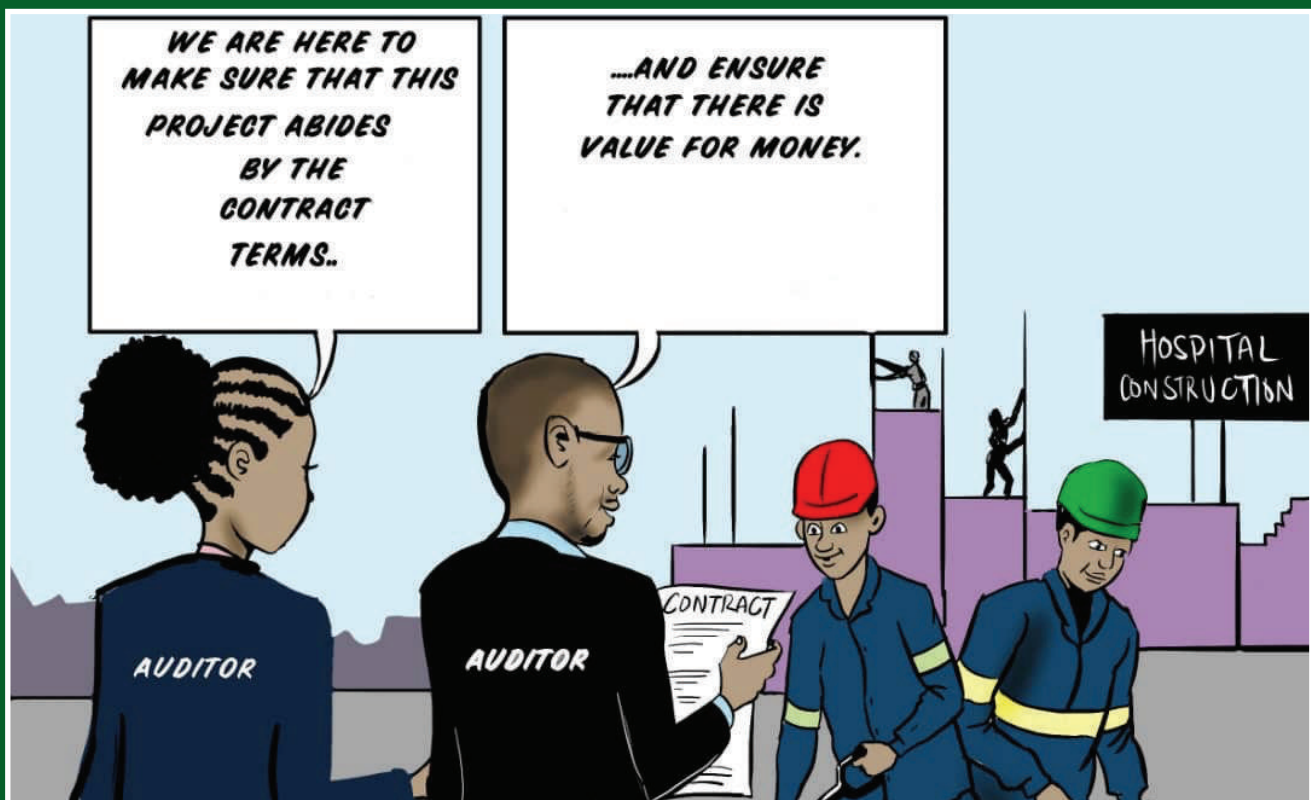




REPUBLIC OF ZAMBIA
OFFICE OF THE AUDITOR GENERAL

SIMPLIFIED REPORT OF THE AUDITOR GENERAL ON THE
ACCOUNTS OF THE REPUBLIC FOR THE FINANCIAL YEAR
ENDED 31ST DECEMBER 2019





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FOREWORD



It gives me great pleasure to issue the first simplified Report of the Auditor General for the financial year ended 31st December 2019. This report is intended to inform our stakeholders on how public resources are being utilised, managed and accounted for.

My mandate is not only to audit public resources, but also to ensure that citizens understand the contents of my reports and where necessary, use them for decision-making. Audit language by its very nature is technical and over the years, the feedback from the citizenry is that the Reports of the Auditor General are hard to understand for an ordinary person on the street.

In this regard, my Office resolved to put together a simplified version of the Auditor General's Report that is responsive to the concerns raised by stakeholders.

This is in line with our Communication and Stakeholder Engagement Strategies that conform to International Standards and Best Practice.

My Office remains committed to engaging with its stakeholders and requests you to evaluate this simplified report by filling in an evaluation form that is at the end of the report.



Dr. Dick Chellah Sichembe
AUDTOR GENERAL



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ACRONYMS

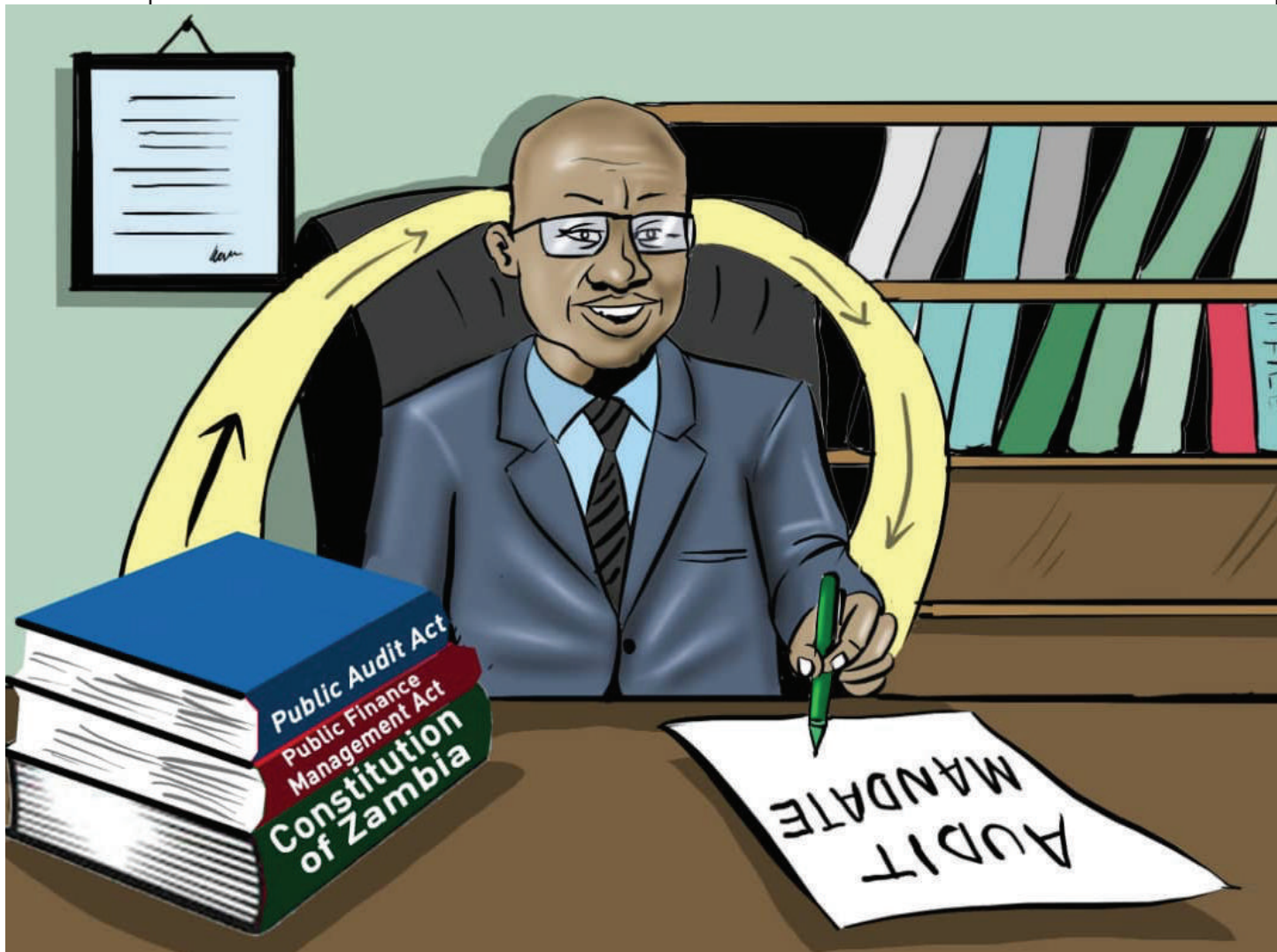
AG	Auditor General
ASYCUDA	Automated System for Customs Data
BoZ	Bank of Zambia
COVID-19	Coronavirus Disease (2019)
ICT	Information and Communications Technology
MoGE	Ministry of General Education
MPAs	Ministries Provinces and Agencies
NRFA	National Road Fund Agency
PAC	Public Accounts Committee
RIB	Removals In Bond
RIT	Removals In Transit
RTSA	Road Transport and Safety Agency
SAIs	Supreme Audit Institutions
SLA	Service Level Agreement
VAT	Value Added Tax
ZRA	Zambia Revenue Authority
ZAMRA	Zambia Medicines Regulatory Authority
ZBS	Zambia Bureau of Standards



