

## **INTRODUCTION**

1. This Report on the audit of the accounts of the Government of the Republic of Zambia for the financial year ended 31<sup>st</sup> December, 2004 is submitted to the President for tabling in the National Assembly in accordance with provisions of Article 121(4) of the Constitution of Zambia.
2. In compliance with the provisions of the Finance (Control and Management) Act, Cap 347 of the Laws of Zambia (repealed in November 2004) and the Public Finance Act No. 15 of 2004, each Appropriation Account as reflected in the Financial Report for the financial year ended, 31<sup>st</sup> December 2004 was certified and subject to the observations contained in this Report, the moneys expended were applied for the purpose for which they were appropriated by Parliament and the expenditure conformed to the authority that governed it.

## **CO-OPERATION WITH OFFICE OF THE AUDITOR GENERAL OF NORWAY**

3. In paragraph 3 of the Report of the Auditor General on the accounts for the financial year ended 31<sup>st</sup> December 2003, mention was made of the cooperation activities between the Office of the Auditor General of Zambia and Office of the Auditor General of Norway. The cooperation has continued being sound. To further enhance the quality of audit work and reports, in 2005, the Office with the help of the Office of the Auditor General of Norway, developed an Audit Manual in Regularity and Financial Audits and a Quality Control Manual. Further, the Office of the Auditor General Norway helped the Office to develop an IT policy and donated fifty (50) laptop computers to the Office.

## **INSTITUTIONAL DEVELOPMENT**

4. In paragraph 4 of the Report of the Auditor General on the accounts for the financial year ended 31<sup>st</sup> December 2003, mention was made that construction of the new Provincial Offices would be done in 2005 by the World Bank, through the Public Expenditure Management and Financial Accountability (PEMFA) programme. These construction

works have not yet commenced. However, preliminary works on the project have commenced.

Following Cabinet's approval of the restructuring of the Office, as mentioned in paragraph 8(b) of the Auditor General's Report for the financial year ended 31<sup>st</sup> December 2003, the Office was restructured. Consequently, two (2) Divisions, namely Corporate Services, and Audit and Consultancy were created and each division was to be headed by a Deputy Auditor General. The establishment was also increased from two hundred and ninety three (293) to five hundred and seventy two (572) in line with the new structure.

In order to meet the office accommodation requirements brought about due to the increased number of staff, funds to extend the head office were sourced under PEMFA and preliminary works on the project have commenced.

In 2005, under the Restructuring and Institutional Development Project (RIDP II) financed by the Norwegian and Netherlands Governments, capacity building continued and officers attended various training programmes. The intranet and internet connectivity for the Training Centre and the Lusaka, Kabwe and Ndola Provincial Offices was completed and various other equipment was procured for use in carrying out audit assignments. These developments are impacting positively on the operations of the office as they have improved the efficiency of the office's work thereby improving the quality of the Report.

## **SCOPE AND AUDIT METHODOLOGY**

5. This Report is as a result of reviews, programmes of test checks, inspections and examination of accounting, stores, project and other records maintained by public officers and others entrusted with the handling of public resources. The audit programmes were designed to give reasonable assurance of financial management in the Government and to enable me express an opinion on the financial statements for the year. They were also intended to provide information that would assist Parliament in its oversight

responsibilities over the application of resources and execution of programmes by the Executive.

Accordingly, the programmes were designed to highlight areas of weakness to facilitate formulation of recommendations by Parliament for remedial action by the Executive.

6. In the course of preparing this report, each Controlling Officer was sent appropriate draft paragraphs for comments and confirmation of the correctness of the facts presented. Where the comments varied with the facts presented, and were proved to be valid, the affected draft paragraphs were amended accordingly.

### **LIMITATION IN SCOPE**

7. The execution of the audit programmes was limited by factors outside the control of the Office of the Auditor General. The main limiting factors were:

- (a) **Funding**

In Paragraph 8(a) of the Report of the Auditor General for the financial year ended 31<sup>st</sup> December 2003 and in previous reports, mention was made on the inadequate funding to the Office and that a large component of the Office's budget was donor funded.

In their report of the fourth session of the ninth National Assembly the Public Accounts Committee (PAC) recommended that the Office needed to be empowered financially using government resources.

In 2005, the Office proposed a budget of K20,197,366,296 including an amount of K4,862,495,000 in respect of donor funding through the Restructuring and Institutional Development Project for the year 2005. In the Appropriation Act, this was however reduced to K16,240,409,557 made up of K4,862,495,000 donor funding and K11,377,914,557 from government. Of the K11,377,914,557 from government, K6,289,188,645 was for Personal Emoluments and K5,088,725,912

was for office operations (Recurrent Departmental Charges). Although a provision of K11,377,914,557 was approved for personal emoluments and office operations, a total of K9,033,821,189 was released by the Ministry of Finance and National Planning. This represented about 79% of the total authorized provision for recurrent departmental charges and personal emoluments.

Although the funding was fair in 2005, the releases from government were late by an average of a month thus delaying the execution of planned work. It was also noted that despite the recommendation from the Public Accounts Committee (PAC) the donor component constituted 42.7% of the funding as compared to 37.5% in 2004.

**(b) Staffing**

In April 2005, Treasury Authority was finally granted for the Office to recruit staff to fill positions in the new structure. As at 31<sup>st</sup> December 2005, two hundred (200) officers had been recruited.

It should be noted that the process of recruitment consumed a lot of resources in terms of time and man power as it included interviewing, inducting and training of new staff. This impacted negatively on the operations of the Office in that there was a reduction in audit coverage. It is however hoped that with the increased number of staff, audit coverage will be wider in 2006 and subsequent years.

**CONTROL, MANAGEMENT AND ACCOUNTABILITY OF PUBLIC FUNDS**

8. According to the Finance (Control and Management) Act, Cap 347 of the Laws of Zambia (repealed in November 2004) and the Public Finance Act No. 15 of 2004 , management, supervision, control and direction of all matters relating to the finances of the Republic are vested in the Minister responsible for Finance. In carrying out this, the Minister designates senior officers in the Ministries and other public offices as Controlling Officers for each head of expenditure. The responsibilities of the Controlling Officers are, among others, to safeguard resources of the institutions under their portfolios; institute measures or put in place systems that will minimize risks; address

weaknesses in the accounting and internal control systems and to ensure that funds received are properly accounted for and expenditure incurred is authorized and within the approved limits. It is also the responsibility of the Controlling Officers to prepare and submit financial statements to the Auditor General for audit and certification before inclusion in the Financial Report. The audited financial statements are then submitted to the Secretary to the Treasury to enable him/her prepare the Annual Financial Report for tabling in the National Assembly by the Ministry responsible for finance in accordance with the provisions of Article 118(1) of the Constitution of Zambia

### **INTERNAL CONTROL**

9. In the previous Annual Audit Reports, mention has been made of the ineffective internal control systems obtaining in Ministries and Departments. The Public Accounts Committees (PAC) have also called upon the Ministry of Finance and National Planning (MoFNP) to improve the internal control mechanisms in the Government. In this regard, the MoFNP assured the PAC that measures were being taken to redress the situation especially following the restructuring of many government ministries and departments. However, inspite of the assurances made, it has been observed that cases of misappropriations, lack of reconciliations of bank accounts and unretired imprest, losses of stores, awarding of contracts without evaluating the capabilities of contractors are prevalent as reflected in this Report.

In the course of audit it was also observed that there were delays in the banking of revenue collections, and in some cases, where revenue was banked; there was no evidence that the monies were credited to Control 99 at the Bank of Zambia and captured by MoFNP. Similarly, huge sums of money may have been spent without being captured in the Financial Report. There is therefore need for MoFNP to also strengthen the internal controls especially in the restructured ministries and departments. There is also need for Internal Debt Management Unit under MoFNP and the Bank of Zambia to reconcile data so that correct figures are captured in the Financial Report. In this regard, the formation of the Audit Committee as provided for under the Public Finance Act No. 15 of 2004 is a welcome development.

**OUTTURN AND APPROPRIATION ACCOUNTS FOR THE FINANCIAL YEAR  
ENDED 31<sup>ST</sup> DECEMBER 2004**

10. According to the provisions of Article 118(2) of the Constitution, the Financial Report should include, inter-alia a balance sheet showing the financial position of the Government as at the end of the financial year, appropriation accounts and a statement of revenue and other moneys received by the Government during the year. The Outturn for the year reflected in Statement A of the Financial Report for the year ended 31<sup>st</sup> December 2004 is analysed below:

**Expenditure as reflected in Statement A1.2**

	<u>K</u>	<u>K</u>
Original		8,328,594,434,065
Supplementary		<u>845,363,786,372</u>
Total Authorised Expenditure		9,173,958,220,437
Actual Expenditure		<u>5,988,101,218,073</u>
<b>Net Under Expenditure</b>		<b><u><u>3,185,857,002,364</u></u></b>

The Net under expenditure of K3,185,857,002,364 is explained as follows:

	<u>K</u>
Under expenditure on head 99	295,540,678,401
add:	
Under expenditure from other functions	3,026,505,668,391
	<u>3,322,046,346,792</u>
Less	
Excess expenditure	<u>136,189,344,428</u>
<b>Net Under Expenditure</b>	<b><u><u>3,185,857,002,364</u></u></b>

**Revenue as reflected in Statement A1.1**

	<u>K</u>	<u>K</u>
Actual Revenue	6,203,782,828,594	
Revenue Estimate	<u>5,771,661,498,808</u>	
<b>Surplus in revenue collections</b>	<b><u><u>432,121,329,786</u></u></b>	

Actual Revenue	6,203,782,828,594
Actual Expenditure	<u>5,988,101,218,073</u>
<b>Gross surplus</b>	<b><u><u>215,681,610,521</u></u></b>

Financing Statement A1.3)		
Gross surplus		215,681,610,521
Internal borrowing		
External borrowing	1,320,413,618,689	
Exceptional Revenue	<u>149,891,208,894</u>	<u>1,470,304,827,583</u>
<b>Net surplus</b>		<b><u><u>1,685,986,438,104</u></u></b>

The net surplus of K1,685,986,438,104 for the year under review is explained below:

	<u>K</u>	<u>K</u>
<b>Assets</b>		
Increase in		
Cash	5,717,632,594	
Imprest	48,407,297,419	
Advances	25,160,953,536	
loan revolving fund	12,885,511,324	
Special deposit	223,223,887,734	
Decrease in investment	<u>(28,420)</u>	315,395,254,187
Liabilities		
Decrease in short term borrowing	1,383,911,755,700	
less increase in deposits	<u>(18,836,931,383)</u>	1,365,074,824,317
unexplained difference		<u>5,516,359,600</u>
<b>Net Surplus</b>		<b><u><u>1,685,986,438,104</u></u></b>

**ANALYSIS OF SURPLUS/SHORTFALL IN REVENUE**

11. An analysis of statement A1.1 of the Financial Report for the financial year under review revealed that the actual revenue collected exceeded the estimated amount by K432,121,329,786 as detailed below:

HEAD	DESCRIPTION	APPROVED ESTIMATE K	ACTUAL REVENUE K	OVER THE ESTIMATE K	SHORTFALL K
201	Income Tax (Other than Mineral Tax)	2,028,176,893,563	2,027,400,768,199		(776,125,364)
202	Customs and Excise	1,030,831,744,133	1,033,689,726,329	2,857,982,196	
204	Mineral Revenue	4,532,934,942	4,472,498,618		(60,436,324)
206	Fees of Courts or Office	76,489,870,170	85,661,429,911	9,171,559,741	
207	Value Added Tax	1,361,395,506,000	1,361,395,506,764	764	
208	Miscellaneous and Other Collections	18,512,000,000	19,249,289,620	737,289,620	
209	Interest (Loans and Investments)	609,600,000	1,940,254,068	1,330,654,068	
211	Capital Repayments	725,400,000	1,895,353,985	1,169,953,985	
212	Capital Grants	1,250,387,550,000	1,668,078,001,100	417,690,451,100	
		<b>5,771,661,498,808</b>	<b>6,203,782,828,594</b>	<b>432,957,891,474</b>	<b>(836,561,688)</b>
	<b>Net Surplus</b>				<b>432,121,329,786</b>

As can be seen from the table above, the surplus of K432,121,329,786 is mainly attributable to the over collection in Capital Grants.

#### REVENUE/FINANCING

12. During the year under review, amounts totalling K338,735,908,646 were not realised on ten (10) subheads as reflected in statement A.1 of the Financial Report for the year ended 31<sup>st</sup> December 2004 as detailed below:

REVENUE TITLE	HEAD/ SUBHEAD K	APPROVED ESTIMATES K	
Fees of Court or Office	206/114	914,098,190	
	206/116	38,240,823	
	206/118	2,772,041,561	
	206/085	112,605,000	
	206/052	1,042,868	
	206/189	895,749,307	
	206/105	12,288,160	
	206/106	14,342,737	
	Capital Grants	212/177	19,509,000,000
		212/193	314,466,500,000
<b>Total</b>		<b>338,735,908,646</b>	



According to Financial Regulation No.123, revenue may be abandoned only with approval of the Secretary to the Treasury. An application for this authority must give the sum of the revenue, the date on which it was due and the action taken to collect it. A copy of the application should be forwarded to the Auditor General. It was observed however, that contrary to the above provisions, there was no authority given by the Secretary to the Treasury to abandon the collection of revenue and there was no explanation given in the Financial Report for failure to collect revenue.

### **GENERAL REVENUES**

<b>HEADS:</b>	<b>201</b>	<b>Income Taxes (Other than Mineral Tax)</b>
	<b>202</b>	<b>Customs and Excise</b>
	<b>207</b>	<b>Value Added Tax</b>
 <b>SUBHEADS:</b>	 <b>Various</b>	

#### **Revenue Collections - Zambia Revenue Authority**

13. In paragraph 14 of the Auditor General's report for the year ended 1998 mention was made of the failure by the Ministry of Finance and National Planning to remit VAT due from road contractors to the Zambia Revenue Authority. Also in paragraph 16 of the Auditor General's Report for the financial year ended 31<sup>st</sup> December, 2003, mention was made of the outstanding tax arrears in respect of Company Tax, Customs Duty, Pay As You Earn (PAYE), Withholding Tax and other losses of revenue through misappropriations and other fraudulent activities by some members of staff within the Authority and the failure by the Authority to recover such moneys from the officers. Further mention was made in the same paragraph on the non-remittance of the interest amounting to K1,235,938,167 earned on the repayment/ refund accounts maintained at Commercial banks to Control 99 at Bank of Zambia.

A follow up made in 2005 in respect of revenue collections for the financial year ended 31<sup>st</sup> December 2004 revealed the following:

(a) Tax Revenue Collections

During the year 2004, ZRA's gross revenue collections totaled K5,491,730,554,141 compared to K4,295,162,077,208 collected in 2003 representing an increase of 27.8%.

