forward to management.

i. Office of the Auditor General – Kenya

The Committee was informed that the Constitution of Kenya provided for the establishment and functions of the Auditor General's Office, through Chapter 12, Public Finance Article 229 and Chapter 15 ó Commissions and Independent Offices, as well as the Public Audit Act of 2015.

The Auditor General was nominated by the President of the Republic of Kenya and approved by Parliament for an eight-year non-renewable term. He was expected to have a ten-year

experience in auditing or public finance and met all the conditions stipulated in Chapter six of the Constitution of Kenya.

i. Mandate

The Auditor General was mandated by Article 229(6) of the Constitution of Kenya, to audit and report on the use and management of public resources by public institutions. Therefore, the Auditor General was required to confirm whether public funds had been applied lawfully and in an effective way, which would ultimately influence development and delivery of quality and sustainable service to the people. In line with its mandate, the Auditor General's Office in Kenya audited 10,422 public institutions at national level, while 853 institutions were audited at County level.

The Auditor General was also mandated, through Chapter 229(7), to submit audit reports to Parliament or the relevant County Assembly, while 229(8) provided that within three months after receiving an audit report, Parliament or the County Assembly, would debate and consider the report and take appropriate action.

ii. Role of External Audits

The Committee was informed that officers from the Auditor General supported parliamentary oversight through sitting in all audit committee meetings to guide members as they interrogated issues that had been cited in the audit report.

j. Centre for Parliamentary Studies and Training

The Committee was informed that the Centre for Parliamentary Studies and Training was established by the Parliamentary Service Commission in 2008. It was legalised by the Parliamentary Service Regulations in 2011 in the Kenya Gazette, Subsidiary Legislation, Legal Notice No. 95 of 2011.

The purpose of the training centre was to have a one-stop specialised resource centre for training and capacity building for both Members of Parliament and staff so that they understood the operations of parliaments as well parliamentary systems. It was also intended to serve other stakeholders who might be interested in gaining an appreciable understanding of parliament and parliaments in the East African Community, the Great Lakes Region and the Continent of Africa, at large.

i. Management of the Centre for Parliamentary Service and Training

The Committee was informed that Regulation 5 of 2011, provided for the establishment of the Board. The Board was responsible for the management of the CPST. The Centre was the training arm of the Parliamentary Service Commission, which had two directorates headed by Senior Deputy Directors, who reported to the CPST Director. The department of resource mobilisation and public relations was under the Directorate of Administration and Corporate Affairs, while the technical and legislative training was under the Department of Curriculum, Training and Research.

ii. Curriculum

The Committee was informed that in order to execute its mandate, the Centre offered mandatory lessons, in six thematic areas as outline below.

- The Constitution, Parliament and Systems of Governance
- Legislative and Procedural Matters
- Information and Public Engagement
- Public Finance Management
- Human resources and administration of Parliament
- Facilitating/Lubricant/Cross-Cutting

Committee's Observations and Recommendations

In view of the foregoing, the Committee makes observations and recommendations as set out below.

a. Creation of an Implementation Committee

The Committee observes that the Parliament of Kenya has established a committee, which ensures that the resolution of the House including adopted committee reports, petitions, as well as assurances made by the Executive are implemented. The Committee also examines whether assurances, house resolutions in the reports have been implemented, the extent to which they have been implemented, and whether or not they took place within the minimum timeframe. The Committee also sanctions any Cabinet Secretary who fails to report the status of implementation without justifiable reasons.

Recognising that, the National Assembly has a Committee responsible for Government undertaking made on the floor of the House, the Committee is of a strong view that a committee that will ensure that resolutions of the House are implemented within the timeframe provided is established as this will ensure efficiency in the implementation and provision of Government programmes.

b. Composition of the Public Accounts Secretariat

The Committee notes that the composition of the Public Account Secretariat as well as other audit committees has a maximum of four and minimum off three clerks. It also includes officers from the Budget, Legal, and Research Departments, who all contribute in the drafting of the Committee's recommendations. The Committee, therefore, recommends that the Office of the Clerk should strengthen the Secretariat by including officers from Budget, Legal and Research Departments in all accountability committees at the National Assembly of Zambia.

c. Tenure of Membership

The Committee notes that the tenure of membership on all committees in the Parliament of Kenya is three years once a committee is constituted after general elections. A committee reconstituted after three years serves the remainder of the term, which is two years. The Committee, therefore, recommends that a similar system be adopted by the National Assembly of Zambia.

CONCLUSION

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 for the Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31st December, 2021. The Committee further wishes to thank the Controlling Officers who appeared before it and the Secretary to the Treasury for their co-operation.



Mr Warren Chisha Mwambazi, MP
CHAIRPERSON

July, 2023
LUSAKA

APPENDIX I – LIST OF NATIONAL ASSEMBLY OFFICIALS

Mr Charles Haambote, Principal Clerk of Committees (FC)
Mrs Doreen C Mukwanka, Deputy Principal Clerk of Committees (FC)
Mr Charles Chishimba, Senior Committee Clerk
Ms Chitalu R Mulenga, Acting Senior Committee Clerk (FC2)
Mr Mose Chuba, Committee Clerk
Ms Inutu Mwiya, Administrative Assistant
Mr Daniel Lupiya Committee Assistant
Mr Muyembi Kantumoya, Parliamentary Messenger