01

MANDATE

The mandate of the Auditor General is derived from Article 250 of the Constitution of Zambia (Amendment) Act No. 2 of 2016, Public Finance Management Act No. 1 of 2018 and Public Audit Act No. 13 of 1994.

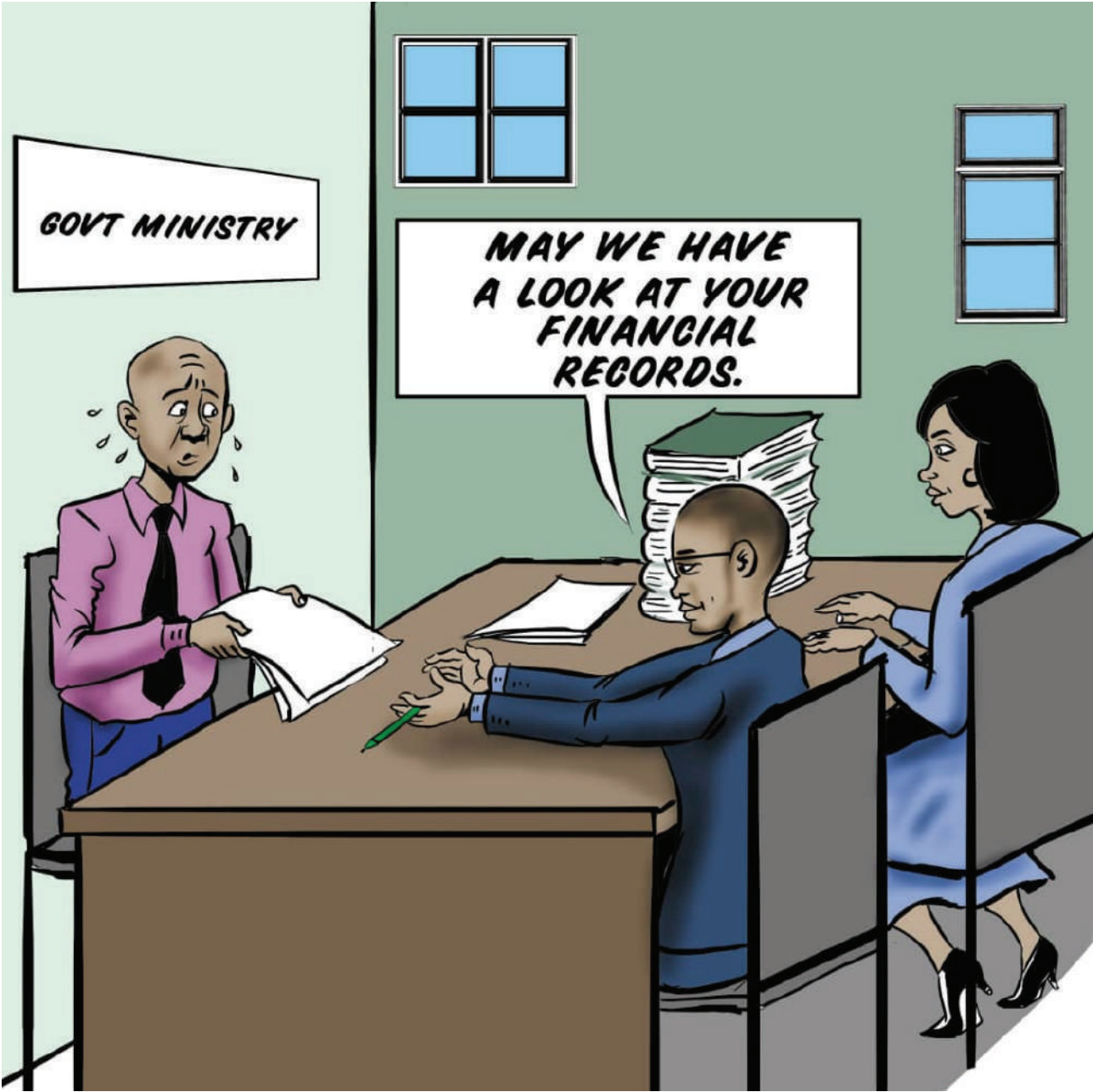




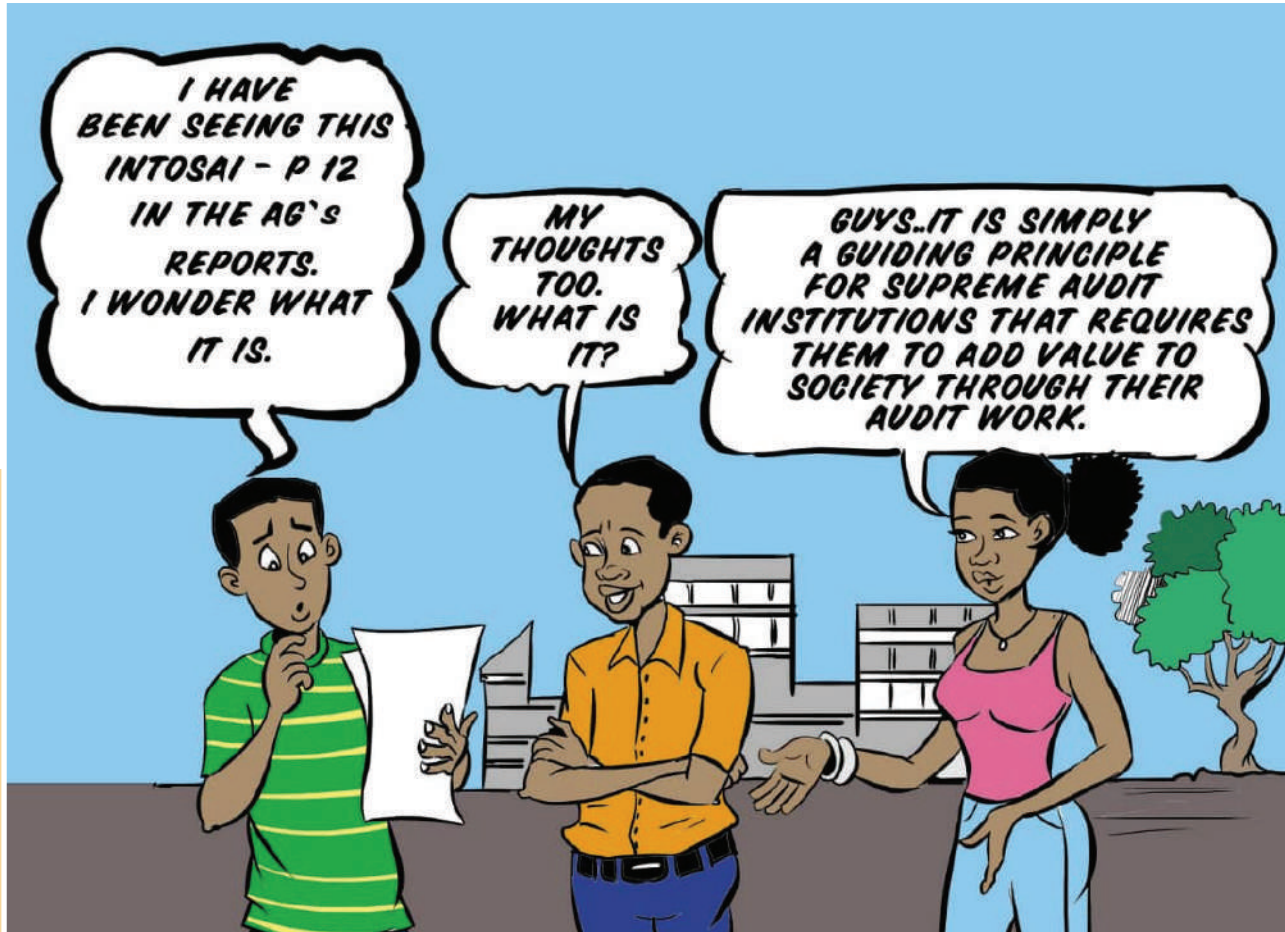
02

ROLE OF THE AUDITOR GENERAL

The role of the Auditor General is to audit all Government Ministries, Provinces and Agencies in order to assure the public that public resources are being utilised for the intended purpose and that there is value for money.

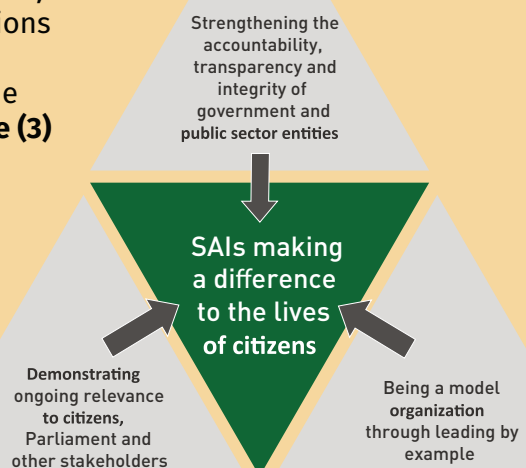


HOW THE OFFICE OF THE DIFFERENCE



INTOSAI-P12 – Value and Benefits of Supreme Audit institutions-making a Difference to the Lives of Citizens.

According to **INTOSAI-P 12**, Supreme Audit Institutions (SAIs) are expected to make a difference to the lives of **citizens in three (3) ways** as follows:





AUDITOR GENERAL MAKES A



The Office of the Auditor General does strengthen accountability, transparency and integrity of public institutions by auditing the management of public resources which are meant to benefit the citizens and reporting on the results thereby enabling the public to hold Government and public sector entities accountable. The action taken on the audit recommendations, results in **improved service delivery in health, education, agriculture and infrastructure development.**