Details of the overall Performance by ZRA in tax revenue collection for 2004 are as shown below:

TAX TYPE	PROFILE IMF K	PROFILE GRZ K	GROSS COLLECTIONS K	REFUNDS K	NET COLLECTIONS K	SURPLUS/ (DEFICIT) K
Excise Duties	600,210,406,000	552,880,039,728	528,603,741,728	40,230,000,000	488,373,741,728	(64,506,298,000)
Fuel Levy	-	75,000,000,000	121,533,030,255	-	121,533,030,255	46,533,030,255
Import Duties	536,224,649,000	491,991,841,188	572,965,984,600	27,650,000,000	545,315,984,600	53,324,143,412
Import VAT	864,695,756,000	755,400,000,000	909,010,576,839	-	909,010,576,839	153,610,576,839
<b>Customs Total</b>	<b>2,001,130,811,000</b>	<b>1,875,271,880,916</b>	<b>2,132,113,333,422</b>	<b>67,880,000,000</b>	<b>2,064,233,333,422</b>	<b>188,961,452,506</b>
Company Tax	347,176,609,000	382,600,000,000	357,453,285,564	14,160,000,000	343,293,285,564	(39,306,714,436)
PAYE	1,468,717,445,000	1,428,700,000,000	1,473,460,227,012	-	1,473,460,227,012	44,760,227,012
WHT & other taxes	206,734,713,000	228,998,000,001	210,647,255,623	-	210,647,255,623	(18,350,744,378)
Extraction Royalty	3,416,059,000	4,000,000,000	4,472,498,618	-	4,472,498,618	472,498,618
Medical Levy	-	3,402,000,000	5,909,023,977	-	5,909,023,977	2,507,023,977
<b>Direct Tax Total</b>	<b>2,026,044,826,000</b>	<b>2,047,700,000,001</b>	<b>2,051,942,290,794</b>	<b>14,160,000,000</b>	<b>2,037,782,290,794</b>	<b>(9,917,709,207)</b>
<b>Domestic VAT Total</b>	<b>471,221,966,000</b>	<b>613,700,000,000</b>	<b>1,307,674,929,925</b>	<b>855,290,000,000</b>	<b>452,384,929,925</b>	<b>(161,315,070,075)</b>
<b>Total</b>	<b>4,498,397,603,000</b>	<b>4,536,671,880,917</b>	<b>5,491,730,554,141</b>	<b>937,330,000,000</b>	<b>4,554,400,554,141</b>	<b>17,728,673,224</b>

Although the Authority recorded an overall surplus collection of K17,728,673,224 during the period under review, there was a total net deficit of K283,478,856,889 in respect of four tax types as shown below:

TAX TYPE	PROFILE K	COLLECTIONS K	DEFICIT K
Excise duty	552,880,039,728	488,373,741,728	(64,506,298,000)
Company tax	382,600,000,000	343,293,285,564	(39,306,714,436)
WHT & other taxes	228,998,000,001	210,647,225,623	(18,350,774,378)
Domestic VAT	613,700,000,000	452,384,929,925	(161,315,070,075)
<b>TOTAL</b>	<b>1,778,178,039,729</b>	<b>1,494,699,182,840</b>	<b>(283,478,856,889)</b>

It is clear from the above that not all revenue due to Government was collected. It is also clear that VAT recorded the largest deficit. In this regard, it was noted that domestic VAT amounting to K597,364,353 due from thirteen (13) tax payers on which warrants of distress were issued remained uncollected as of July 2005.

(b) Arrears of Tax

A review of the arrears position as at 31<sup>st</sup> December 2004 revealed that a total of K3,399.51 billion was outstanding as compared to K3,640.41 billion as at 31<sup>st</sup> December 2003 representing a decrease of 7%. Details of the movement in tax arrears by tax type are shown below:

	<b>2004</b>	<b>2003</b>
	<b>K' billion</b>	<b>K' billion</b>
<b>DIRECT TAXES</b>		
Company tax (non parastatal)	386.33	546.56
Self Employed	92.79	72.67
Employed Individuals	85.06	14.21
Other Taxes	79.63	79.87
PAYE	331.09	136.46
Parastatal Organisations	491.27	397.01
<b>CUSTOMS &amp; EXCISE</b>		
Customs Duty	84.65	724.27
<b>DOMESTIC VAT</b>	<u>1,848.69</u>	<u>1,669.36</u>
<b>TOTAL</b>	<b><u>3,399.51</u></b>	<b><u>3,640.41</u></b>

As can be seen from the above table, there was a significant reduction in arrears in respect of customs duty from K724.27 billion in 2003 to K84.65 billion in 2004; and company tax from K546.56 billion in 2003 to K386.33 billion in 2004.

However, there were increases in arrears on the other tax types during the period. In this regard, PAYE arrears increased from K136.46 billion in 2003 to K331.09 billion in 2004; Domestic VAT arrears increased from K1,669.36 billion in 2003 to K1,848.69 billion in 2004; self employed arrears of tax increased from K72.67 billion in 2003 to K92.79 billion in 2004; arrears from employed individuals increased from K14.21 billion to K85.06 billion in 2004, and tax arrears from Parastatal organizations increased from K397.01 billion in 2003 to K491.27 billion in 2005.

A further scrutiny of records revealed that the total outstanding arrears of K3,399.51 billion included among others the following:

(i) Closed/Liquidated Companies

A total amount of K51,662,858,496 which had been outstanding since 2003 in respect of direct taxes (K49,430,818,933) and VAT (K2,232,039,562) was owed by eighty two (82) companies as of July 2005.

Inquiries revealed that the companies had since wound up and it was unlikely that the amounts owed would be recovered.

(ii) Missing Tax Payers

A total amount of K19, 168,331,055 involving 2,264 cases was owed to ZRA in respect of Direct Taxes (K6, 182,461,250) and VAT (K12,985,869,805). The amount was owed by tax payers who as of July 2005 had not been traced by the Authority.

Inquiries revealed that the tax payers had since changed locations and addresses.

(iii) Unsuccessful Garnishee

A garnishee is a legal sermon used under the ZRA Act and Financial Services Act to recover the outstanding amounts from a defaulting debtor.

During the period under review, there were five (5) cases on which sermons were served for the recovery of a total amount of K5,967,113,946 which was owed by two (2) companies. It was noted however that one of the companies, which owed a total amount of K5,583,163,308 as of July 2005, had since wound up and the Directors had disappeared.

(iv) Penalties

Penalties and interest in amounts of K77.8 billion and K41.3 billion respectively which were charged on thirteen (13) defaulting companies in respect of Corporation Tax remained uncollected as of July 2005.

(v) Parastatal Debts

A total amount of K84, 626,693,274 owed by fifteen (15) quasi government institutions in respect of VAT remained uncollected as of July 2005. The amount included; late penalty (K3,055,668,661); VAT return (K28,808,269,583); late submission penalty (K1,398,690,231); interest (K16,475,520,140) and assessment (K34,883,544,657).

(vi) VAT Due From Road Contractors

A review of the situation in July 2005 revealed a total amount of K10,986,765,469 mentioned in the Auditor Generals report of 1998 had not been remitted and had since increased to K60,376,559,863.

(c) Delays In Crediting Revenue To Control 99, BOZ

According to banking arrangements made between the ZRA and commercial banks, money deposited in commercial banks is supposed to reach the Bank of Zambia within four (4) days for banks within Lusaka and Copperbelt and fourteen (14) days for banks in the rural areas. Any bank that fails to meet these requirements is charged interest at the Bank of Zambia mid rate.

A scrutiny of records maintained at the Treasury Department at ZRA Headquarters for the period under review revealed that the Zambia National Commercial Bank (ZNCB) delayed in remitting funds amounting to K2,000,110,283 to the Bank of Zambia for periods ranging from six (6) to fifty (50) days and no interest was charged as penalty for the delay.

(d) Delayed remittance of interest earned on the repayment/refund accounts

A review of the bank statements for the period from January to 31<sup>st</sup> December 2004 revealed that interest earned on four repayment accounts maintained by the ZRA totaling K2,137,668,876, was still not remitted by the commercial banks to Control 99 as of July 2005, as shown below:

<b>ACCOUNT</b>	<b>BANK</b>	<b>TOTAL INTEREST K</b>
Direct Tax	ZANACO	83,579,590
VAT Refund	ZANACO	1,939,316,167
Customs refund	INVEST TRUST	75,813,099
Duty Draw	INVEST TRUST	38,960,020
<b>TOTAL</b>		<b><u>2,137,668,876</u></b>

Upon inquiry, ZRA explained that there were still awaiting instructions from the Ministry of Finance and National Planning.

It was further observed that interest amounting to K187,981,107 on the customs deposit accounts countrywide and transferred to an account maintained at the Cavmont Merchant Bank had not been remitted to Control 99 as of August 2005.

(e) Refer to Drawer cheques

There were four hundred and thirty three (433) cheques amounting to K9,630,889,010 which were referred to the drawers during the period under review. As of July 2005, three hundred and forty (340) cheques amounting to K8,897,886,517 had been replaced leaving ninety three (93) cheques involving K733,002,493 not yet replaced.

(f) Unidentified Entries on Bank Statements

A review of bank reconciliation statements prepared by the ZRA Treasury Section for the period under review revealed that there were unidentified debits totaling

K6,571,000,212 and credits totaling K45,421,867,538 appearing on bank statements for various ZRA revenue collection stations which had not been cleared and were still unresolved as of July 2005. It was further observed that some of the entries went as far back as 1998. No explanation was given for such uncleared debits and credits.

(g) Pay As You Earn (PAYE)

According to the provisions of the Income Tax Act chapter 323, Pay As You Earn (PAYE) is payable on the 14<sup>th</sup> day of the month following the month in which deductions are made.

Pay as you earn (PAYE) is tax deducted from employees' salaries by their employers in proportion to what they earn. The onus of collecting and payment of the tax is on the employer.

A review of records pertaining to the collection of Pay As You Earn by the ZRA revealed that contrary to the provisions of the Act, seven (7) institutions had not remitted a total amount of K36,454,118,137 as of July 2005

(h) Fraud/Abuse of office

A review of personnel records revealed that during the year under review, a total amount of K3,323,791,960 was lost by the Authority as a result of misappropriations and other fraudulent activities by members of staff. It was observed that although disciplinary action including dismissals had been taken against the officers, the amounts misappropriated had not been recovered as of July 2005.

### **Revenue Collections, Lusaka Port Office**

14. In paragraph 18 of the Auditor General's report for the financial year ended 31<sup>st</sup> December 1999, mention was made of the irregularities in the collection of revenue by

the Zambia Revenue Authority at Lusaka Port Office. In particular, significant issues such as the failure to meet revenue targets, delayed remittances of funds to Bank of Zambia, delayed estreatals, outstanding removals in bond and irregular clearance of motor vehicles were mentioned.

An examination of records at the Customs and Excise Division Lusaka Port Office revealed that during the year 2004, revenue totaling K357,028,769,637 was collected against a profile of K311,447,446,000. The collections were K45,581,323,637 more than the profile for the year.

It was noted however that despite the port office meeting its revenue profile for the year, there were still outstanding amounts in respect of Removals in Bond, un estreated deposits, collections from opaque beer breweries, among others as detailed below:

(a) Estreatals

According to the provision the Customs and Excise Act CAP 322, importers of goods are required to deposit funds with ZRA pending fulfillment of their tax obligation. Such deposits are refunded to the depositors when their obligations are met. If depositors fail to meet their obligations within sixty (60) days, the deposit are estreated (forfeited) to the State. It was however observed that amounts totaling K629, 840,611 deposited into the customs deposit account during the period May 2004 to May 2005, had not been estreated to Government Revenue Account as of August 2005, despite the expiry of 60 days contrary to customs procedures.

(b) Out standing Removals In Bond (RIBs)

According to the customs procedures under section 32 (4) of the Customs and Excise Act and regulation 127 (2) of the customs and excise regulations, acquittal



of RIBs and RITs at the respective inland port or port of exit are supposed to be done within thirty (30) and five (5) days respectively after the time of the importation of the goods.

A review of records however revealed that removals in bond with a total value of K1,718,885,826 remained uncleared as of August 2005. It was further observed that out of the figure of K1,718,884,826 an amount of K86,013,416 was owed by an agent, which has since stopped operating.

(c) Seizures

The Customs Act and Procedures provides that, where an Importer/ Agent fails to clear the duties due on goods imported under the removals in bond within 30days, such goods were to be seized, and if 90 days expire after the seizure, such goods are to be forfeited to the state and auctioned.

It was however observed that contrary to the provisions of the Act, various goods valued at K6,135,642,178 which were indicated as seized had neither been confiscated from the importers nor forfeited to State following the expiry of the 90 days after the seizure notices were issued by the Authorities.

(d) Outstanding Excise Duty

As of December 2004, a total amount of K 5,655,775,648 in excise duty was owed by eighteen (18) companies which were brewing opaque beer. In order to give some relief to the companies, Time To Pay agreements were entered into with the companies. The time to pay agreement ranged for periods from December 2003 to May 2004.

A review of records however revealed that despite the agreements, the companies still defaulted in payment and as of August 2005, only K1,511,313,960 had been paid. It was noted in this regard that no punitive action had been taken by the Authority to recover the balance of K4,144,461,688 .

(e) Bonded Warehouses

The Authority may allow any importer of dutiable goods, manufacturer of products liable to excise duty or other person who becomes the owner of any goods liable to excise or surtax, to warehouse the goods at any warehouse duly licensed under section 55 of the Customs and Excise Act, without payment of duty on first importation or completion of manufacture. Except with the permission of the Commissioner General, all goods entered into a bonded warehouse shall be cleared from the warehouse and entered for export or consumption within two (2) years of the date of first warehousing.

The Lusaka Port had thirty-eight (38) bonded warehouses under its management with penal sums/ guarantee amounts ranging from K25 million to K2.64 billion as of August 2005.

An examination of the records and system relating to bonded warehouses revealed the following:

- (i) Four (4) companies which had their licenses to operate bonded warehouses either withdrawn or not renewed by the Authority during 2004/05, had not settled outstanding duties totalling K1,929,157,757 in respect of their bonded warehouses as of August 2005.
- (ii) Four (4) agents who operated bonded warehouses had not paid duties on goods with a total value for duty purpose (VDP) amounting to K2,219,754,328 within the specified period of two years contrary to the requirements of the Act.

**Other Ports and Stations**

15. An examination of revenue records at Livingstone Port, Lusaka Airport, Chirundu, Kasumbalesa and Nakonde border posts revealed the following:

(a) Tax Revenue Profile

During the year 2004, a total gross revenue of K1,126,834,853,704 was collected by the five (5) stations visited as against a target of K935,601,834,000. The overall collections were K191,233,019,704 above the target as detailed below:

<b>Station</b>	<b>Gross Revenue K</b>	<b>Profile/ Target K</b>	<b>Variance K</b>
Chirundu	448,852,134,335	358,328,197,000	90,523,937,335
Lusaka Airport	125,623,350,741	116,643,614,000	8,979,736,741
Kasumbalesa	850,788,161	1,022,841,000	(172,052,839)
Nakonde	198,437,884,520	114,420,976,000	84,016,908,520
Livingstone port	353,070,695,947	345,186,206,000	7,884,489,947
	<b>1,126,834,853,704</b>	<b>935,601,834,000</b>	<b>191,233,019,704</b>

As can be noted from the above table, Kasumbalesa recorded a deficit of K172,052,839.

(b) Estreatals

Contrary to the Customs and Excise Act CAP 322, amounts totalling K1,562,000,592 deposited between January 2004 to May 2005 at the five (5) stations, were not estreated after the expiry of 60 days.

(c) Unremitted Interest

According to regulations issued by the ZRA treasury, Interest earned on all Customs Deposit accounts was to be transferred monthly from the deposit accounts to Cavmont Bank. The funds were later to be remitted to Government revenue account (Control 99). An examination of bank statements at the five stations revealed that an amount of K152,647,470 was earned as interest by three stations. However, the interest had not been remitted to control 99 as of September 2005 by Cavmont Bank.

Further, it is not clear as to why the money has to be transferred to Cavmont Bank instead of directly to control 99.

(d) Outstanding Removals in Bond (RIBs) and Removals in Transit (RITs)

A review of records at the five (5) stations revealed that contrary to the Customs and Excise Act and regulation 127 (2) of the customs and excise regulations, RIBs with a total value of K84,759,648,894 and RITs with a total value of K13,247,904,386 remained unacquitted and no duty had been paid as of August 2005.

(e) Goods Seized But Not Auctioned

Contrary to the provisions of the Customs and Excise Act, various goods with value for duty purposes amounting K5,189,407,498 seized as far back as January 2004 at the five stations were still kept in warehouses without being forfeited and subsequently auctioned. A physical inspection of the goods seized revealed that some goods had either expired or were damaged making it doubtful as to whether the ZRA will recover taxes due on them.

(f) Impounded Motor Vehicles

According to the provisions of the Customs and Excise Act 322, if ninety 90 days lapse after a motor vehicle is seized, the vehicle should be forfeited to the state / auctioned.

Contrary to the Act, twenty five (25) motor vehicles seized as far back as September 2003 had neither been forfeited to the State nor auctioned as of September 2005.