The Office demonstrates its ongoing relevance by being responsive to the changing environments and emerging risks.

The Office endeavors to be a model organization by striving for **service excellence and quality; capacity building** through **promoting innovation and learning; and knowledge sharing.**



04

SCOPE OF AUDIT



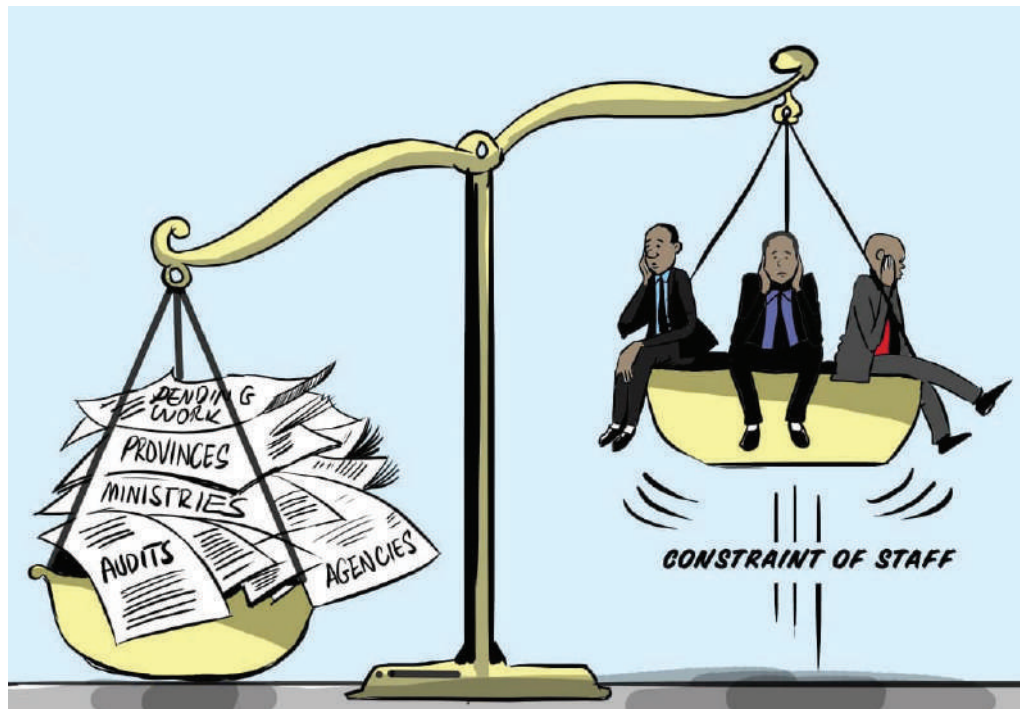
The audit scope covered the accounts and records of Ministries, Provinces and Agencies (MPAs) and other institutions financed from public funds for the financial year ended 31st December 2019. Although the Report is for the financial year ended 31st December 2019, in some cases observations that required updating were reported as of September 2020.



BENEFITS OF AUDITS



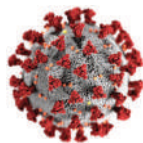
CONSTRAINTS/ LIMITATIONS



1 Staff

The staffing position in the Office has over the years been improving. However, staffing levels are still not commensurate with the number of Government programmes being undertaken throughout the Country. As at 31st December 2019, the Office had an establishment of **736 positions** of which **634** were available while the balance of **102** were frozen. Out of the available positions, **618** were filled while sixteen (16) were vacant.