(g) Irregularities in the Management of Customs Bonded Warehouses

A review of the records and relating to the management of bonded warehouses revealed that:

- (i) Contrary to the Customs and Excise Act, as of September 2005, the Zambia Export Growers Association (ZEGA) which had a penal sum of up to K650million had open declarations amounting to K811,174,904, thereby exceeding the authorized limit by K161,174,904.
- (ii) Contrary to the Customs and Excise Act, ZEGA had not paid duties which had fallen due in respect of warehoused goods with a total value for duty purpose (VDP) amounting to K2,259,793,402 as of September 2005.

**HEAD: 206 Fees of Court or Office**  
**SUBHEAD: 15 Ministry of Home Affairs**  
**ACTIVITY: 054 Passport**

**Unaccounted for Revenue and Other Accounting Irregularities, Passport Office, Kabwe.**

16. In paragraph 17 of the Auditor General's Report for the year ended 31<sup>st</sup> December 2003, mention was made of weaknesses in accounting for revenue collections and the misappropriation of a total amount of K26,012,000 by the cashier/revenue collectors at the Passport Office in Kabwe.

A review of the situation in September, 2005 revealed that inspite of the Public Accounts Committee's recommendation, no remedial action had been taken to that effect and further weaknesses were observed as follows:

- (a) Revenue not brought to account in the General Revenue Cash Book and not banked.
- (b) A total of K64,148,000 of revenue collected between September 2004 and July 2005 was neither recorded in the General Revenue Cash Book nor banked contrary to the provisions of Financial Regulations No.116 and 117.
- (c) A scrutiny of Revenue Receipts for the period from September, 2004 to September, 2005 revealed that, out of K128,918,000 realised from the issuance of passports and travel documents, only K50,028,000 had been banked leaving a balance of K78,890,000 unaccounted for.
- (d) Register for Accountable Documents

Contrary to Financial Regulation No.90, the Office did not maintain a Register for Accountable Documents between 2002 and July, 2005. During the period under review, a number of receipts Books used to collect a total of K128, 918,000 above were not recorded in the Register for Accountable Documents

<b>HEAD:</b>	<b>206</b>	<b>Fees of Court or Office</b>
<b>SUBHEAD:</b>	<b>51</b>	<b>Ministry of Communications and Transport</b>
<b>ACTIVITY:</b>	<b>184</b>	<b>Road Traffic Collections</b>

### **Weaknesses and Irregularities in Accounting for Revenue**

17. In previous Auditor General's reports, mention had been made of a number of weaknesses and irregularities in accounting for revenue at the Road Traffic Commission (RTC). In particular, in 1998 and 1999 mention was made of misappropriation of revenue, delayed banking, failure to record revenue collections in cash books, failure to account for toll fees and failure by engaged agents to remit revenue collections to the RTC.

In an effort to improve operations at the RTC which included revenue collections, the Ministry of Transport and Communications in December 2001, signed a contract with a foreign company based in South Africa to computerise motor vehicle registration. The contract sum was K19.875 billion and was to run for two years.

A review of the operations at the RTC headquarters and selected stations outside Lusaka revealed that there were still weaknesses in accounting for revenue. In particular the following weaknesses were observed among others:

- Failure to bank moneys collected, delayed banking and lack of reconciliations.
- The collections were handed over to the accountant for banking without issuing covering receipts making it difficult to make follow-ups when there are shortages.
- There is no security of cash at the point of collection by the cashiers in that they are not provided with cash boxes. Further, despite the huge amounts collected, some stations had no security personnel.
- There was a weakness in the Procedure for collection of revenue from traffic offences in that Charge sheets used by traffic Police officers are mere papers without adequate details and serial numbers. Although a register for offences was maintained at the impounding yard, only vehicles that were paid for were reflected in the register.

As a result of the above weaknesses the following were observed:

- (a) Misappropriation Of Revenue

During the period from January 2003 to June 2005 a total amount of K13,114,895,208 was misappropriated by various officers at RTC headquarters, the Road Safety Agency, Lumumba road, Chirundu, Livingstone, and Ndola offices as detailed below in some of the cases:

(i) Lumumba Road Offices

- A total amount of K10,921,024,300 collected between August 2003 and April 2005, was misappropriated by four officers at Lumumba Road office through the use of a fake Bank of Zambia date stamp.
- A reconciliation of receipts and bankings for the period from July 2003 to June 2005 revealed that K416,149,250 was misappropriated by five officers at Lumumba Road office through under banking.
- In October 2004, the ZAMTIS computer system at the Lumumba road office failed. It was observed in this regard that where as the system was able to process receipts normally in kwacha, the total daily cash collections were reflected in dollars. As a result the total collections handed over to the accountant by the cashiers were not reconciled with the total collections in the system. Consequently, when the system was restored and a reconciliation done, the amount collected as per receipts generated by the system was K368,802,750 while the amount handed over by the cashiers was K263,648,300 resulting in a shortage of K105,154,450.

(ii) Head Office (Ridgeway)

- A total amount of K5,378,400, collected between March 2004 and July 2005, for various revenue types, although entered in the cash book was not



supported by bank deposit slips. In the absence of the deposit slips and bank reconciliation statements, it was not possible to establish whether the money was banked.

- Contrary to Financial Regulations No. 38, amounts totalling K18,750,760 (\$4,111) collected between November, 2004 and March, 2005 were delayed in banking for periods ranging from 10 to 80 days.
- One hundred (100) used receipt books could not be produced for audit scrutiny and therefore the total amounts collected could not be verified. It could also not be ascertained whether the collections were brought to account in the government control account 99.

(iii) Road Safety Council

- Revenue collections totalling K103,825,400 for the period from June to September, 2004 were not accounted for.
- There were under bankings of revenue collections totalling K2,848,800 during the period from November 2004 to March 2005.
- Contrary to the provisions of Financial Regulations No.38, there were delays ranging from two (2) to eleven (11) days in banking revenues amounting to K15,006,000 collected during the period from December 2004 to June, 2005.

(c) Motor Vehicle Registration

An examination of records relating to the registration and licensing of motor vehicles at Lumumba Road offices revealed that three hundred and five (305)

motor Vehicles registered during the period from January 2004 to June 2005 were registered without any supporting documents.

(d) Test Certificates

Test certificates are documents issued by the Road Safety Council to certify that a learner driver has passed the driving test. Records examined at the Road Safety Council pertaining to issuance of the test certificates revealed that thirty-eight general (38) receipt books and thirty seven (37) motor vehicle pass test certificates issued and used during the period from January 2004 to June 2005 were not be produced for audit scrutiny and therefore total amounts collected and brought to account could not be determined.

(e) Security Paper

In December 2002 when the ZAMTIS system was introduced, the use of white books and General receipt book (accounts form 40) was abolished. Instead the use of a pre numbered security paper which is stocked by the Ministry of Finance and National Planning was introduced. The pre numbered Security paper is an accountable document, and is collected from the Ministry of Finance and National Planning by the stores officer based at RTC headquarters. Upon collection, the security paper is serially entered in the register of accountable documents (account form 103) before being issued to user stations.

It was however noted during the audit at Lumumba road that there was a weakness in the manner the security paper was being handled in that the paper was issued to users without being signed for and no follow up was made on how the paper had been used.

**Provincial and District Offices**

18. Visits to selected RTC stations in Southern, Copperbelt and Northern provinces in August and September 2005 revealed the following:

Chirundu

- (a) An amount of US\$355 (K1,598,840) collected during the period March to August 2005 was not accounted for.
- (b) There were two (2) toll fee receipt books found at Chirundu RTC office in September 2005 bearing the same serial numbers (200501-200550). A total amount of US\$17,023 (K79,497,410) was collected using the first receipt book while US\$2,245 (K10,484,150) was collected using the second book. However, the cashbook for the same period could not be produced and there was no evidence that the money had been banked.
- (c) In another related case Drug Enforcement Commission (DEC) in 2005 found five (5) receipt books at Chirundu office whose serial numbers were duplicated as shown below:

<b>1st Set</b>	<b>Amount US\$</b>	<b>2nd Set</b>	<b>AMOUNT US\$</b>
235801-235850	5,170	200501-200550	1,298
241951-242000	5,359	241951-242000	10,636
236901-236950	3,515	236901-236950	15,066
211651-211700	1,267	211651-211700	3,163
213951-214000	8,757	213951-214000	5,117
	<b><u>24,068</u></b>		<b><u>35,280</u></b>

There was no evidence that the amounts totalling US\$24,068 (K112,397,560) and US\$35,280 (K164,757,600) collected during the period January to November 2004 using the above stated receipt books had been banked.

- (d) Collections totalling US\$120,242 (K561,611,480) made during the period from January 2004 to August 2005 though receipted and shown as deposited were not credited to the RTC's bank account maintained at Finance Bank Chirundu Branch.

- (e) According to existing procedures, all trucks passing through the border at Chirundu are registered by Zambia Revenue Authority. Trucks weighing four (4) tonnes and above are required to pay toll fees based on their destination.

Information obtained from ZRA in Chirundu revealed that during the period between January and June 2005, 8,924 trucks destined for various destinations passed through the border. Based on the prevailing rates, a total amount of US\$748,680 was to be collected. Records at RTC however revealed that US\$519,651 was actually collected leading to an adverse variance of US\$229,029 which was not explained.

- (f) One hundred and thirty eight (138) Entry Fee Receipt Books and 21 General Revenue Cashbooks sent to RTC Chirundu were neither entered in the register of accountable documents nor produced for audit scrutiny.
- (g) Forty-one (41) Entry Fee Receipt Books though entered in the register of accountable documents were not produced for audit verification.
- (h) Twenty-six (26) General Receipt Books though produced for audit verification were not entered in the register of accountable documents, contrary to Financial Regulation No.90.

### **Kasumbalesa**

There were delays of up to thirteen (13) days and seven (7) months in banking revenues totalling US\$18,339 and K 3,780,000 respectively collected during the period February to July 2005.

### **Kitwe**

- (a) There were delays of up to eleven (11) days in banking revenue amounting to K117,891,800 collected during the period September 2004 to August 2005 contrary to Financial Regulation No. 38.
- (b) When the ZAMTIS computer system at the Lumumba road office failed, in October 2004, the Kitwe office was also affected. In this regard, a total amount of K5,345,300 was not accounted for by the cashiers.

### **Livingstone**

- (a) A cash count conducted at the cashier's office in September 2005 revealed a cash shortage of US \$ 226 (K949,200).
- (b) Four (4) unused General Revenue Cashbooks although entered in the register of accountable documents were not produced for audit verification.
- (c) Out of the total revenue collections made during the period February and June 2005, amounts totalling US\$237 (K1,090,200 toll fees) and K7,372,658 (other revenues) were not accounted for.
- (d) A review of an internal audit report dated 13<sup>th</sup> August 2004 on the audit of Kazungula and Victoria Falls border posts revealed that four (4) revenue collectors at the border posts misappropriated revenue amounting to US\$142,766 (K628,170,400) in April and May 2004.  
Although the case was reported to the police and the officers suspended, the money had not been recovered and no loss report had been processed as of September 2005.
- (e) There were delays of up to ninety seven (97) days in banking revenue amounting to K98,802,000 collected during the period March 2004 to July 2005 contrary to Financial Regulations No. 38.

## **Nakonde**

- (a) There were delays of up to ten (10) days in banking revenue amounting to US\$111,461 (K517,061,392) collected during the period December 2004 to August 2005 contrary to Financial Regulations No. 38.
- (b) In June 2005 an amount of \$ 5,735 (K26,604,347) was stolen at the RTC office in Nakonde. Although the theft was reported to the police and the suspect arrested, the money had not been recovered and no loss report had been processed as of July 2005.
- (c) Revenue collections totalling K130,753,900 made during the period from December 2003 to August 2005 and deposited into Finance bank kwacha transit account had not been remitted to the Bank of Zambia as of September 2005.

## **Ndola**

- (a) A cash count carried out at the cashier's office on 2<sup>nd</sup> September 2005 revealed a cash shortage of K1,304,350.
- (b) Revenue collections totalling K 438,687,100 made during the period March 2004 to July 2005 were misappropriated by the cashiers. As of September 2005, no action had been taken against the culprits.
- (c) Seventy (70) white books received from Head Office between January 2004 and June 2005 were not presented for audit verification despite being recorded in the register of accountable documents.

<b>HEAD:</b>	<b>206</b>	<b>Fees of Court or Office</b>
<b>SUBHEAD:</b>	<b>51</b>	<b>Ministry of Communications and Transport</b>
<b>ACTIVITIES:</b>	<b>180</b>	<b>Air Service Permit Fees</b>

**181 Aviation & Landing Charges**

**185 Civil Aviation**

**Weakness and Irregularities in Accounting for Revenue**

19. During the financial years 2000 to 2004, provisions totalling K2,019,578,942 were made in the Estimates of Revenue and Expenditure for the revenue collections under Air Service Permit Fees, Aviation & Landing Charges and Civil Aviation and K12,968,754,583 was collected as detailed below:

HEAD	2000 - 2004		
	APPROVED	ACTUAL	VARIANCE
	BUDGET	COLLECTIONS	
K	K	K	
180	520,749,673	310,735,625	(210,014,048)
181	814,829,349	1,609,512,892	794,683,543
182	528,293,920	1,107,385,470	579,091,550
183	10,000,000	407,624,536	397,624,536
185	70,000,000	9,326,552,526	9,256,552,526
186	75,706,000	206,943,534	131,237,534
	<b>2,019,578,942</b>	<b>12,968,754,583</b>	<b>10,949,175,641</b>

An examination of records maintained at the Ministry Headquarters, Department of Civil Aviation and Lusaka International Airport carried out in October 2005, in respect of Air Service Permit, Aviation and Landing Fees and Civil Aviation fees collected during the period from January 2000 to December 2004 revealed the following:

(a) Ministry Headquarters

During the period under review, four hundred and fifteen (415) Air Service Permits were issued by the Ministry for both unscheduled and scheduled flights for which a total amount of K546,404,980 was receivable.

A scrutiny of the bank deposit slips and the Control 99 Bank Statements for the period revealed that only K81,326,604 was credited to Control 99 leaving a balance of K465,078,376 not accounted for. Included in the balance not account for was an amount of K63,464,497 which though supported by deposit slips, was not reflected on the bank statement.

During the period May 2001 to September 2004, out of K118,708,628 collected at the Lusaka International Airport in respect of Temporal Air Service Permits and handed over to the cashier at the Ministry headquarters for banking, only K27,666,330 was banked leaving a balance of K88,459,848.

(b) Department of Civil Aviation

(i) There were fifteen (15) general receipt books issued to the department by the Ministry during the period January 2002 to May 2004 which were not produced for audit scrutiny.

It was therefore not possible to establish the total amounts collected using the receipt books and whether the collections were accounted for.

(ii) Revenue collections totalling K27,741,805; K97,367,904 (US\$23,216) and K5,075,151 (SAR7,409) made during the period January 2004 to December 2004 though supported by bank deposit slips were not reflected on the Control 99 bank statement.

(iii) Revenue collections totaling K1,529,000 and K5,976,450 (US\$1,425) made during the period November 2001 to July 2002 were not banked.



(iv) There were delays ranging from 4 to 41 days in banking revenue totaling K27,897,950 collected during the period October 2000 to October 2003 contrary to Financial Regulation 117.

(v) In 2003, the department published 500 Aeronautical Information Publication (AIPs) booklets which were to be sold at US\$150 each. A review of stock records in 2005 revealed that 146 copies were sold between 2003 and 2004 leaving a balance of 354. However, only 340 booklets were found on hand while 14 copies valued at K8,807,400 (US\$2100) were not accounted for.

(vi) In 2003, the department opened a third party account with a local commercial bank into which sale proceeds from AIPs were to be banked. Out of a total amount of K56,634,500 collected during the period December 2003 to December 2004, only K33,789,600 was banked leaving a balance of K22,844,900 unaccounted for. Further, although enquiries were made, no authority for opening the account was produced as of October 2005.