2 Coronavirus Disease 2019 (COVID-19)

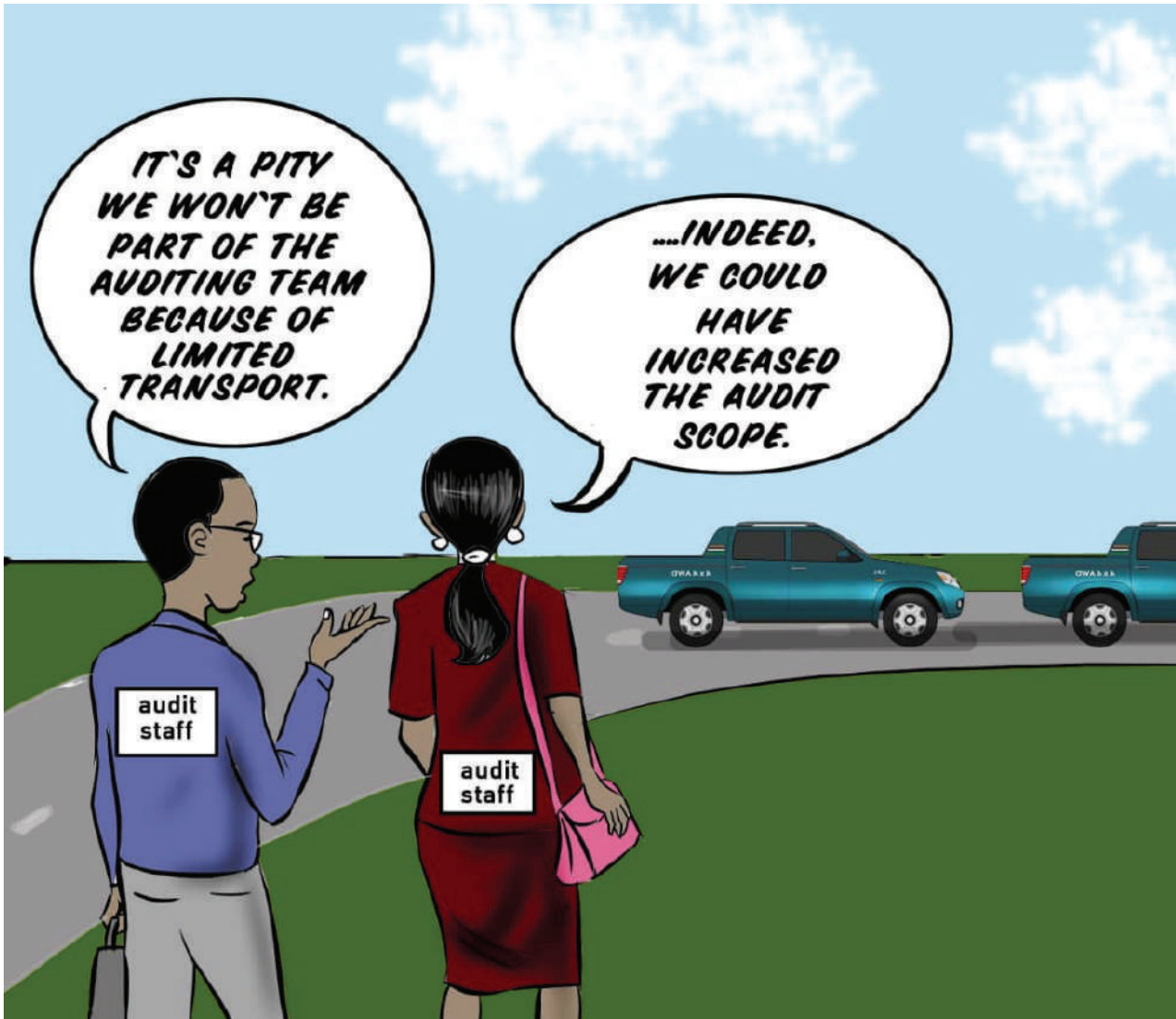


The audits of accounts for the financial year ended 31st December 2019 conducted in 2020 were adversely affected by the COVID-19 pandemic. This resulted in suspension or scaling down on the scope of the audits to adhere to the public health guidelines issued by the Ministry of Health. In addition, the provision of audit information was delayed because of the absence of key personnel in the client offices.

Transport

3

The Office has presence in all the ten (10) provinces in the country and the nature of the operations require 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 for use in executing our mandate as most of them were procured between 2007 and 2015. Consequently, this has continued to negatively impact the targeted time of completing the audit activities.



Information and Communications Technology Equipment

4

The Office over the years has seen an increase in the staff establishment. During the period from 2017 to 2019. The number of staff has **increased from 524 to 618**. This has resulted in the need to provide office equipment for the new staff. The Office has received support from Government and donor projects that has helped to reduce the Information and Communications Technology (ICT) gap. However, the gap still exists.

SUMMARY OF AUDIT FINDINGS

Table 1: Summary of the Audit Findings

No.	Details	2019	2018	2017
		K	K	K
1	Unaccounted for Revenue	↑ 528,431	↓ 143,179	873,649
2	Unaccounted for Funds	↑ 183,886	↓ 26,000	31,200,930
3	Misapplication of Funds	↓ 7,455,275	↑ 62,432,136	61,657,450
4	Unretired Accountable Imprest	↓ 480,660	↑ 667,703	4,073,434
5	Unvouched Expenditure	↑ 1,539,431	↓ 1,033,754	14,137,189
6	Unaccounted for Stores	↓ 56,220,368	↑ 133,815,072	6,370,531
7	Irregular Payments	↓ 8,952,156	↑ 12,767,837	21,791,360
8	Non Recovery of Loans and Advances	-	↓ 201,572	↑ 901,507
9	Failure to Follow Procurement Procedures	↓ 504,500	↑ 879,000	1,051,686
10	Undelivered Materials	↑ 23,510,118	9,195,241	1,486,568
11	Non - Submission of Expenditure Returns	↑ 502,250	↓ 301,830	29,409,484
12	Wasteful Expenditure	↑ 3,730,864	↓ 222,534	7,865,395
13	Overpayments	↓ 1,109,176	↑ 15,824,166	7,437,149
14	Misappropriation of Funds	-	↓ 61,354	↑ 5,036,051

WEAKNESSES IN INTERNAL CONTROLS

There were weaknesses in the implementation of internal controls observed in MPAs which included:



DELAYS

Failure and delays in the collection of Government revenue



ANOMALIES

Failure to detect anomalies such as overpayments, under banking, unauthorised payments and misappropriation (*is the day to day work of the controlling officer*); due diligence needed before making payments through reconciliation of the bank accounts .



NON ADHERENCE TO CABINET GUIDELINES

Failure to adhere to Financial and Public Stores Regulations, Cabinet Office and other circulars, Terms and Conditions of Service for the Public Service, for example payment of remote and rural hardship allowances to officers in ineligible stations; (*Management of the payroll- ensure salaries are for people working under his charge. A person can be based in Kabwe is getting hardship allowance for person who should be based in Ngabwe*).



PROCUREMENT

Failure to adhere to procurement procedures and contract provisions.



MISAPPLICATION

Misapplication of funds (funds are applied on an activity not budgeted for).



FAILURE TO INSURE ASSETS

Failure to insure Government assets.



NON REMITTANCE OF CONTRIBUTIONS

Failure to deduct and remit statutory contributions. (*These include PAY As You Earn and Pension contributions*).



ACCOUNTABILITY

Failure to maintain books of accounts, payment vouchers and supporting documents. *A payment made without a payment voucher or supporting document.*



UNDELIVERED MATERIALS

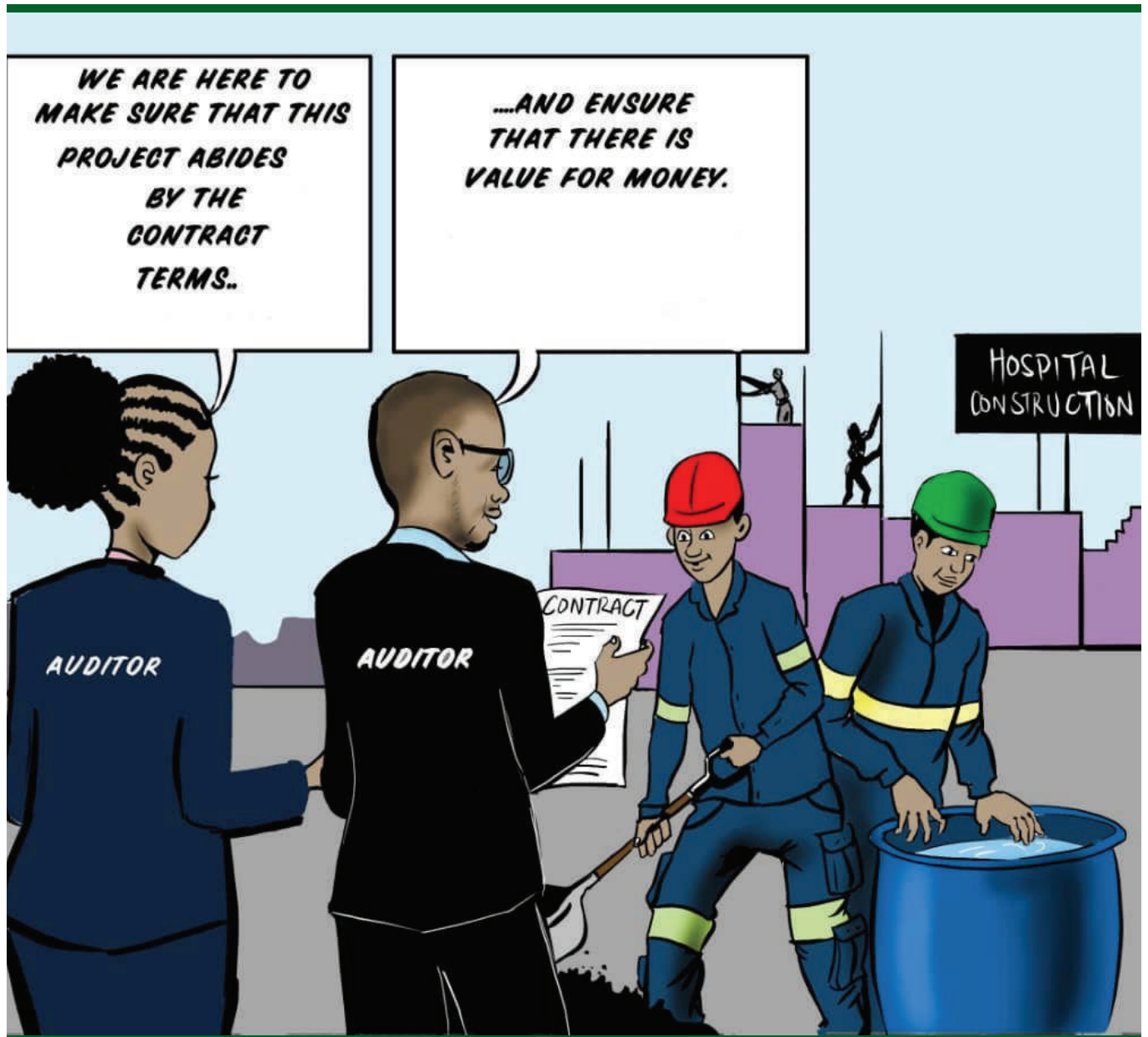
Various goods paid for, were not delivered by some suppliers.





09

AUDITOR AT WORK... IN SEARCH OF AUDIT EVIDENCE



Highlights of Selected Findings

10

REVENUE

Zambia Revenue Authority



Unaccounted for Removals in Transit

Automated System for Customs Data (ASYCUDA) has a transit module that handles transactions for Removals in Bond (RIB) and Removals in Transit (RIT) such as goods moving from one customs control area to another without duty being paid but under surety of a bond issued by banks or insurance companies.

It was observed that the Zambia Revenue Authority had recorded 752 (Removals in Transit (RITs) with guaranteed amounts totalling **K47,180,798 which had entered the country but had not exited**. Further there was no evidence that ZRA had redeemed the bonds.

The **Government lost revenue** in amounts totalling **K47,180,798**.

Loss of revenue due to under declaring of VAT

During the period under review, thirty-three (33) suppliers supplied standard rated goods and services to two (2) companies and raised tax invoices in amounts totalling **K61,205,219 which included output Value Added Tax (VAT) of K8,422,092**.

It was observed that although the two (2) companies claimed input VAT of **K8,422,092 on the procured goods and services**, the thirty three (33) suppliers filed in nil returns during the period under review thereby under declaring VAT by the same amount. In this regard, the **Government lost revenue in amounts totalling K8,422,092**.



The **Government lost revenue** in amounts totalling **K8,422,092**.



Ministry of Home Affairs – Zambia Police



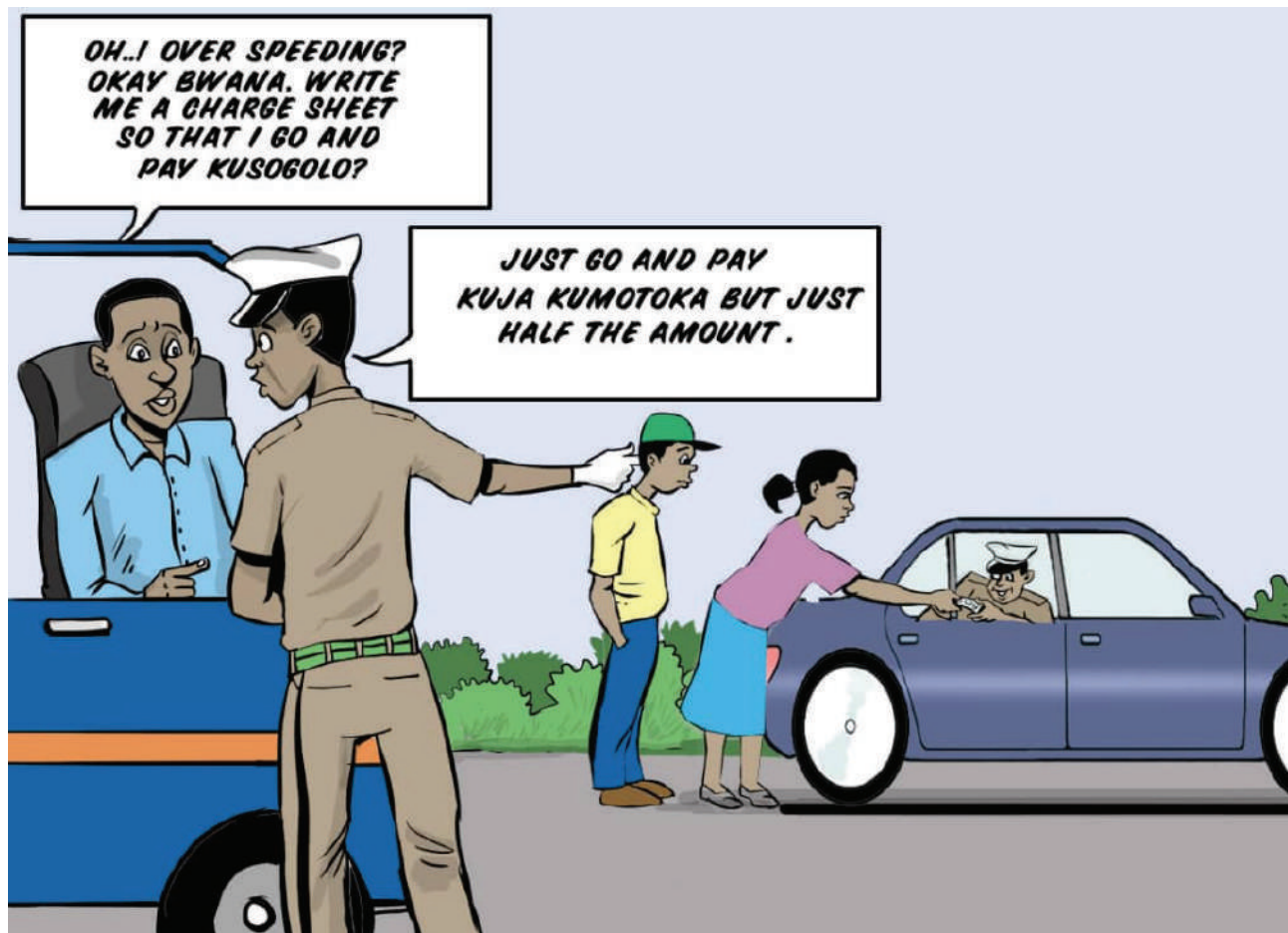
Weaknesses in Revenue Collection – Charge Sheets



The charge sheet is a document used by the police to record and charge traffic offenders for various offences upon which a receipt is issued after payment.