(c) Lusaka International Airport

According to existing arrangements, revenue from Temporal Air Service Permits (TASP) are collected by National Airports Corporation officials on behalf of the Department of Civil Aviation and handed over to the cashiers at the Ministry headquarters for banking.

An examination of revenue records at the Lusaka International Airport revealed that Revenue totalling K118,708,628 ( US\$ 25,812 and ZAR 15,260) was collected and handed over to the cashier during the period May 2001 to September 2004 for banking.

However, a scrutiny of records at the Ministry headquarters and the bank statements for Control 99 held at the Ministry of Finance revealed that only an amount of

K27,666,330 was banked leaving an amount of K88,459,848 ( US\$21,092) unaccounted for.

**HEAD:                    206        Fees of Courts or Office**

**SUBHEADS:            75         Ministry of Lands**

**ACTIVITIES:         Various**

### **Weaknesses and Irregularities In Accounting For Revenue**

- 20.** In paragraph 20 of the Auditor General's Report on the accounts for the financial year ended 31<sup>st</sup> December, 2002, mention was made of the failure to collect revenue from ground rent amounting to K105,105,057,255 which had been outstanding as of November 2003.

In their Report for the third session of the ninth National Assembly, the Public Accounts Committee called upon the Secretary to the Treasury to facilitate the completion of the installation of the computer system in order to make operation of the Ministry more efficient.

A review of the situation in November 2005, showed that there was no improvement as the Ministry was owed a total amount K119,139,846,713 in uncollected ground rent as of 30<sup>th</sup> September 2005

A further review of revenue records pertaining to the years 2003 and 2004 revealed the following:

(a) Under Collections

There was an under collection of K786,909,064 in 2003 and K5,018,470 in 2004 as shown below:

<u>Year</u>	<u>Budget K</u>	<u>Actual K</u>	<u>Variance K</u>
2003	4,192,999,994	3,406,090,930	(786,909,064)
2004	3,857,314,477	3,852,296,007	(5,018,470)

(b) Accountable Documents

There were weaknesses in the control over the use and custody of accountable documents as detailed below:

- (i) Contrary to Financial Regulation No. 90, six (6) General Receipt Books issued to Maps Sales Section during the period under review were not recorded in the register of accountable documents.
- (ii) A total of forty four (44) General Receipt Books issued from the Ministry of Finance and National Planning (MoFNP) to accounts department at Ministry of Lands between August, 2003 and December 2004 could not be produced for audit verifications and therefore the collections made, there in could equally not be verified.
- (iii) Six (6) General Receipt Books issued to Maps Sales Section during the same period were not presented for audit verification. It was also discovered that a General Receipt Book issued to Mansa Lands Office and signed for by a Ministry of Lands officer from Mansa was being used at the Maps Sales Section at headquarters.

(iv) There were delays ranging from 4 to 32 days in banking revenue amounting to K1,721,823,242 during the period September 2003 to September 2004 contrary to Financial Regulation 117.

(v) Contrary to The Lands Act No.29, Article 14 sub section 2, which states that overdue amounts on ground rent shall attract a penalty of 25%, a total of K1,988,205,294 due for settlement in 2004 for various properties in Livingstone did not attract the penalty despite being unsettled by the due date. Consequently, revenue totalling K497,051,323 in penalty charges was lost during the period.

## **EXPENDITURES**

<b>HEAD:</b>	<b>05/01</b>	<b>Electoral Commission</b>
<b>UNITS:</b>	<b>Various</b>	
<b>PROGRAMMES:</b>	<b>Various</b>	
<b>ACTIVITIES:</b>	<b>Various</b>	

### **Accounting and Other Irregularities**

21. The Electoral Commission of Zambia was established by Article 76 of the Constitution of Zambia and Electoral Commission Act No: 24 of 1996. The functions of the Commission are the supervision of the registration of voters and review of voters' registers, conducting presidential and parliamentary elections and the delimitation of constituencies. Other statutory functions include supervision of referenda, conducting and supervising local government elections, formulating and reviewing electoral regulations.

In their report for the first session of the ninth National Assembly, the Public Accounts Committee (PAC) recommended that although the Commission was independent it should follow Financial Regulations as is the case with any grant aided institution. The

PAC advised against the implementation of conditions of service for members of the commission before they are approved by the President. The Committee also held that the drawing of advances by commissioners was irregular and should attract punitive measures against all those involved.

In a recent audit carried out on the accounts for the financial years ended 31<sup>st</sup> December 2002 and 2003, it was observed that the conditions of service for members of the Commission have continued to be implemented without the approval of the President, contrary to the recommendations of PAC and section (7) of the Electoral Commission Act No. 24 of 1996.

In this regard, a total amount of K1,269,598,116 was incurred in respect of personnel emoluments for the members of the Commission during the period under review.

The following further weaknesses were observed:

(a) Poor Record Keeping - Investment Accounts

It was observed during the audit that the Commission had four (4) investment accounts with four commercial banks. However, the Commission could not ascertain the balances held in these accounts. Enquiries made with the commercial banks revealed that the commission had a total amount of K102,042,941 in two (2) accounts as at 31<sup>st</sup> December 2003 while the balances in the other two accounts could not be established as the banks did not respond.

It was therefore not possible to ascertain the total amount held as investments.

(b) Non-remittance of Pay As You Earn (PAYE)

Contrary to the Income Tax Act Cap 323 of the Laws of Zambia, the Commission had not remitted money deducted for the purpose of PAYE to the Zambia Revenue Authority (ZRA) for the period between May 2002 and December 2003 in amounts

totalling K1,111,453,793. These amounts were still outstanding as of November 2005.

(c) Stores

There were no receipt and disposal details in respect of assorted stores items costing K3,365,525,166 ordered and paid for between September 2004 and July 2005 contrary to Public Stores Regulation No16.

<b>HEAD:</b>	<b>08/01</b>	<b>Cabinet Office - Office of the President Headquarters</b>
<b>UNIT:</b>	<b>01</b>	<b>Human Resources and Administration</b>
<b>PROGRAMMES:</b>	<b>Various</b>	
<b>ACTIVITIES:</b>	<b>Various</b>	

**Misappropriation of Funds and Failure to Retire Special Imprests**

22. Total provisions of K75,496,361,050 and K28,874,610,155 were made in the Estimates of Revenue and Expenditure for year 2003 and year 2004 respectively for various activities under Cabinet Office. Out of the total provisions, K65,382,102,974 and K30,285,352,750 were released by the Ministry of Finance and National Planning in 2003 and 2004, respectively.

An examination of records for the financial years 2003 and 2004 revealed the following:

(a) Misappropriation of Funds

In May 2004, an amount of K322,534,864 (US\$66,290) was paid to an Accountant at Cabinet Office, who was the imprest holder for a Presidential trip to Malawi which was later cancelled. However, it was noted from records made

available that the Accountant misappropriated the money and the matter was before the courts of law.

(b) Unvouched Expenditure

During the period January 2003 to December 2004 there were eighteen (18) payment vouchers in amounts totaling K3,023,286,970 which were missing and seven (7) payments amounting to K244,477,000 which were not supported by relevant documents.

(c) Purchase of Goods

There were no receipt and disposal details for stores items costing K260,494,454 purchased between January 2003 and December 2004 contrary to Public Stores Regulation No. 16 making it no possible to establish how the items were accounted for.

(d) Independence Celebrations

A review of the expenditure records relating to independence celebrations for 2003 and 2004 revealed that:

(i) Although a total amount of K772, 985,000 was disbursed to the provinces in September 2003, for independence celebrations no expenditure returns were submitted to Cabinet Office as of March 2005 to account for the money.

(ii) An amount of K65, 800,000 was paid in October, 2003 to an officer for payment of allowances to officers who were involved in the preparations for the 39<sup>th</sup> Independence Anniversary. It was noted however that the payees did not sign for the money making it not possible to ascertain whether the amounts were paid to the rightful payees.

(iii) There were no receipt and disposal details in respect of assorted stores items worth K63,652,975 purchased in 2003 for independence celebrations had no receipt and disposal details contrary to Public Stores Regulation No. 16.

<b>HEAD:</b>	<b>08/01</b>	<b>Cabinet Office</b>
<b>UNIT:</b>	<b>01</b>	<b>Human Resources and Administration</b>
<b>PROGRAMMES:</b>	<b>Various</b>	
<b>ACTIVITIES:</b>	<b>Various</b>	

### **Review of the Operations of the Task Force on Corruption**

23. In July 2002, government set up the Task Force on Corruption (TFC) in accordance with Part IV, Article 61 of the Constitution. The specific terms of reference for the TFC were:

- (a) To collect, evaluate, process and investigate all suspected criminal conduct relating to serious mismanagement of public resources including acts of corruption theft, abuse of office and money laundering committed by public officials during the ten years from 1992;
- (b) To order and facilitate forensic audit of accounts of suspected persons, body or persons and departments of government upon receipt by the TFC of information on suspicious transactions relating to the period under review;
- (c) To prosecute all persons reasonably suspected of having committed offences relating to serious mismanagement of public resources including corruption, abuse of office, theft and money laundering;
- (d) To initiate and facilitate forfeiture proceedings within and outside Zambia in respect of any property reasonably suspected by the TFC to have been directly or indirectly acquired through illegal acts or transactions in respect of public resources;



- (e) To liaise with other authorities outside Zambia on matters relevant to the gathering of intelligence information, investigation and prosecution of suspected persons;
- (f) To make recommendations to the President and other relevant authorities on measures required to prevent future acts of corruption and mismanagement of public resources; and
- (g) To carry out any other duties as may be assigned to the TFC by competent authorities from time to time.

The TFC commenced operations in July 2002.

At the time of inception in July 2002, the management structure comprised heads of the following security and other wings of government:

- (a) Anti-Corruption Commission (ACC);
- (b) Office of the President- Special Division (OP-SD);
- (c) Zambia Police Service (ZP);
- (d) Drug Enforcement Commission (DEC); and
- (e) Director of Public Prosecutions (DPP).

The chairmanship of the TFC revolved around the Five Heads until January 2003 when government created the Office of Executive Chairman in accordance with the provisions of Part IV, Article 61 of the Constitution of Zambia and an executive chairman appointed.

The terms of reference for the Executive Chairman were to co-ordinate the operations of the joint effort of the ZP, ACC, DEC and the Zambia Intelligence Security Services (ZISS) and to investigate and present to the DPP, acts of plunder of the national resources during the period 1992 to 2002.

An examination of records maintained at Cabinet Office and TFC carried out in May 2005 revealed the following:

(a) Budgetary Provision and Funding

There were no specific budgetary provisions for the TFC during the financial years 2002 to 2004. However, during the period 2002 to March 2003 TFC was being funded through the Ministry of Home Affairs and thereafter it was being funded through Cabinet Office.

In 2005, a budget line was introduced for the TFC under Cabinet Office and a provision of K4,553,571,366 was made.

During the period 2002 to 2005, TFC also received funding from Cooperating Partners though this was not reflected in the budgetary provisions. In this regard, the TFC received funding totalling K29,379,908,157 as detailed below:

<b>Source</b>	<b>Amount</b>
	<b>K</b>
Co-operating Partners	19,494,148,872
GRZ	9,852,718,384
Bank Interest	33,040,901
<b>Total</b>	<b><u>29,379,908,157</u></b>

Out of the funding of K29,379,908,157, the TFC spent K28,404,375,990 on its operations from its inception to 31 May 2005.

(b) Bank Accounts

The TFC maintained three bank accounts; two with a local commercial bank and one with a commercial bank based in the United Kingdom (UK).

The account in the UK was used to deposit donations from International Cooperating Partners for the TFC activities. On instructions from the TFC management, the money was released to the TFC operations account maintained at the local bank.

(c) Unconstitutional Expenditure

Although TFC spent a total amount of K7,664,033,829 for the years 2002 to 2004 from government subventions, Parliamentary approval was only given for K7,000,000,000 in the 2005 Budget leaving a balance of K664,033,829. The amount spent without Parliamentary approval was unconstitutional expenditure.

(d) Weaknesses in Internal Controls and Poor Record Keeping

In its report dated 1<sup>st</sup> October 2004, an international accounting and auditing firm engaged by TFC to audit its books expressed concern over the poor state of accounting records. Some of the issues raised in their management letter were as follows:

- (i) The Accounting System of the TFC did not function properly and the accounts were not balanced;
- (ii) There were inadequate supporting documents in respect of expenditure amounting to US\$302,729;
- (iii) There were ineffective controls over cash advances given to employees;

- (iv) Forfeited assets were open to abuse; and key service providers were not clearly bound by contracts with defined prices and deliverables.

It was noted during the audit carried out at TFC in October 2005 that despite the concerns raised by the accounting and auditing firm, internal control weaknesses persisted and the books of account were not properly maintained.

In particular, the following were observed:

- (i) There were twenty four (24) payment vouchers in amounts totalling K496,308,907 that were not produced for audit verification.
- (ii) Imprests totalling K193,038,015 involving ten (10) transactions issued during the period May to October 2003 had not been retired as of October 2005.
- (iii) General ledgers were not maintained and cashbooks were incomplete and as a consequence, payments totalling K109,072,934 were not entered in the cashbook.
- (iv) Goods Received Notes were not raised in respect of stores items costing K399,525,477 purchased during the period
- (v) A total amount of US\$369,822 was paid to an international law firm apparently for legal fees. It was however, not possible to ascertain what the firm was engaged to do because TFC management failed to produce the contract document for audit scrutiny.
- (vi) No motor vehicle registers, history books, log books were maintained. It was therefore, not possible to verify the actual number of motor vehicles owned by the TFC.

(e) Engagement of Consultants

- (i) Prior to the formation of TFC, MoFNP engaged an international accounting and auditing firm to investigate callable guarantees and other payments. When TFC was formed, it also commenced investigations similar to those MoFNP was doing and in this regard engaged a local consulting firm to do the work. It was noted however that, an individual, who was profiled as a consultant on the local consulting firm's team, was an ex-employee of the international accounting and auditing firm which was engaged by MoFNP.

A scrutiny of three bills rendered by the local consulting firm revealed that although time sheets were attached to two of these bills, the time sheets were a mere summary of total days billed and did not indicate activities on which time was actually spent by the consulting firm's staff. Further, scrutiny of two of these bills 03/2003 and 04/2003 for the periods 14 November 2002 to 31 December 2002 and January 2003 rendered by the consulting firm on 12 February 2003, revealed that billings attributable to the said individual's work totaled US\$15,120.

Since this work had already been paid for under the earlier contract between the international accounting and auditing firm and MoFNP, this US\$15,120 expenditure was, therefore, avoidable.

- (ii) In August 2003, TFC employed an individual as its Director Operations, Finance & Administration. An examination of records at TFC and enquiries made at a local consulting firm which was doing some work for TFC revealed that the individual was at one time employed at the said local consulting firm before joining the TFC, thereby causing a conflict of interest as the consulting firm was doing work for TFC.

(f) Non Adherence to Tender Procedures

- (i) In May 2003, government signed a consultancy agreement with a foreign company based in Europe, under which the company was to provide forensic services to the TFC. The agreement was to last for a minimum of four calendar months and thereafter, it was to continue under the same terms and conditions unless either party terminated it by mutual agreement or by giving a month's notice.

Under the agreement, the company was to be paid a monthly fee of US\$90,000. It was however observed that effective December 2003, the monthly fee was revised to US\$150,000 without recourse to the Zambia National Tender Board (ZNTB). As of November 2005, a total amount of US\$2,405,000 had been paid to the company

- (ii) In April 2004, TFC engaged the services of a foreign law firm to represent it in a court case in the UK. The agreement provided that the Firm's fees for legal services rendered would be based on the UK ruling hourly rates for attorneys, paralegal and non-legal professionals and staff assigned by the firm to TFC matters. Such fees ranged from £350 to £450 per hour for Partners and from £150 to £250 per hour for assistant solicitors. In addition, certain costs and expenses incurred by the firm on behalf of the TFC were to be billed to the TFC and included in the monthly bills.

However, it was observed that the firm was engaged without recourse to the Attorney General and approval of the ZNTB. As of October 2005, the Firm had been paid a total amount of US\$1,575,096.

- (iii) In 2002, government engaged a local firm as public prosecutor to prosecute all cases of suspected plunder of national resources where prima facie cases were established and advised by the Director of Public Prosecutions.

A scrutiny of the contract documents signed and inquiries made revealed that the parties to the contract did not indicate the date of signing of the contract. It was also noted that, contrary to government procedures which mandated the Attorney General to negotiate and provide legal advice regarding contracts, on behalf of government, the Director of Public Prosecutions negotiated and signed this contract, whose contract value was not capped, on behalf of government.

It was noted that because of unfavourable terms in the agreement and the fact that the DPP negotiated and signed the contract on behalf of government, the mandate of which the DPP did not have, the Minister of Justice and Attorney General cancelled the contract in May 2003 and prepared a new agreement.

However, at the time of cancelling the contract, the consultant was claiming a total amount of US\$239,020 which was subsequently paid.

(g) Recoveries Account

Government opened three bank accounts at the Bank of Zambia, namely; the Kwacha, Dollar and Pounds Sterling accounts into which all recoveries from suspected plundered cash were to be deposited. According to the accounting instructions, Financial Regulations No.109, government revenue cannot be utilized for any purpose whatsoever without Parliamentary approval. As of August 2005, the accounts had the following balances; Kwacha account – K525,259,730, Pound Sterling account - £0.00 and Dollar account – US\$1,082,971.

However, it was observed that contrary to the Financial Regulation above, in July 2004, a total amount of US\$763,560 was paid out of the Dollar account to meet fees for various consultants.

(h) Forfeited Motor Vehicles

A review of records at the TFC revealed that twenty (20) motor vehicles valued at K1,190,500,000, were recovered, gazetted and forfeited to the government.

A physical inspection of the motor vehicles carried out in September 2005 revealed the following:

- (i) There were seven (7) seized motor vehicles that were being used by TFC in their operations.
- (ii) Of the seven vehicles, one, a BMW 320i was involved in a road traffic accident and was damaged beyond repair. However, no police and loss reports had been processed.
- (iii) Another vehicle, a Toyota Camry had its engine dismantled and placed in the boot.
- (iv) The motor vehicles have been subjected to unfavourable weather conditions for prolonged periods resulting in accelerated wear and tear.

(i) Forfeited Aircraft

The aircraft valued at US\$800,000 is located at the Lusaka International Airport. . However, at the time of audit it was not possible to ascertain as to whether it was air worthy.

(j) Forfeited Real Estates

During the period July 2002 to May 2005, the TFC had repossessed and advertised in the government gazette a total of thirty six (36) properties throughout the country. The properties included twenty three (23) properties which had been



valued at K18,770,000,000 and for which the forfeiture process had been concluded and thirteen (13) properties which had not been valued but for which forfeiture was still in process. Of the twenty three (23) properties forfeited, sixteen (16) properties valued at K16,270,000,000 had titles transferred to the State while ownership process had not been completed in respect of seven (7) properties valued at K2,500,000,000.

<b>HEAD:</b>	<b>17/01</b>	<b>Ministry of Foreign Affairs Headquarters</b>
<b>UNIT:</b>	<b>01</b>	<b>Human Resources and Administration</b>
<b>PROGRAMMES:</b>	<b>Various</b>	
<b>ACTIVITY:</b>	<b>Various</b>	

#### **Weaknesses in Procurement of Goods and Services and Other Irregularities**

24. An examination of financial, accounting and stores records at Ministry headquarters revealed that:

(a) Installation of Local Area Network and Internet Services

In October 2001, the Ministry made an advance payment of US\$10,000 (K38,000,000) which was 50.6 percent of the quoted price of US\$19,723 (K74,946,450) to a local supplier for the installation of a Local Area Network (LAN) and internet services at the Ministry.

According to correspondence made available, the payment was in respect of an agreement entered into between the Ministry, ZAMNET and UNZA Computer Centre in 2001. The terms of the agreement could not be ascertained as the contract was not made available for audit scrutiny.

However, as of May, 2005, no work had been done by the supplier at the Ministry and no refund had been received.

(b) Repair of Motor Vehicles

There were five (5) Motor vehicles which had been parked at various garages for periods ranging from one( 1 ) to two( 2 ) years. Out of the five (5) vehicles, two (2) were repaired at a total cost of K39 million but had not been collected while the other three (3) were not repaired as of May 2005.

(c) Unretired Imprest

Contrary to Financial Regulation No.186, imprests in amounts totaling K357,067,970 involving twenty three (23) transactions during the years 2003 and 2004 had not been retired as of June 2005.

(d) Failure to Maintain Stores Records

There were no receipt and disposal details in respect of stores items costing K127,084,703 ordered and paid for during the period contrary to Public Stores Regulation No. 16.

<b>HEAD:</b>	<b>17/27</b>	<b>Ministry of Foreign Affairs Mission Abroad – Brussels</b>
<b>UNIT:</b>	<b>02</b>	<b>Administration</b>
<b>PROGRAMMES:</b>	<b>Various</b>	
<b>ACTIVITIES:</b>	<b>Various</b>	

## **25. Accounting and Other Irregularities**

### **(a) Revenue Collections**

A review of records revealed that a total amount of K617,641,231 collected as visa fees in 2003 and 2004 was not credited to Control 99, and out of the total amount collected, K377,293,198 was used by the Mission without Parliamentary approval. The balance of K280,347,312 was held in a non interest earning account with a commercial bank in Brussels.

### **(b) Personal Emoluments**

Between September 1997 and July 2003, amounts totalling BF430,660 and K548,336,205 (€91,351) were paid to six (6) officers as advances against overseas allowances. It was however, observed that the amounts had not been recovered as of June 2005. The officers have since been recalled.

### **(c) Disposal of Unserviceable Stores.**

There were several unserviceable stores at the Mission which included, among others, three (3) motor vehicles, office machinery, cutlery, furniture and fittings. Although a Board of Survey was constituted in June 2003 and recommendations made for the disposal of the unserviceable stores, these had not been disposed off as June 2005.

(d) Failure To Settle School Fees

During the period under review, three (3) officers failed to settle school fees totalling K605,774,318 (€100,920) for their children who were attending school at one of the international schools in Brussels, despite being paid education allowances. The officers have since been recalled and the amounts remain unsettled.

<b>HEAD:</b>	<b>17/31</b>	<b>Ministry of Foreign Affairs Missions Abroad – Berlin</b>
<b>UNIT:</b>	<b>02</b>	<b>Administration</b>
<b>PROGRAMMES:</b>	<b>Various</b>	
<b>ACTIVITIES:</b>	<b>Various</b>	

**Irregularities In Procurement Of Goods And Services And Other Accounting  
Irregularities**

26. During the financial years ended 31<sup>st</sup> December 2003 and 2004, total provisions of K6,047,685,358 and K6,761,327,895 were made in the Estimates of Revenue and Expenditure for 2003 and 2004 respectively. Out of the total authorised provisions, K4,283,066,116 was released for 2003 and K4,755,587,309 for 2004.

An examination of accounting and other pertinent records revealed the following:

(a) Overpayment of Overseas Allowances

According to the regulations, diplomatic staffs are supposed to be paid their Foreign Service Allowances in the local currency which is equivalent to the United State Dollar at a prevailing bank rate.

A scrutiny of records during the period under review revealed that the foreign currency exchange rate used to convert dollars to euro when paying allowances was higher than the bank rate used to convert remitted funds from headquarters. In this regard, embassy staff were overpaid by amounts totalling K202,501,015 (€33,736) and K158,616,131 (€23,671) for the years 2003 and 2004 respectively and no recoveries had been effected as of June 2005.

(b) Personal Advances

A total amount of K468,168,547 (€77,995) was paid as personal advances to the former Ambassador during the period March 2002 to November 2003. The former ambassador was recalled from the Mission in November 2003 and subsequently retired from the Civil Service. It was noted however that, the advances had not been recovered as June 2005.

(c) Purchase of Representation and Utility Vehicles

According to the Tender Regulations, a Head of Mission abroad is allowed to procure services, goods and works to a value limit of K5,000,000 equivalent or less. Any procurements over and above K5,000,000 must be approved by the Permanent Secretary, Ministry of Foreign Affairs.

It was observed however that contrary to the regulations, in August 2004, the Mission purchased a Mercedes Benz type S 320 CDI Saloon long from Daimler Chrysler at a purchase price of K403,530,000 (€67,255) and a Ford Galaxy costing K180,119,839 (€30,020) from a car Dealer.

The Mission did not follow laid down regulations in the procurement of the two vehicles.

(d) Property Management

(i) Chancery: 13158 Berlin, Strasse Vor schonholz 23.

In July 1999, the Mission entered into an agreement for the purchase of a four (4) storey building for use as the Zambian chancery in Berlin at a contract price of K20,425,234,596 (DM7,350,000) which was paid in January 2000.

A review of records at the Mission revealed that although the Ministry of Works and Supply in their report of March 1999 stated that the building was structurally sound and suitable for use as a chancery, and was offered on a turn key basis, the Mission however, engaged a contractor at a cost of K7,765,340,074 (€1,293,680) to renovate the chancery in July 1999. Another contract was entered into with the same contractor in August 2001, at an additional contract amount of K3,363,091,906 (€560,280) bringing the total contract sum to K11,128,431,979 (€1,853,960). The works included a new construction/extension building with linking structure.

As of February 2005, the contractor had been paid a total amount of K12,420,304,501 (€1,930,123) comprising renovation works K8,735,592,611 (€1,337,378), penalties K535,601,096 (€81,998) and water damage & rent of containers K597,588,637 (€91,488). The total payment was K497,484,898 (€79,163) in excess of the contract sum.

A physical inspection of the chancery conducted in June 2005 revealed that the works had not been completed and the building was not in use. The Mission is currently operating from a rented property.

(ii) Ambassador's Residence: 33/35 Majakowekiring, 13156 Berlin, Pankow.

In February 2000, the Mission acquired a property for use as the ambassador's residence at a total cost of K10,421,038,059 (€1,736,111).

A review of a report dated August 1999 by Ministry of Works and Supply revealed that at the time of acquisition, the building required minor renovations such as painting. However, in August 2001, the Mission engaged a contractor to carry out works which included reconstruction of the garage, redevelopment of the yard and repairing the swimming pool at a contract sum of K2,889,937,264 (€385,288). In this regard, the contractor was paid a total amount of K1,013,416,976 (€168,832) between February 2001 and July 2003.

It is not clear as to why the Mission engaged the contractor to undertake construction works instead of minor works as recommended by Ministry of Works and Supply.

### (iii) Engagement of Consultants

In July 2004, the Mission engaged two consultants and paid them a total sum of K33,049,491 (€5,060) for attending meetings on the renovation works of the chancery without the authority of the Permanent Secretary at the Ministry of Foreign Affairs.

Further, enquiries made at the Mission in June 2005 as to what services the two consultants rendered proved futile as no records were made available making it not possible to ascertain the purpose of the payment.

<b>HEAD :</b>	<b>29/03</b>	<b>Ministry Of Local Government And Housing Chalimbana Local Government Training School Department</b>
<b>UNIT:</b>	<b>1</b>	<b>Human Resource and Administration</b>
<b>PROGRAMME:</b>	<b>5</b>	<b>Rehabilitation of Infrastructure-(PRP)</b>
<b>ACTIVITY:</b>	<b>01</b>	<b>Renovations and Construction of the Institute</b>

27. In the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2004, a provision of K500 million was made for the rehabilitation of the School Infrastructure. The funds were released in full.

In this regard, the Ministry on 13<sup>th</sup> December 2004 entered into an agreement with a local contractor to do the works at a contract price of K484, 116,272 for a duration of fourteen (14) weeks from the date of signing. The scope of works included extensions of the tutorial block and Library/Resource centre, rehabilitation and renovation of the kitchen, the Principal's residence, the common room and Zambezi, Luangwa, Kafue, Chongwe and Zungulila hostels at Chalimbana Local Government Training School.

An examination of records maintained at the Ministry revealed that as at August 2005, amounts totaling K464, 368,054 had been paid to the contractor between December, 2004 and July 2005 leaving a balance of K19, 748,219.

A visit to the site in October 2005 revealed that works valued at K82,175,800 relating to the Library/Resource Centre, Tutorial Block, Principal's residence, Kitchen, Common room and the five (5) hostels had not been done. Some of the works unattended to are illustrated below:





*Principal's residence which was not worked on*



*Cracked floor not attended to-Kafue Hostel*



*Falling ceiling board – Kafue hostel*

It was further observed that out of the K82,175,800 provided for the works, an amount of K43,750,100 relating to additional works was not provided for in the contract and there was no authority for the variation in the scope of works.

**HEAD: 37/01 Ministry of Finance and National Planning,  
Human Resources and Administration**

**UNIT: 01 Human Resources and Administration**

**PROGRAMMES: Various**

**ACTIVITIES: Various**

### **Accounting and Other Irregularities**

28. In Paragraph 30 of the Auditor General's Report for the financial year ended 31<sup>st</sup> December 2003, mention was made of a number of irregularities at the Ministry of Finance and National Planning. In particular, specific mention was made on the under banking of revenue, un retired imprests, irregularities in the management of motor

vehicles, irregular drawings of fuel and construction of the Central Statistical Office block.

A recent review of accounting and stores records for the year ended 31 December 2004 revealed that there was no improvement. In particular the following was noted:

(a) Un retired Imprests

Contrary to Financial Regulation No. 186, imprests amounting to K12,187,058,399 involving three hundred and twenty seven (327) transactions issued during the period under review had not been retired as of November 2005. It was observed further that subsequent imprests totaling K 1,417,351,506 were issued during the period to ten (10) officers who had not retired the earlier imprests, contrary to Financial Regulation No.180

(b) Procurement of Goods and Services

(i) There were no receipt and disposal details in respect of stores items costing K164,411,300 purchased during the period contrary to Public Stores Regulation No.16.

(ii) In December 2004, the Ministry paid a total amount of K132,784,215 to a local supplier for the supply of sixteen (16) and five (5) laser jet printers which were to be delivered within a period of 4-6 weeks from the date of payment.

However as of November 2005, only the sixteen (16) computers costing K102,470,133 had been delivered while the five (5) laser jet printers costing K30, 314,082 had not been delivered.

(c) Transport

A review of transport records at the Ministry Headquarters revealed the following:

(i) Loss of Motor Vehicles

During the period January to October 2004, Six (6) motor vehicles were involved in road traffic accidents and a motor vehicle registration number GRZ 503 BP a Toyota Land Cruiser valued at K170,000,000 was stolen on 12th February 2004. However, no loss reports and insurance claims had been processed as of November 2005 contrary to Public Stores Regulation No. 126

(ii) Motor Vehicles in garages

A follow up made on the repairs of motor vehicles revealed that four (4) motor vehicles which were reported in my previous report as having been either repaired but not paid for in full or not repaired at all were still being held at the respective garages. In addition, there were Six (6) other motor vehicles which were taken to various garages for repair works but had not been repaired as of November 2005. It is likely that the longer the vehicles remain un repaired in the various garages, the more likely loses will occur through pilferage of spare parts and the ministry losing track of such vehicles.

It was further noted that in the case of a local garage where GRZ 517 BK was and had been repaired, but the repair costs of K8,574,647 unpaid, storage charges have since accumulated to K74,382,000 since January 2003.

(d) Outstanding Bills

According to records obtained from the Ministry, Government institutions owed various suppliers amounts totalling K624,283,519,571 for goods and services . Out

of the amount owed, Government paid a total amount of K48,050,487,336 in 2004 leaving a balance of K576,233,032,235.

It was further observed that out of the amount paid, payment vouchers in amounts totalling K14,634,305,794 lacked supporting documents such as invoices, bills, acquittal sheets while vouchers in amounts totalling K1,319,112,734 were missing.