It was observed that the Ministry of Home Affairs had internal control weaknesses in the collection of revenue from traffic offenders in that the charge sheets were not serially numbered and no copies of charge sheets retained at the stations for further use.

Amounts totalling **K39,729,268** were collected at eight (8) stations using charge sheets for various traffic offences, it was not possible to ascertain the number of offenders and types of offences committed to confirm the completeness of the revenue receivable.





Ministry of Mines and Minerals Development



Failure to Collect Outstanding Area Charges from Mineral Right Holders



Section 77 (1) and (2) of the Mines and Minerals Development Act No. 11 of 2015, provides that a holder of a mining right or mineral processing licence should pay to the Republic an annual area charge of such amount as may be prescribed, or as may be calculated in the manner prescribed by the Minister. The annual area charge referred to in subsection (1) should be payable on the grant of the mining or mineral processing licence, and thereafter annually on the anniversary thereof until the termination of the mining right or mineral processing licence.

Ministry of Mines failed to collect area charges in amounts totalling **K21,199,692** from **1,477** mining right holders.

Contrary to the provisions, the Ministry of Mines failed to collect area charges in amounts **totalling K21,199,692 from 1,477 mining right holders as at 31st August 2020.**

The Government **lost revenue** in amounts totalling **K21,199,692.**



Source: <https://www.africasurveyorsonline.com/2019/07/30/zambia-presents-opportunities-for-mining-supplies/>



Road Transport and Safety Agency



Delayed Transfer of Revenue to Bank of Zambia

The Service Level Agreement (SLA) signed in January 2018 between the Ministry of Finance and commercial banks stipulates that banks were to remit funds collected and deposited in the revenue accounts twice a week. Deposits were to be done on Tuesdays based on Mondays' balances and on Fridays based on Thursdays' balances and that remittances would be through the Real Time Gross Settlement System (RTGS) into the relevant accounts at the Bank of Zambia. Further, the agreement stipulates that any delays in transferring the funds to Bank of Zambia would attract a penalty of 10% simple interest, calculated on the overnight balance remaining on the account.

Government did not collect **revenue** in amounts totalling **K1,290,596.**

Contrary to the SLA, there were delays in transfer of revenue to the Bank of Zambia in amounts totalling K12,905,956 which was collected during the period under review ranging from one (1) to two (2) days. The involved **banks were liable for penalties in amounts totalling K1,290,596**, which had not been paid by 31st August 2020.





Ministry of Works and Supply - National Road Fund Agency

Questionable Award of Discounts

A review of Frequent and Local User Discount transactions at Katuba, Chongwe and Shimabala Toll Stations revealed that ninety-eight (98) motor vehicles were awarded discounts.

However, the transactions were questionable in that the vehicles travelled in the same direction on any day using the same lane and toll collector without a corresponding return passage. In this regard, **NRFA lost a minimum estimated revenue of K13,580** as at 31st December 2019.



The Government **lost revenue** in amounts totalling **K13,580**.

Table 2: Questionable Award of Discounts

No.	Station	No. of Vehicles	No. of Transactions	No. of Toll Collector
1	Shimabala	83	443	23
2	Katuba	15	236	10
	Total	98	679	33





Judiciary

Mandate

The Judiciary is mandated to preside over civil, criminal, and constitutional matters under Article 119 of the Constitution of Zambia (Amendment) Act No. 2 of 2016. In respect of revenue, the Judiciary collects court fees and fines through civil and criminal court processes.

Client Accounts

A client account is established for a court to hold monies deposited by defendants for onward payment to the plaintiffs as settlement of debt, which may arise from the court judgment.

A scrutiny of records for the client accounts revealed the following:

1. Failure to Maintain an Updated List of Unpaid Clients

As at 31st December 2019, the High Court – Commercial List Court and Lusaka Sheriff’s Office had closing balances

in amounts totalling K23,092,213 in respect of clients’ accounts.

Although the Lusaka High Court Commercial List Court had bank balances in amounts totalling K19,531,175 in the client accounts, the Court did not maintain a record of clients that made deposits in the account. In this regard, it was not possible to establish the owners of the funds and how long the amounts had been held in the accounts.

2. Insufficient Funds to Meet Clients’ Claims – Kitwe Subordinate Courts

The total amount for unpaid clients at the Kitwe Subordinate Court was **K440,803** while the bank balances as at 31st December 2019 in respect of the client Account was **K335,124**. In this regard, **the funds were insufficient to cover the claims by an amount of K105,679**.



Highlights of Selected Findings

11

EXPENDITURE

Ministry of Foreign Affairs



Exchange loss arising from delays in transmitting funds

Purchase of Properties in Missions Abroad – Mortgage Finance Lease



In 2018, Ministry of Finance sourced a mortgage financing facility from Atlas Mara Bank for the purpose of construction and purchase of properties in missions abroad to release the pressure on the Treasury on rented properties.

On 29th June 2018, the Bank disbursed funds amounting to K199,000,000 into Ministry of Foreign Affairs bank account after deducting arrangement fees of K1,000,000.

The following were observed:

- **Unappropriated and Subsequent Delayed Disbursement of Funds**

Although the funds were disbursed into the Ministry's bank account on 29th June 2018, the funds had not been appropriated by Parliament at the time of funding in June 2018.

The Ministry instructed the bank to disburse US\$20,000,000 to eleven (11) Missions on 26th December 2018, which

was six (6) months after receipt of the funds.

However, the Bank disbursed the funds between 3rd and 16th January 2019. **The total funds disbursed amounted to US\$16,488,967.24 at rates ranging from K12.06 to K12.08 per US\$1 resulting in exchange loss of US\$3,511,032.76.**



The Government **lost public funds** in amounts totalling **US\$3,511,032.76** in exchange losses.

Ministry of Works and Supply



Failure to Commission a Commercial Web Offset Printing Press

Government printing department

In an effort to improve the operations of the Government Printing Department, the Government **procured new printing equipment and improving the security system.**

The Report of the Auditor General on Accounts of the Republic for the financial year ended 31st December 2015, mention was made of the failure to commission a commercial web offset printing press for Government Printing Department.

What was observed?

- The contractor had been paid amounts totalling **US\$8,668,570.63**, representing **97.6%** of the contract sum, leaving a balance **US\$211,429.37**.
- **The equipment was not fully installed**

A physical inspection of the installed components revealed that the combination folder had developed rust.

Despite 98% of the contract sum being paid, Government lost an opportunity to make use of the equipment.



Ministry of Home Affairs



Audit Findings

An examination of accounting and other records maintained at the Ministry of Home Affairs Headquarters and selected Districts for the period under review revealed the following:

Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2019, the Ministry of Home Affairs had a total provision of K179,318,040 to cater for operations against which amounts totalling K122,068,772 were released, resulting in an underfunding of K57,249,268.



Infrastructure Development

Delayed Completion - Construction of District Immigration Office - Mwandi

In February 2015, the Ministry engaged Lamusa Construction Limited to construct the District Immigration Office block in Mwandi at a contract sum of K2,948,325 with a completion period of **seven (7) weeks**.

The project had delayed for over **five (5) years** after the planned completion date and there was no evidence that the contract had been extended.