<b>HEAD:</b>	<b>46/01</b>	<b>Ministry of Health</b> <b>Human Resource and Administration</b>
<b>UNIT:</b>	<b>01</b>	<b>Human Resource and Administration</b>
<b>PROGRAMME:</b>	<b>05</b>	<b>Grants and Other Payments</b>
<b>ACTIVITY:</b>	<b>001</b>	<b>Central Board of Health</b>

#### **Accounting and other irregularities**

29. The Central Board of Health (CBoH) was established in 1995 under the National Health Service Act of 1995. Its functions are to formulate and implement the policy for the health sector, supervise, advise and monitor the technical performance of all districts and hospital management boards in the country. The board is also responsible for setting up of financial objectives and framework for management boards as well as coordinating the technical capacity of the management board.

The CBoH is managed by a Board of Directors comprising ten (10) members appointed by the Minister of Health. The Director General is responsible for the day-to-day technical, administrative and financial activities of the Board.

It was observed however, that the Minister of Health dissolved the board of directors in July 2004 and as of June 2005, the board had not been reconstituted.

An examination of accounting and other records maintained at CBoH revealed the following:

(a) Double Payments of Salaries

The CBoH had a total staff establishment of two hundred and forty six (246) employees out of which nineteen (19) were medical doctors and nine (9) were from the nursing profession.

It was observed that out of the two hundred and forty six (246) employees, fifty six (56) had dual employment in that they were employees of both the CBoH and Ministry of Health contrary to the provisions of the Terms and Conditions of service for the Public Service.

It was observed that as of December 2004 the dual employees had been paid a total amount of K3,067,250,709 from CBoH as well as K1,024,169,240 from Ministry of Health.

In view of the above, all Government salaries in amounts totaling K1,024,169,240 paid to seconded officers was irregular and the amounts paid are recoverable.

(b) Unretired Imprests

During the period under review, imprest issued to fifty eight (58) officers, in amounts totaling K971,545,400 had not been retired as of March 2005 contrary to Financial Regulation No.186.

**HEAD:** 46/01 **Ministry of Health  
Human Resources and Administration**

**PROGRAMMES:** Various

**ACTIVITIES:** Various

### **Accounting Irregularities**

30. An examination of financial and other records carried out in October 2005 for the year ending 31<sup>st</sup> December 2004 revealed the following:

(a) Unsupported Expenditure

Payment vouchers totaling K6,473,706,840 involving sixty five (65) transactions were unsupported or inadequately supported in that relevant supporting documents were not attached while payment vouchers totaling K8,168,545,002 were missing contrary to Financial Regulations No. 156 (1).

(b) Unretired Imprest

Contrary to Financial Regulation No. 186 , imprests amounting to K549,691,258 issued to seventy (70) officers during the period between February and December 2004 were not retired as of November 2005 and thus was not captured in the Financial Statements for 2004.

(c) Stores

(i) Stationery

There were no receipt and disposal details in respect of various stores items costing K996,065,850 procured during the period under review contrary to Public Stores Regulation No.16. Included in this amount are goods worth K103,054,000 that were sourced from unregistered suppliers contrary to the provisions of the Zambia National Tender Board Act Cap 394 clause 5(2) (a) of the laws of Zambia.

(ii) Fuel

There were no disposal details in respect of fuels costing K108,191,952 procured during the period under review contrary to Public Stores Regulation No.16.

(d) Unauthorised Transit Allowance

Eight (8) payments made to expatriate doctors amounting to K389,873,763 had no requisite supporting documents, such as air and baggage tickets.

Further, no Cabinet authority was obtained in respect of transit allowance payments amounting to K145,484,873.

(e) Non-adherence to procurement procedures

Fixed assets costing K1,700,451,890 were purchased without being subjected to competitive tender, and in the case of motor vehicles, no PVEC authority was obtained. Further, the Ministry did not maintain a fixed assets register, contrary to Public Stores Regulation No.71.

An inventory of office equipment and furniture revealed that no ledger cards were maintained and assets were not marked with GRZ numbers making them susceptible to theft.

(f) Irregularities in Fleet Management

There were fifteen (15) non-runner vehicles at the Vehicle Service Centre and could not be repaired, two (2) at the ministry headquarters and five (5) at various private garages. These vehicles had been parked for periods ranging from 2002 to 2005.

(g) Delays in installation of Diagnostic and Surgical Equipment

In October 2001, Government through the Ministry of Health signed a three-year bilateral agreement with the Government of the Royal Kingdom of the Netherlands for the rehabilitation of diagnostic equipment and equipping of surgical installations in seventy-one districts hospitals. The value of the bilateral contract was K150 billion (€25 million) of and the exercise was to be completed by December 2004.

According to the agreement, GRZ was to provide K75 billion (€12.5 million) as counterpart funding by 31<sup>st</sup> December 2004. However, as of October 2005, GRZ had only provided K27,506,400,000 (€4,584,400). Consequently, only seventeen (17) out of the seventy one (71) hospitals targeted had been equipped with diagnostic equipment representing 24% completion.

(h) Misapplication of Funds

During the period under review, an individual who was wrongly diagnosed with HIV/AIDS claimed compensation and was paid K25, 000,000 from Recurrent Departmental Charges vote contrary to the provisions of Appropriation Act.

(i) Misapplication of grants

Out of a total amount of K5,315,777,881 received in respect of grants for grant aided institutions for the months of August, September, and October, 2004, K4,037,494,947 was paid to the grant aided institutions. The balance of K 1,278,282,934 was misapplied at the Ministry headquarters.



**HEAD:** 77/01 **Ministry of Defence - Headquarters**

**UNIT:** **Various**

**PROGRAMMES:** **Various**

**ACTIVITIES:** **Various**

**Accounting Irregularities**

31. In the 2004 Estimates of Revenue and Expenditure, a total provision of K539,267,466,069 was made for the Ministry as tabulated below:

<b>Department</b>	<b>Provision K</b>
Headquarters	78,967,385,582
Zambia Army	220,363,953,996
Zambia Airforce	151,398,238,617
Zambia National Service	79,965,732,702
Defence Medical Services	4,047,170,870
Defence Inteligence	2,036,760,572
Land Development services	2,447,753,730
Research & Development	40,470,000
<b>Total</b>	<b>539,267,466,069</b>

Out of the provision of K78,967,385,582 for the Ministry headquarters, K56,066,039,152 was released representing 71% of the provision.

An examination of financial and stores records maintained by the Ministry during the period under review disclosed the following:

(a) **Poor Record Keeping**

It was observed that sixteen (16) payments amounting to K693,691,443 had no relevant supporting documents such as invoices, receipts and acquittals to support the transactions and twenty nine (29) payment vouchers amounting K13,482,201,117 were missing contrary to Financial Regulations 156.

(b) Stores

Stationary costing K324,240,150 purchased during the period under review had no receipt and disposal details contrary to Stores Regulation No.16.

(c) Unretired imprests

Imprests amounting to K1,395,180,246 involving seventy two (72) transactions, issued in 2004, had not been retired as of September 2005 contrary to the Financial Regulation No. 186.

(d) Unidentified Payments – Repatriation Account

Due to lack of records, the purpose for which payments totaling K353,000,000 made from the account during the period could not be established.

<b>HEAD:</b>	<b>77/03</b>	<b>Ministry of Defence, Zambia Air Force</b>
<b>UNIT:</b>	<b>04</b>	<b>Supply Service</b>
<b>PROGRAMME:</b>	<b>2</b>	<b>Procurement</b>
<b>ACTIVITIES:</b>	<b>02</b>	<b>Procurement and Supply Services</b>

**Weaknesses in the procurement of goods and services and other irregularities**

32. In paragraphs 81 and 82 of the Auditor General’s report on the accounts for the financial year ended 31<sup>st</sup> December 2002, mention was made of the Service Commands failure to comply with financial regulations and the Public Accounts Committee’s directive to them that the tendency should cease and that the Service Command be compelled to comply with all established procedures and regulations.

A recent audit carried out in July 2005 at the Zambia Air Force (ZAF) revealed the following:

(a) Non Adherence to Tender Procedures

- (i) Between January 2003 and December 2004, ZAF paid K590,000,000 to a local company towards the supply of four hundred and eighty (480) stoves. It was however observed that ZAF did not enter into a formal agreement with the supplier and no Tender Board authority was obtained for the purchase of the stoves.
- (ii) In May 2003, ZAF made a payment of K120,000,000 to a local company for the supply of various types of medals. It was however observed that no formal contract was entered into with the supplier and there was no Tender authority obtained.

As of July 2005, no medals had been supplied and no refund was obtained from the supplier.

(b) Wasteful Expenditure

During the period November 2002 and August 2003, ZAF paid two local companies amounts totalling K334,093,193 towards improvement of water reticulation at its Livingstone and Mumbwa Bases. However, there were no contracts produced to support the payments.

Visits to the sites in April 2005 revealed that water reticulation at the bases had not improved in that nine (9) elevated tanks installed at Mumbwa Base, two (2) boreholes drilled at Mumbwa Base and two (2) submersible pumps installed at Livingstone Base were not functional. The money spent on the exercise is therefore wasteful.

(c) Rehabilitation of substations –Mumbwa Base

In November 2001, ZAF entered into an agreement with a local contractor for the rehabilitation of substations at its Mumbwa Base at a contract price of K387,148,063. The works included, among others, realigning four (4) transformers and replacing nineteen (19) street poles. In this regard, amounts totalling K125,897,987 were paid to the contractor between December 2002 and October 2003. An inspection of the works conducted in March 2005 revealed that the contractor had replaced the nineteen street poles but had only realigned one (1) transformer leaving three (3) still tilting.

(d) Stores

There were no receipt and disposal details in respect of various stores items costing K2,595,323,386 bought during the period from January 2002 to December 2004 contrary to Public Stores Regulation No.16.

<b>HEAD:</b>	<b>80/01</b>	<b>Ministry of Education – Headquarters</b>
<b>UNIT:</b>	<b>Various</b>	
<b>PROGRAMMES:</b>	<b>02</b>	<b>Sector Plan Implementation, Provinces</b>
<b>ACTIVITY:</b>		<b>Sector Plan Implementation</b>

**Weaknesses in Accounting for Education Sector Plan Support Funds**

33. In paragraph 36 of the Auditor General’s report for the financial year ended 31<sup>st</sup> December 2001, mention was made of the implementation of the Basic Education Sub Sector Investment Programme (BESSIP) whose overall objective was to address the decline in educational services provided by the Government.

However, the implementation of BESSIP created imbalances in the development of the education sector in that it focused mainly on basic education. High schools, colleges and universities were not included in the programme. Due to this imbalance, in February 2003

the Ministry changed its implementation strategy and paradigm to a Sector Wide Approach (SWAP).

In this regard, eight (8) Cooperating Partners and the Zambian Government signed a Memorandum of Understanding in February 2003 towards the funding and implementation of the Ministry of Education Sector Plan (MOESP) covering the period 2003 to 2007 which encompassed SWAP. The agreement was signed based on the vision and goals of the Ministry of Education of providing quality lifelong education for all. This education should be accessible, inclusive, equitable and relevant to individual, national and global needs. It is based on a holistic approach to develop the Education Sector at all levels although Basic Education was to be priority.

The year 2003 formed the first implementation year of the Sector Plan and was largely preparatory, while external resources continued to be made under the BESSIP bridging work plan and budget. The financing of the programme activities effectively started in September 2003.

#### Funds Received

During the year ended 31<sup>st</sup> December 2004, the Ministry received a total of K298,306,479,207 for the sector from Cooperating Partners, as detailed below:

DONORS	TYPE OF MODALITY	PLEDGES		RELEASES	
		US\$	ZMK	US\$	ZMK
CIDA	Direct Support	1,210,000	5,808,000,000	1,618,973	7,693,114,603
Netherlands	Direct Support	6,000,000	28,800,000,000	7,656,246	36,326,731,860
Norway	Direct Support	12,000,000	57,600,000,000	17,467,220	82,057,225,514
DFID	Direct Support	10,100,000	48,480,000,000	11,283,195	52,119,825,000
Ireland DCI	Direct Support	10,249,292	49,196,602,000	6,884,893	32,810,302,213
Finland	Direct - Other Support	3,000,000	14,400,000,000	3,105,045	14,562,661,050
USAID	Other Support	6,000,000	28,800,000,000	29,000	138,039,286
UNESCO		-	-	6,000	28,800,000
ADB	Designated	8,546,196	41,021,741,000	2,137,118	10,093,689,065
IDA/world Bank	Designated	8,462,434	40,619,683,000	4,988,127	23,443,356,778
Japan (JCVF)	Designated	1,222,005	5,865,624,000	-	-
Denmark	Designated/Other	7,200,000	34,560,000,000	8,249,292	38,224,199,475
JICA	Direct Support	1,566,714	7,515,427,000	-	-
DFID	Other Support	4,800,000	23,040,000,000	-	-
DFID (TA fund)	Other Support	480,000	2,304,000,000	-	-
EC- ZECAB	Other Support	395,000	1,896,000,000	-	-
EC-IMIS	Other Support	TBD	TBD	-	-
EC	Designated	2,923,556	14,033,069,000	-	-
UNICEF	Designated	3,079,000	14,779,200,000	-	-
	<b>SUB-TOTAL-DONOR</b>	<b>87,234,197</b>	<b>418,719,346,000</b>	<b>63,425,109</b>	<b>297,497,944,844</b>
GRZ	COUNTER PART	-	-	170,757	808,534,363
	<b>GRAND TOTALS</b>	<b>87,234,197</b>	<b>418,719,346,000</b>	<b>63,595,866</b>	<b>298,306,479,207</b>

As can be seen from the table above, the Cooperating Partners in 2004 pledged to release US\$87,234,197 (K418,719,346,000) but only released US\$63,425,109 (K297,497,944,844). It was observed in this regard that six (6) released more than pledged, four (4) released less than pledged, eight (8) did not release anything while one (1) released without a corresponding pledge.

## Disbursements

Out of the K298,306,479,207 released to the Ministry, K195,412,452,541 was disbursed to the provinces, districts and other beneficiary institutions throughout the country in line with the Annual Work Plans and Budgets as follows:-

**GRANTS TO BOARDS**

	<b>K</b>	<b>US \$</b>
1 Lusaka Province	17,598,073,415	3,692,104.26
2 Copperbelt Province	32,444,885,823	6,421,308.36
3 Central Province	19,964,046,599	4,202,947.62
4 Northern Province	27,238,718,695	5,744,892.15
5 Western Province	18,597,548,259	3,915,317.44
6 Eastern Province	20,761,292,071	4,340,797.75
7 Luapula Province	15,299,747,339	3,199,561.53
8 North Western Province	14,876,020,902	3,111,346.62
9 Southern Province	28,632,119,438	6,934,821.32
<b>Total</b>	<b>195,412,452,541</b>	<b>41,563,097.05</b>

The balance of K102,894,026,666 had not been disbursed as of 31<sup>st</sup> December 2004.

An examination of accounting and stores records maintained at Ministry headquarters and at selected Provincial and District Education Offices, colleges and schools carried out in June 2005 on the accounts for the year ended 31 December, 2004 revealed the following:

(a) Imprest

In paragraphs 44 to 79 of the Auditor General's Report on the accounts for the financial year ended 31<sup>st</sup> December 2003 mention was made among others of the weakness in issuance and retirement of special imprests.

A review of the situation in November 2005 revealed little improvement in that most of the imprest issued was either retired late or was not retired at all as illustrated in the table below:

Province	Imprest Issued	Imprest Retired in 2004	Imprest Retired in 2005	Unretired imprest	Imprest Not Captured in Financial Statements
	<b>K</b>	<b>K</b>	<b>K</b>	<b>K</b>	<b>K</b>
Northern	182,402,738	17,864,000	52,890,338	111,648,400	164,538,738
N/Western	-	-	-	-	-
Luapula	67,945,000	-	67,945,000	-	67,945,000
Southern	257,173,000	26,262,000	230,911,000	-	230,911,000
Central	295,972,823	-	194,493,800	101,479,023	295,972,823
Eastern	-	-	-	-	-
Copperbelt	-	-	-	-	-
Lusaka	629,676,815	-	332,740,000	296,936,815	629,676,815
Western	-	-	-	-	-
	<b>1,433,170,376</b>	<b>44,126,000</b>	<b>878,980,138</b>	<b>510,064,238</b>	<b>1,389,044,376</b>

As can be seen from the table above, imprests amounting to K1,433,170,376 were issued in the provinces during the year under review . Out of the amount issued only K44,126,000 was retired in the same year, K878,980,138 was retired in 2005 whereas K510,064,238 had not been retired as of October 2005 contrary to Financial Regulation No. 186. It was further observed that a total amount of K1,389,044,376 comprising imprest retired in 2005 (K878,980,138) and unretired imprest (K510,064,238) was not captured in the Financial Statements thus understating the expenditure for 2004.