A physical inspection of the project carried out in June 2020 revealed that the project had stalled at **87%** and the contractor was not on site. The outstanding works included plastering, electrical fittings, fitting of windows and doors, plumbing, flooring and painting.



Delayed Completion - Construction of Department of National Registration Passport and Citizenship Office – Senanga

On 7th March 2014, the Ministry of Home Affairs engaged Kisukami Construction Limited to construct the National registration, Citizenship and Passport Office at a contract sum of K1,024,309 with a completion period of **twenty four (24) weeks**.

The project had delayed for over **six (6) years** after the planned completion date and there was no evidence that the contract had been extended.

Failure to Secure Title Deeds

Section 41 (4) of the Public Finance Management Act, No. 1 of 2018, requires controlling officers to ensure that all public properties under their charge are secured with title deeds. However, the Ministry had not secured title deeds for its land and buildings.



Wasteful Expenditure

Storage Charges

In May 2016, the Ministry took five (5) motor vehicles to a garage for service and retrieved them in October 2018 without being serviced. **Consequently, the Ministry paid storage charges** amounting to **K45,000** on 18th June 2019 rendering the payment wasteful.



The Government **lost public funds** in amounts totalling **K45,000** from the wasteful expenditure.

Ministry of General Education



The Mandate of the Ministry of General Education (MoGE) is to formulate and implement Education and Science Policies, set and enforce standards and regulations, licence, supervise and provide education and skills development, as well as promote science, technology and innovation education. The following irregularities were observed:





Ministry of Health



The Ministry of Health is mandated to provide effective quality healthcare services to the citizens. Below were the Audit Findings:

Between November and December 2019, the Ministry engaged **Honey Bee** to supply and deliver 22,500 health centre kits at a total contract sum of US\$17,958,150.

The following were observed:

- Tender for supplier of 50,000 health centre kits



Failure to Provide Power of Attorney Written by Lawyer

Contrary to the Instruction to Bidders, the power of attorney was signed by an employee of the company who nominated himself and not by a lawyer as required.

Questionable Responsiveness on ZAMRA Registration

A review of the evaluation report at the technical stage revealed that out of the sixty (60) items bid, **Honeybee Pharmacy did not have manufacturers' authorisation but were found to be responsive.**

Sourcing of Medicines and Medical Supplies from Unapproved Manufacturers

The schedule of requirements contained in the contract had listed the manufacturers of the medicines and medical supplies.

It was observed that the supplier sourced various medicines and medical supplies from unapproved manufacturers. In this regard, **fifty-eight (58)** out of the **sixty (60) items** with an invoice value of **US\$3,400,151.04** that constituted the health centre kits supplied were sourced from non-contract stated manufacturers.

Questionable Supply of Unregistered Goods

The contract required that the goods supplied under the contract shall be registered for use in the procuring entity's country.

It was observed that the medicines and allied substances contained in the **4,752 health centre kits** with an invoice value of **US\$3,792,761.28** delivered in August and September 2020 were not registered with the Zambia Medicines Regulatory Authority.

Lubricated Latex Condoms

A laboratory test report dated 22nd September 2020 from Zambia Bureau of Standards revealed that the condoms supplied with an **invoice value of US\$114,428.16** had failed on the following parameters: bursting volume, hang and roll (water tightness), length, and package integrity.



Latex Examination Gloves

A laboratory test report dated 22nd September 2020 from Zambia Bureau of Standards revealed that the latex examination gloves supplied with an **invoice value of US\$109,961.28** had failed the water tightness test.

Paracetamol Tablets - Failed Test

A review of the Certificate of Analysis dated 10th September 2020 on paracetamol tablets BP500mg revealed that the tablets had mould like growth on the surfaces and that the sample did not meet acceptance criteria for appearance test.

Other findings

- The soap bar supplied in the kits with an invoice value of **US\$13,068** did not have a trade and manufacturer's name.
- Diazepam injection with an invoice value of **US\$4,656.96** was missing from the health centre kits supplied.
- 4g of Tetracycline HCL 1% eye ointment tube was supplied instead of 5g which had an invoice value of **US\$22,952.16**.



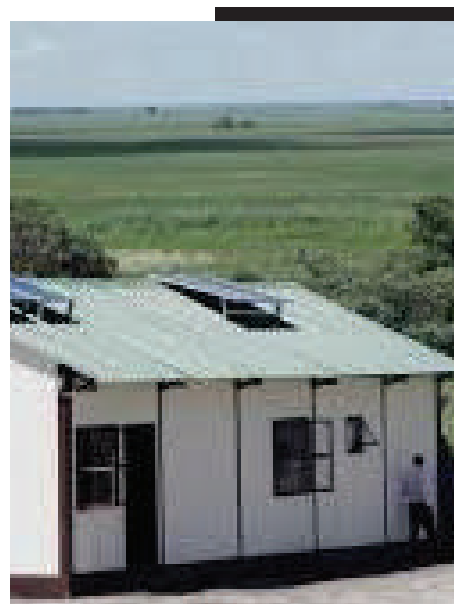


Construction of Health Posts

Megha Engineering and Infrastructure Ltd was engaged to construct 195 prefabricated structures, supply and install essential equipment and associated external works at a contract sum of US\$18,387,160 as part of the 650 health posts.

The following were observed:

- In May 2017, Megha Engineering and Infrastructure Ltd demobilized from site due to failure by the Government to pay the contractor amounts totalling US\$1,957,182.02 which had been outstanding for a period of up to sixteen (16) months.
- On 11th October 2018, the Ministry and Megha Engineering and Infrastructure Ltd signed an Addendum to amend the contract sum from US\$18,387,160 to US\$19,087,160. The additional amount of US\$700,000 was to cover the cost of remobilisation and setting up of site **(US\$300,000)** and payment of idle charges during the period from August 2016 to May 2017 **(US\$400,000)**. Consequently, the completion date was revised to 31st July 2020.
- A review of progress reports availed by Southern, Western and Lusaka Provincial Health Offices revealed that there were delays in the completion of the Health Posts in that as at 30th April 2020, only thirty seven (37) had been completed out of the seventy two (72) leaving a balance of thirty five (35) health posts that were still under construction.



Despite the contract sum being increased by **US\$700,000**, 35 health posts had not been completed.

Ministry of Agriculture



The Ministry of Agriculture is mandated among others to promote and strengthen efficient and effective management of agricultural production and productivity to ensure sustainable household and national food and nutrition security and increased incomes. The following were the findings:

FISP- Unaccounted for inputs

The Ministry engaged ten (10) companies to supply, deliver and distribute 27,309.44 MT of assorted seed varieties with a delivery date of 31st December 2019, out of which 18,897.24 MT were delivered leaving a balance of 8,412.20 undelivered as at 31st August 2020.





Unaccounted for Inputs

A scrutiny of records at three (3) stations revealed that 326,720 bags of inputs were received out of which 323,046 were distributed leaving a balance of 3,674 bags costing K1,890,929 unaccounted for as they were not in the warehouses as at 31st August 2020.



Inputs in amounts totalling **K1,890,929** were unaccounted for.

Failure to Utilise Insecticides

Ministry of Fisheries and Livestock



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

- Failure to Utilise Insecticides To control tsetse flies and trypanosomiasis in livestock and in humans in parts of Rufunsa, Luano and Nyimba districts. 90,000 litres of insecticide valued at **K3,278,124 (US\$342,900)** delivered in October 2017 had expired rendering the expenditure wasteful.
- On 27th July 2017, the Ministry engaged a joint venture of Share Mix Limited and Avima Pty Limited of South Africa to supply and deliver 425,489 Litres of Deltamethrin ULV Insecticide at a contract sum of **K14,420,627 (US\$1,621,114.80)** with a delivery period of two (2) weeks.
- The joint venture was also required to oversee the application of the insecticide in an aerial spraying operation, to control tsetse flies and trypanosomiasis in livestock and in humans in parts of Rufunsa, Luano and Nyimba districts.