(b) Eastern Province

Misapplication of Funds – School Grants

During the period under review, a total amount of K311,507,422 was misapplied in five (5) districts in that the moneys were used to procure or meet transportation costs for five (5) trucks as shown below:

DISTRICT	AMOUNT K	REMARK
Nyimba	90,000,002	Used to purchase a truck
Petauke	33,821,420	Used to meet transportation expenses for a donated light truck
Katete	120,488,000	Used to purchase a truck
Chipata	29,920,000	Used to meet transportation expenses for a donated light truck
Chadiza	37,278,000	Used to purchase a truck
	<u>311,507,422</u>	

Inspite of a directive from the Controlling Officer in April 2005 to reimburse the money, this had not been done as of November 2005.



(c) North Western Province

District Education Board-Chavuma

The district board received a total of K27,780,626 in November and December 2004 in form of bursaries for the vulnerable pupils in the district. It was observed that although the controlling officer indicated that the whole amount was paid to the beneficiaries, an amount of K15,280,626 was not acquitted by the beneficiaries to confirm that they received the money.

(d) Central Province

(i) Raphael Kombe High School

In December 2004 the Ministry of Works and Supply was engaged by the school to connect the ablution block to the sewer pipes at a cost of K45,144,614 and a total amount of K26,717,600 was paid. The works started in December, 2004 and were expected to be completed in January 2005. However, as of June 2005, work had stalled as the school was advised by the Senior Buildings Officers that the work should be re-done as it was of sub-standard. Consequently, the amount of K26,717,600 spent on the works was wasteful.

(ii) Mukonchi High School

Contrary to Public Stores Regulations No.193, no loss report had been processed in respect of a television set and a decoder costing K5,705,000 stolen from the school in November 2004.

**HEAD: 89/02 Ministry of Agriculture and Cooperatives**  
**UNIT: 02 Administration**  
**PROGRAMME: 01 Personal Emoluments**  
**ACTIVITIES: Various**

**Accounting Irregularities**

**Provincial Agriculture Coordinator, Central Province**

34. During the financial year ended 31<sup>st</sup> December 2004, the Provincial Agriculture Coordinator's Office was funded amounts totaling K4,366,636,529 for personal emoluments as shown below:

<b>Purpose</b>	<b>Amount Released</b>
	<b>K</b>
Payroll	4,215,286,530
Housing Allowances	141,349,999
Other Emoluments	10,000,000
	<b>4,366,636,529</b>

A further amount of K238,542,300 was funded to cater for the Seed Certification Control Institute, Fisheries Department, Crop Forecast, Veterinary Department and Recurrent Departmental Charges in Central Province shown below:

<b>Institution/Purpose</b>	<b>Amount</b>
	<b>K</b>
SCCI	9,500,000
Fisheries	5,800,000
Crop Forecast	61,000,000
Veterinary Services	80,000,000
RDCs	82,242,300
<b>Total</b>	<b>238,542,300</b>

An examination of records pertaining to the utilization of the funds revealed weaknesses in internal controls in that there was no internal auditor. Due to the above and other internal control irregularities the following were observed:

(a) Misapplication of funds

A total amount of K 106,100,000 was paid to forty four (44) officers as advances from the salaries account during the period January to December 2004. As of October 2005, only K21,300,000 had been recovered leaving a balance of K84,800,000 outstanding.

(b) Non-Remittance of Pay As You Earn (PAYE)

Amounts totaling K16,376,541 deducted as PAYE from officers' Overtime and Leave Commutation Allowance during the period May to November 2004 had not been remitted to Zambia Revenue Authority as of October 2005.

(c) Unauthorised Over time Payments

A total of K 31,753,013 was paid to fifteen (15) officers in the period May to November 2004 for overtime without authority. Furthermore, it was observed that the amount paid was K21,753,013 in excess of the K10,000,000 released for other emoluments.

(d) Loans and Advances not being recovered

Contrary to Financial Regulation No. 140, deductions in respect of loans totalling K18,000,000 paid to three (3) officers in April 2004 had not commenced as of October 2005.

**Provincial Agriculture Coordinator, Copperbelt Province**

A total amount of K7,787,446,824 was released in 2003 (K4,263,196,770) and 2004 (K3,524,250,054) for personal emoluments for the Office of the Provincial Agriculture Coordinating Office (PACO).

The money was to be used to pay salaries (K7,387,068,535) and housing allowances (K400,378,289).

An examination of pertinent records maintained at PACO revealed the following:

- (a) Contrary to the provisions of the Appropriation Act of 2004, amounts totaling K1,006,168,220 were paid as loans to twelve (12) officers from the Salaries Account between October 2002 and October 2004 and that the running deductions were based on amounts unrelated to the actual loan amounts obtained.
- (b) There was poor custody of accounting records in that two hundred and forty seven (247) payment vouchers on which expenditure totalling K1,574,085,953 was incurred between January 2003 and October 2004 were unvouched as they were either missing or inadequately supported .
- (c) There were one hundred and four (104) cheques in amounts totalling K664,386,442 raised during the period from April 2002 to October 2004 as third party payments which were not remitted to the payees. As of April 2005, the cheques had not been remitted.
- (d) During the period January 2003 and October 2004 amounts totalling K882,491,727 were deducted as Pay As You Earn (PAYE). However, out of the amounts deducted, only K754,491,727 was remitted to Zambia Revenue Authority (ZRA) resulting in an under payment of K128,000,000 contrary to the Income Tax Act CAP 323 of the Laws of Zambia.
- (e) Out of the K400,378,289 released by the Ministry of Finance and National Planning for payment of housing allowances, payments amounting to K178,504,682 were unvouched in that they either had no supporting documents or were missing.

<b>HEAD:</b>	<b>89/06</b>	<b>Ministry of Agriculture and Cooperatives Veterinary and Livestock Development</b>
<b>UNIT:</b>	<b>02</b>	<b>Veterinary</b>
<b>PROGRAMME:</b>	<b>48</b>	<b>Animal Disease Control</b>
<b>ACTIVITY:</b>	<b>001</b>	<b>Production of Vaccines</b>

### **Weaknesses in Accounting for Funds**

35. A provision of K1,000,000,000 was made in the 2004 Estimates of Revenue and Expenditure for the production of vaccines. However, due to the outbreak of foot and mouth disease in some parts of Southern and Central provinces in July 2004, the Ministry of Agriculture and Cooperatives varied the funds in order to combat the outbreak of the disease. A further variation of K3,826,000,000 was made from the Commercialization of farm Lands programme bringing the total funds available for the foot and mouth disease programme to K4,826,000,000.

Out of the K4, 826,000,000 released to the Ministry, a total of K4,664,356,999 had been utilised as of March 2005 leaving a balance of K161, 643,001.

A scrutiny of the expenditure records carried out in March 2005 revealed the following:

- (i) A total amount of K1,099,973,297 was paid between September and December 2004, to Botswana Vaccine Institute through the Livestock Cooperative Society based in Zambia for the supply of 150,200 doses of vaccines. It was noted however from the stores records examined that, out of the total doses paid for, 100,200 doses costing K767, 795,729 had no receipt and disposals details.
- (ii) Nine officers who were issued with accountable imprests totaling K109,576,679 between September 2004 and February 2005 for the purchase of foot and mouth disease vaccines and other materials had not

retired the imprest as of March 2005, contrary to Financial Regulation No. 186.

- (iii) Accountable imprest totaling K111,263,000 was issued to an officer in October and November 2004 for the purchase of among other things 10 x 18 litres Knapsack sprayers costing K3,250,000 and 3,600 litres disinfectants costing K103,963,000.

Records examined however revealed that, although the imprest was retired, there were no receipt and disposal details in respect of 10 x 25 disinfectants costing K7,151,000 and 10 x 18 litres knapsack sprayers costing K3,250,000.

- (iv) It was further observed during the audit that accountable imprest in amounts totaling K64,709,400 issued to two (2) officers in January and February 2005 for purchase of life stock extension materials and for facilitating post vaccination surveillance in southern province had not been retired as of March 2005.

<b>HEAD:</b>	<b>95/09</b>	<b>Office of the President - Eastern Province Buildings Department</b>
<b>PROGRAMME:</b>	<b>4</b>	<b>Rehabilitation &amp; Construction of Buildings</b>
<b>ACTIVITIES:</b>	<b>01</b>	<b>Completion of Chama Buildings Department Office Block</b>
	<b>02</b>	<b>Completion of Nyimba Office Block</b>
	<b>03</b>	<b>Construction of Mambwe Building Office Block</b>
	<b>04</b>	<b>Rehabilitation of Chadiza Office Buildings Block</b>

#### **Construction, Rehabilitation and Completion of Office Blocks**

36. In the Estimates of Revenue and Expenditure for the year ended 31<sup>st</sup> December 2004 total provisions of K558,397,400 were made for the construction, rehabilitation and completion of office blocks in four (4) districts namely Chadiza, Nyimba, Mambwe and

Chama. In this regard a total amount of K395,740,200 was released to the districts as shown below:

<b>District</b>	<b>Provision a K</b>	<b>Funding b K</b>	<b>Variance (b-a) K</b>
Chadiza	150,000,000	86,504,000	(63,496,000)
Nyimba	144,200,000	102,239,000	(41,961,000)
Mambwe	144,200,000	101,399,900	(42,800,100)
Chama	119,997,400	105,597,300	(14,400,100)
<b>Total</b>	<b>558,397,400</b>	<b>395,740,200</b>	<b>(162,657,200)</b>

As can be seen from the table above, the projects were under funded. Consequently, the projects had not been completed as of May 2005.

An examination of financial and other records maintained at the Provincial Accounting Control Unit (PACU) and at the Provincial Buildings Engineer (PBE) carried out in May, 2005 revealed that in all districts, amounts spent on allowances for officers were K23,041,000 in excess of the approved budgets as shown below:

<b>District</b>	<b>Budgeted Amount (a) K</b>	<b>Actual Paid (b) K</b>	<b>Amount Paid in Excess of Budget (b-a) K</b>
Chadiza	15,000,000	16,450,000	1,450,000
Nyimba	25,600,000	39,317,000	13,717,000
Mambwe	25,600,000	29,920,000	4,320,000
Chama	25,600,000	29,154,000	3,554,000
	<b>91,800,000</b>	<b>114,841,000</b>	<b>23,041,000</b>

Visits to the various project sites revealed the following outstanding works:

Chama

Flooring, plastering, electrical wiring, fitting doors and fitting window panes,

Nyimba

Flooring, plumbing works, electrical wiring, fitting doors, glazing, fitting ceiling boards, fitting air vents, fitting window frames and glass panes, construction of toilets and painting,

Mambwe

Fitting of doors, fitting of window panes, flooring, plastering, roofing, plumbing works, electrical works and painting

Chadiza

Flooring, plastering, plumbing, glazing, fitting ceiling boards, fitting doors, construction of toilet, painting, electrical wiring, fitting doors and fitting window panes,

It is clear from the foregoing that the under funding of the projects and the over expenditure on allowances impacted negatively on the implementation of the projects.

<b>HEAD:</b>	<b>98/01</b>	<b>Office of the President Southern Province Provincial Administration Headquarters</b>
<b>UNIT:</b>	<b>01</b>	<b>Human Resources and Administration</b>
<b>PROGRAMME:</b>	<b>09</b>	<b>Livestock Restocking</b>
<b>ACTIVITY :</b>	<b>01</b>	<b>Procurement of Beef and Dairy Cattle</b>

**Irregularities in the procurement of cattle**

37. A provision of K2,000,000,000 was made in the Estimates of Revenue and Expenditure for the year ended 31<sup>st</sup> December, 2004 for cattle restocking.



An examination of accounting and other relevant documents at the Provincial Administration Headquarters and visits to seven (7) districts revealed the following unsatisfactory features:-

(a) Kazungula District

The district received K225,000,000 to be disbursed equally to five Chiefdoms with each Chiefdom receiving K45,000,000. Visits to three (3) chiefdoms revealed that:

(i) Failure To Account For K45,000,000 – Musokotwane Chiefdom

In November 2004, the Provincial Office paid K45,000,000 to a supplier introduced to them by Chief Musokotwane for the supply of one hundred (100) herds of cattle.

However as of May, 2005, no animals had been supplied.

In his reply dated 10<sup>th</sup> November 2005, the Controlling Officer stated that ten (10) herds of cattle had been procured at a total cost of K15,000,000. He further stated that K30,000,000 was obtained by the late Chief and his family had undertaken to repay the money.

As of November 2005, the family had refunded K5,000,000 leaving a balance of K25,000,000.

(ii) Failure To Account For K45,000,000 – Mukuni Chiefdom

In November 2004, the Provincial Office paid K45,000,000 to a supplier introduced to them by the Mukuni Cattle Restocking Committee for the supply of seventy five (75) herds of cattle.

However as of May, 2005, no animals had been supplied.

In his reply dated 10<sup>th</sup> November 2005, the Controlling Officer stated that out of the seventy five (75) herds of cattle paid for, twenty four (24) had been supplied while fifty one (51) were still being sourced.

(iii) Failure To Account For K45,000,000 – Moomba Chiefdom

In November 2004, the Provincial Office paid K45,000,000 to the Secretary of the Chief Moomba Cattle Restocking Committee for the supply of seventy five (75) herds of cattle.

However as of May, 2005, no animals had been supplied.

In his reply dated 10<sup>th</sup> November 2005, the Controlling Officer stated that out of the seventy five (75) herds of cattle paid for, fifty five (55) had been supplied while twenty (20) were still being sourced.

(b) Kalomo District

During the period under review, the district procured two hundred and forty nine (249) herds of cattle at a total of K366,800,000.

It was however observed that the distribution of the two hundred and forty nine (249) herds of cattle was not acknowledged by the recipients.

(c) Choma District

Failure To Supply 36 Animals

A total amount of K307,970,000 was paid to various suppliers during the period November 2004 to January 2005 for the supply of a total of two hundred and thirty six (236) herds of cattle.

As of August, 2005, two hundred (200) herds of cattle were supplied leaving a balance of thirty six (36) herds of cattle costing K41,275,000 not supplied.

(d) Gwembe District

Failure To Supply 24 Herds Of Cattle

In November 2004, a total of K170,700,000 was paid to suppliers for the supply of one hundred and eighty eight (188) herds of cattle. Out of the K170,700,000 paid, K85,500,000 was refunded by some of the suppliers who apparently had no cattle to supply and the balance of K85,200,000 was paid for the purchase of ninety one (91) animals.

However, as of April, 2005, sixty seven (67) animals costing K64,350,000 had been supplied leaving a balance of twenty four (24) animals costing K20,850,000 not supplied.

In his reply dated 10<sup>th</sup> November 2005, the Controlling Officer stated that out of the twenty four (24) animals costing K20,850,000 not supplied, eighteen (18) animals had not yet been collected from the supplier due to logistical problems.

<b>HEAD:</b>	<b>98/08</b>	<b>Office Of The President Southern Province, Roads Department</b>
<b>PROGRAMME:</b>	<b>3</b>	<b>Roads Rehabilitation (Feeder Roads) PRP</b>
<b>ACTIVITY:</b>	<b>01</b>	<b>Grading of Feeder Roads</b>

**Rehabilitation Of Feeder Roads**

38. A provision of K1,612,184,218 was made in the Estimates of Revenue and Expenditure for the year ended 31<sup>st</sup> December, 2004 for the rehabilitation of feeder roads and the whole amount was released to the Provincial Administration during the period.