Unaccounted for Vaccines

During the period under review, 840,500 doses of FMD vaccine valued at **K3,097,100** and **100,000 doses of CBPP vaccines valued at K183,680** were distributed to thirty-four (34) districts that were affected by the disease.

However, a physical inspection of vaccines distributed to seven (7) selected District Fisheries and Livestock Offices carried out in June 2020 revealed that 323,000 vaccines costing **K1,005,397** were unaccounted for in that there were no disposal details.

Further, it was observed that Mongu Provincial Fisheries and Livestock Office did not have cold rooms to store the vaccines and relied on a third party for the storage.



90,000 Liters of insecticide vauled at **K3,278,124** expired resulting in wasteful expenditure.



Ministry of Local Government



The Ministry of Local Government is mandated to promote a decentralised good local governance system and facilitate delivery of quality municipal services. The Ministry also oversees the implementation of delegated functions and responsibilities by the Local Authorities.

Rehabilitation of Selected Urban Roads 25.01km to Bituminous Standard in Mpika District in Muchinga Province - Interest charges arising from failure to timely settle contractor's claims

- On 18th August 2014, the Ministry engaged China Henan International Corporation Group Company Limited in joint venture with ALD Plant and Fleet Management Limited for the rehabilitation and upgrading of selected urban roads (25.01km) to bituminous standard in Mpika District at a contract sum of K267,712,404 VAT inclusive with completion period of twenty (24) months.
- As at 31st August 2020, the contractor had been paid K13,500,000 out of K113,716,044 of claims made on interim payment certificates numbers 1 to 10 leaving a balance of K100,216,044. The following were however observed:
 - Failure to Settle Interim Payment Certificates and Interest Charges
Contrary to Clause 43.1, the Ministry did not settle the claims on time resulting in the contractor claiming interest totalling K36,206,046 as at 31st December 2019.





12

HOW CITIZENS CAN USE THE AG'S REPORT





RECOMMENDATIONS

In order to improve Public Finance Management and ensure that the Ministries, Provinces and Agencies (MPAs) are 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 are recommended:

1.  Controlling Officers must ensure that revenue collection and expenditure is appropriately planned and controlled. This should be done by:
 - Adhering to relevant laws, regulations, circulars and minutes,
 - Establishing and maintaining an effective, efficient, and transparent system of financial and risk management as well as adequate and robust internal controls,
 - Managing prudently public resources and safeguarding them.
 - Taking effective and appropriate steps to collect revenues due to the Government that is under their charge,
 - Prevention of irregular or wasteful expenditure, misapplication of funds, theft or loss resulting from negligence or criminal conduct,
 - Taking immediate, effective and appropriate disciplinary steps against erring office holders in the ministry or department, and
 - Taking immediate and appropriate action on internal and external audit observations and recommendations.
2.  The general revenue collected by appointed agents on behalf of Government should be promptly remitted to the Consolidated Fund as a failure to do so will amount to financial misconduct,
3.  Controlling Officers should ensure that there is strict adherence to procurement procedures and all contract provisions,
4.  Controlling Officers should ensure prompt updating of the Establishment Register and placement of staff in designated duty stations,
5.  Controlling Officers must ensure that all the assets under their charge are appropriately secured and insured, and
6.  Controlling Officers must ensure that all taxes and other statutory contributions are deducted and timely remitted to the respective institutions.

EVALUATION FORM

Name/Organisation:

Province:

Please answer each question honestly. Your response will be treated with complete confidentiality. If the questionnaire has not been hand collected, please email your completed questionnaire to **auditorg@ago.gov.zm** or drop it to the address below.

Please select the rating for each section based on the following criteria:

5-Excellent 4-Good 3-Average 2-Fair 1-Poor

Please rate the content and structure of the 2019 Simplified Auditor General's Report on the following:

- The structure of the 2019 Simplified Auditor General's Report.
 05 04 03 02 01
- Ability to explain and illustrate the 2019 Auditor General's Report findings.
 05 04 03 02 01
- Ability to show how public funds were utilised.
 05 04 03 02 01
- Ability to show how public funds were accounted for.
 05 04 03 02 01
- Ability to show the link between the budget and the expenditure.
 05 04 03 02 01
- Ability to show the link between the expenditure and the value derived from the expenditure.
 05 04 03 02 01
- Did the 2019 Auditor General's Simplified Report Meet your expectations?
 05 04 03 02 01

Open-ended comments on the 2019 Simplified Auditor General's Report

- Has this Simplified Report helped to generate interest in you to know more about the work of the Auditor General? Explain briefly.



9. In your opinion, has the Simplified Report helped you to understand the findings in the 2019 Auditor General's Report? Explain briefly

10. Do you see how your needs have been addressed in the 2019 Simplified Auditor General's Report? Explain how.

11. What did you like the most about the 2019 Simplified Auditor General's Report?

12. What specific things did you like the least about the 2019 Simplified Auditor General's Report?

13. From the trend analysis, what specific areas have the MPAs improved in the 2019 Audits compared to previous audits?

14. What improvements do you want to see in the future Simplified Auditor General's Report?

Overall, you would rate the 2019 Simplified Auditor General's Report as:

05 04 03 02 01

General Comments:

Thank you for your feedback.

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GLOSSARY OF TERMS

Accountable Documents	Documents such as receipts, licences, certificates, discs or tokens and others used in the collection of Revenues.
Audit Finding	The result of audit procedures and tests conducted by the auditor.
Controlling Officer	An officer designated as such by the Secretary to the Treasury to maintain accounts of a Ministry, Province or Spending Agency.
Delayed Banking	Failure to bank moneys received not later than the next business day or at least twice every month where banking facilities do not exist.
Excess Expenditure	Expenditure incurred above the authorised budget amounts without the authorisation of Parliament.
Failure to Follow Procurement Procedures	Non-Compliance with the Zambia Public Procurement Act and Procurement guidelines in the purchase of goods and services.
Irregular payments	Payments made outside the normal practice or acceptable regulations or norms.
Irregularity	Breach of laws, regulations or rules.
Imprest	Funds or monies issued out to facilitate payments of a minor nature, meet expenses when the officer is travelling on duty or to facilitate the purchase of goods and services whose value cannot be ascertained at the time.
Misapplication	Use of funds budgeted for a programme on an unrelated programme without authority from the Secretary to the Treasury.
Misappropriation	Use of public funds for personal purposes or crediting public funds to a private bank account.
Outstanding Issues	These are audit queries that remain unresolved in the Treasury Minutes (Action Taken Report) prepared by the Ministry of Finance on the Reports of the Auditor General
Overpayments	Payments made above the correct price or rate.
Parliament	Legislative organ of Government
Public Accounts Committee (PAC)	A sessional committee of the National Assembly established in terms of the standing orders. PAC examines the Auditor General's Report, as part of their mandate of examining the accounts showing the appropriation of the sums approved by the National Assembly.
Unaccounted for Revenue	Revenue collected but neither banked nor cash found on hand.
Unvouched Expenditure	Payment vouchers not availed for audit because they are either missing or inadequately supported.
Unretired Imprest	Imprest not accounted for.
Unauthorised Expenditure	Funds spent without approval by a responsible officer.
Unacquitted Payments	Payments made without evidence of having been received by the intended beneficiaries.
Unaccounted for Stores	Missing stores items without evidence of how they were received and utilised.
Undelivered Materials	Goods paid for but not received.
Non-Submission of Expenditure Returns	Failure to provide details of how funds disbursed were utilised.
Unaccounted for Funds	Missing funds without expenditure records.
Wasteful Expenditure	Expenditure incurred without benefits derived.
Reconciliation	The process of ensuring that two (2) or more sets of records agree



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