An examination of accounting, stores and other relevant records disclosed that in October 2004, the Provincial Administration paid K60,000,000 to the Livingstone City Council for the rehabilitation of Mukuni, Kaunda and loop roads from Central Police to the market and repair of a grader.

A site inspection of the roads repairs carried out in November 2005 revealed that no works had been done.

**HEAD: 99 Constitutional and Statutory Expenditure**  
**UNIT: Various**  
**PROGRAMMES: Various**  
**ACTIVITIES: Various**

#### **Accounting Irregularities**

39. A total amount of K1,776,699,660,697 was provided for in the Estimates of Revenue and Expenditure for the financial year ended 31<sup>st</sup> December 2004 for Constitutional and Statutory Expenditure namely: Debt Servicing, Constitutional Offices, Contingency and Other. Out of the total provision, a total amount of K1,483,508,363,281 was utilized.

An examination of the accounting records and other relevant documents pertaining to Constitutional and Statutory Expenditure at the Ministry of Finance and National Planning conducted in October 2005 revealed the following:

(a) Constitutional Statutory Expenditure - Outstanding Loans

During the period under review, there were four (4) officers who were separated and thereafter removed from the payroll. During their service, the Officers had obtained loans amounting to K220,000,000. However, at the time of their separation, they had outstanding balances totalling K184,253,333 which had not been recovered as of October 2005.

(b) Constitutional Statutory Expenditure - Contingency Fund

In 2004, a provision of K11,251,993,770 was made in the Estimates of Revenue and Expenditure for the Contingency Fund. However, the Ministry of Finance and National Planning released K13,218,770,280 which exceeded the authorised provision by K196,677,651.

A scrutiny of records pertaining to the contingency funds and physical verification conducted at the beneficiary ministries revealed that Contingency Funds were misapplied as most of the funds disbursed to the Government institutions were not applied on unforeseen or urgent activities but on meeting electricity bills, payment of salaries, contributions and subscription fees to international organisations, among others as shown below:

<b>Ministry/ Department</b>	<b>Amount K</b>	<b>Remark</b>
Ministry of Finance and National Planning	6,665,070,625	Used to pay ZESCO
Ministry of Commerce, Trade and Industry	3,055,712,326	Used to pay contributions and subscription fees to international organisations to which Zambia is a member
Office of the Vice President	20,000,000	Used to meet costs of official visits and office administration
Cabinet Office	600,000,000	Used to meet costs of commissions and allowances
Ministry of Sports, Youth and Child Development	805,282,489	Used to meet motor vehicle expenses, salaries and grants
	<b><u>11,146,065,440</u></b>	

**Recommendations Of The Public Accounts Committee Which Have Not Or Have Partly been Implemented**

40. During the year under review the Committee of Officials from the Office of the Clerk of the National Assembly, Office of the Auditor General and Ministry of Finance and National Planning met to resolve outstanding issues.

The appendix of this report summarises two hundred and seventy three (273) issues which are still outstanding.

**AUDIT HOUSE  
HAILE SELASSIE AVENUE  
LUSAKA**

**ANNA O CHIFUNGULA FCCA, FZICA  
AUDITOR GENERAL  
REPUBLIC OF ZAMBIA**

31<sup>st</sup> December 2005

## **APPENDIX**

### **TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE THIRD SESSION OF THE NINTH NATIONAL ASSEMBLY**

#### **Report of the Auditor General on the Accounts for the Financial year ended 31<sup>st</sup> December 2002**

- Para 16(20) Failure to collect Revenue-Ground Rent – As regards the completion of the installation of the computer system.
- Para 18(22) Land Information Management System (LIMS) – As regards progress on the Land Information Management Systems (LIMS).
- Para 19(23) Accounts – On the progress made on the Police investigations and the court case as well as the response to the letter written to the Ministry of Finance and National Planning over reconciliation of the figures.
- Para 20(24) Failure to account for Revenue collections – Lands Department, Ndola – As regards progress made on the issues raised.
- Para 22(26) Weaknesses in control over revenue and other irregularities – As regards progress made in (b) and (c).
- Para 23(27) Accounting irregularities – As regards progress made to resolve the issues in (d) and (e).
- Para 24(28) Misappropriation of Revenue – Whether measures have been put in place to ensure that the funds are recovered from the officers' terminal benefits.

- Para 27(31) Utilisation of Interest Earned on the VAT Repayment Account – Whether Account Appropriation in Aid has been re-introduced for all revenue-generating ministries.
- Para 28(32) Review of Internal Audit Reports – As regards the progress made on the conclusion of the cases cited in the report.
- Para 29(33) Accounting Irregularities – As regards progress made in items (b) i, (c) ii and the issue of the Mercedes Benz car.
- Para 30(34) Other Accounting Irregularities – As regards progress made on the court case involving the former Clerk of the National Assembly and the balance of K478,993,734 in unretired imprest.
- Para 33(37) Unvouchered Expenditure – As to whether the matters raised in (a), (b) and balance of K513,906,741 have been addressed.
- Para 34(38) Accounting irregularities – As regards progress made in items (d) i and (g) i.
- Para 35(39) Accounting Irregularities – Progress made in items (a), (b), (c), (d) and (e).
- Para 36(40) Property Management – Whether the funding to the Mission for rehabilitation of the properties has improved.
- Para 37(41) Accounting Irregularities – Latest position in items (b), (c) (e) and (g).
- Para 38(42) Accounting Irregularities – As regards the progress on the recoveries under item (a) ii.
- Para 39(43) Properties – On the latest position on items (i) and (ii).



- Para 40(44) Accounting Irregularities – As regards progress made to resolve the issues in (a)ii, iii and (b).
- Para 41(45) Property Management – As regards latest position on the concerns raised.
- Para 42(46) Accounting Irregularities – Progress made on the issues raised in the report.
- Para 43(47) Accounting Irregularities – Progress made in resolving the issues raised in (c), (d) and (e).
- Para 44(48) Properties – Whether the title deeds in respect of house No. 17, Suikerbos drive have been traced.
- Para 46(50) Income – Whether the receipt books that were not produced for audit have since been availed.
- Para 47(51) Accounting Irregularities – Progress made in resolving the issues raised in (a) – (d).
- Para 48(52) Expenditure – As regards progress made on the issues raised.
- Para 49(53) Operation of the Judiciary Trust Account – On the outcome of the discussion with regard to K2,139,310,005 and a progress report on the amount of K389,043,740.
- Para 50(54) Administration of Highly Indebted Poor Countries (HIPC) Funds – As regards progress made on the issues raised.
- Para 51(55) Construction and Rehabilitation of markets – On the progress made to complete the markets.

- Para 52(56) Rehabilitation and Improvement of Lusaka City Roads – As regards progress made on the matter.
- Para 53(57) Inadequate control over Fuel and Transport and other Irregularities – Whether the concerns raised by the Committee have been addressed.
- Para 55(61) Misapplication of funds and other irregularities – As regards progress made on all the issues raised in the report.
- Para 58(66) Repairs to motor vehicles – Latest position on the court case.
- Para 59(67) Accounting irregularities – Progress made to resolve the issues raised in (b), (c), and (d).
- Para 60(68) Accounting Irregularities – As regards measures put in place to improve the delivery of systems.
- Para 61(69) Purchase of Aircraft – As regards action taken to rectify all deficiencies in the aircraft.
- Para 62(70) Control over procurement and maintenance of stores records – As regards progress made to address the issues raised in the report.
- Para 65(73) Receipt and distribution of Land rovers – Whether the five vehicles had been located and appropriately recorded.
- Para 67(75) Procurement of fuels from South Africa – As regards progress made on the investigations.
- Para 68(76) Purchase of Military vehicles – On the latest position regarding the delivery of the motor vehicles.

- Para 69(77) Central Ordinance Depot – As regards progress made on the issues raised.
- Para 70(78) Purchase and Accounting for Stores – As regards progress made to resolve the issues raised.
- Para 71(79) United Nations Peace Keeping Operations – As regards progress made on the issues raised.
- Para 72(80) Construction of Housing Units at Luena and Mushili Barracks – As regards progress made to address the issues raised in the report.
- Para 73(81-82) Procurement of Fuel – As regards progress made on the investigations by the Task Force.
- Para 80(89) School Infrastructure – As regards progress made to resolved the issues in (i) and (ii).
- Para 81(90) Chandamali Basic School – As regards progress made on the matters raised.
- Para 83(92) School infrastructure – On the finalisation of the loss report and a report on the completion of the remaining works.
- Para 84(93) Provincial Education Office, Chipata – Whether all the documents have been verified.
- Para 85(94) District Education Office – Lundazi – As regards progress made in resolving the issues raised in a (iii) and b.
- Para 86(95) District Education Office – Chama – On the recovery of the value of cement which caked and iron sheets worth K630,000.00.

- Para 87(96) District Education Office – Chadiza – Whether the construction works have since been completed.
- Para 91(100) District Education Office, Petauke – Progress made to resolve the issues raised.
- Para 106(115) Mpongwe District Education Office – As regards progress made on the works and whether disciplinary action has been taken against the head teacher who failed to follow the laid down procedures.
- Para 109(119) Provincial Education Office – Solwezi – Progress made on the issues raised.
- Para 110(120) Kasempa District Education Office – Progress made on the matters raised.
- Para 111(121) Mufumbwe District Education Office – Progress made in resolving the matters raised.
- Para 112(122) Kabompo District Education Office – Progress on the matters raised.
- Para 113(123) School Infrastructure – As regards progress reports on the matters.
- Para 114(124) Zambezi District Education Office – Progress made in resolving the issues raised.
- Para 115(125) Solwezi District Education Office – As regards progress on the issues raised in (i) and (ii).
- Para 116(126) Provincial Education Office – Livingstone – As regards progress made to address the issues raised in (i) to (iv).

- Para 124(134) Monze District Education Office – As regards progress made on the matters raised.
- Para 125(135) Namwala District Education Office – Progress made on the issues raised.
- Para 126(136) School infrastructure – progress made on the matters.
- Para 127(137) Itezhi-Tezhi District Education Office – As regards progress made on the completion of the office block.
- Para 128(138) Mazabuka District Education Office – Latest position on the construction of the seven VIP toilets.
- Para 130(140) Senanga District Education Office – Progress made on the matters raised.
- Para 131(141) Kaoma District Education Office – progress made on the matters raised.
- Para 132(142) Serenje District Education Office – Progress made on the matters raised.
- Para 133(143) Mkushi District Education Office – Progress made to resolve the issues raised.
- Para 134(144) Kapiri Mposhi District Education Office – Progress made on the matters raised.
- Para 138(148) Irregularities in the Accounting of boarding and school Fees – Progress made on the issues raised.

- Para 140(150) Diversion of Funds – As regards progress on the case against the suspended officer and on the loss report relating to the laptop.
- Para 141(151) Project funds locked up in a closed bank – Progress on the recovery of the money from the closed Bank.
- Para 146(156) Lusaka District – Progress on the issues raised in (a) to (c).
- Para 147(157) Salaries Account – As regards progress made on the issues raised.
- Para 148(158) Lack of control over HIPC Funds – Progress made to resolve the issues in (b) , (d), (e) and (h).

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE THIRD SESSION OF THE NINTH NATIONAL ASSEMBLY**

**Report of the Auditor General for the financial year ended 31<sup>st</sup> December 2001.**

- Para 15(16) Delays in Remittance of fuel Levy – whether the diversion of the funds collected as fuel levy has been regularised.
- Para 17(18) Accounting Irregularities – On the outcome of the court case regarding the embezzlement of the funds.
- Para 18(19) Diversion of Project funds- As regards progress on the completion of the reimbursement.
- Para 19(20) Accounting for Revenue, Sheriff's office – Kabwe – Progress made on the issues raised.
- Para 22(24) Structure – Progress on the matter.

- Para 23(25) Funds of the Commission – Progress report on the matter involving unaccounted income inform of loans.
- Para 29(31) Telephones – As to whether the Commission has put in place an upper sealing on the bills they can settle for the officers.
- Para 30(32) Non Deduction and Remittance of withholding Tax – Progress on the matter.
- Para 31(33) Non Recovery of Advances – Whether the money has been recovered.
- Para 34(36) Accounting Irregularities – Whether all the arrears have been settled in full.
- Para 35(37) Passages Account – Progress made to resolve the issues raised.
- Para 36(40) Procurement of Text books – Headquarters – Progress made on the matter.
- Para 37(41) Science kits – Progress made on the matter.
- Para 38(42) Purchase of Desks – Progress made on the matter.
- Para 39(43) Provincial Education Office – Mansa – Progress made on the matters raised.
- Para 40(44) district Education Office – Kawambwa – Progress made on the matters raised in (a) to (d).
- Para 42(47) District Education Office – Chipata – Progress made to resolve the outstanding issues.

- Para 43(48)                   Petauke District Education Office – Rehabilitation of school furniture – As regards progress on the rehabilitation and construction works at Wankhala and Nsenya Basic Schools.
- Para 44(49)                   Lundazi district Office – As regards progress made on the construction and rehabilitation works at Mphamba, Sikatengwa and Mtwalo Basic Schools.
- Para 45(50)                   Provincial Education Office – Kabwe – Progress on the issues raised.
- Para 46(51-52)               Provincial Education Office – Southern Province Livingstone – Progress made on the issues raised.
- Para 47(53)                   Choma District Education Office – Progress on the renovation works at the school.
- Para 48(54)                   Mazabuka district Education Office – Progress made on the matters raised.
- Para 49(55)                   Provincial Education Office – Kasama – Progress on the issues raised.
- Para 50(56)                   Mpika District Education Office – Progress made on the issues raised.
- Para 55(61)                   Lukulu District Education Office – Latest position on the matters raised.
- Para 57(63)                   North Western Province – Progress made on the matters raised.
- Para 58(64)                   Chongwe district Education Office – Latest position on items (ii) and (iii).



- Para 61(780) Diversion of funds – Latest position on the issues raised.
- Para 62(71) Payment to Retrenchees – Whether the amount of K63,898,104.92 has since been reimbursed to the LDF account.
- Para 63(72) Payment to Councils – Progress made in resolving the issues under Mporokoso, Kazungula and Chinsali District Councils.
- Para 64(73) Statement of Income and Expenditure – Progress on the matters raised.

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIRST SESSION OF THE NINTH NATIONAL ASSEMBLY**

**Report of the Auditor General on the accounts for the financial year ended 31<sup>st</sup> December 2000.**

- Para 15(20) Revenue Collections – Progress made on the matter.
- Para 16 (21) Non – Tax Revenue Collection – Progress made on the matter.
- Para 17 (22) Non – Remittance of Recoveries – Whether the progress report on the outstanding rentals have been submitted.
- Para 20(25) Accounting for Revenue and other Irregularities, Lusaka – As regards progress made on the matter.
- Para 24 (29) Zambia Privatisation Fund – Progress made on the matter.

- Para 34 (39) Other Accounting Irregularities – As regards progress made on the matter.
- Para 35 (40) Funds for Elections – As regards progress made on the issues raised.
- Para 37 (44) Accounting Irregularities – Progress made on the issues raised.
- Para 51 (61) Agriculture Loan Repayment 1996/97 Seasons – Progress made on the matters raised.
- Para 52 (62) Sale of Assets, Retrenchments, Retraining Programme and Outstanding Creditors – Progress made on the issues raised.
- Para 53 (64) Accounting Irregularities – Progress made on the matter.
- Para 61 (73) Review of Operations – Whether the progress report has been submitted.
- Para 62 (74) Funding to PUSH from January 1999 to December 2000 – Whether the verification has been done.
- Para 63 (75) Funding from World Food Programme – Progress made on the issues raised.
- Para 66 (78) Non-Recovery of Loans Distributed to Women’s Clubs – Progress made on the recovery of the outstanding K4.16 million.
- Para 68 (80) Progress made on the issues raised.
- Para 69 (81) Accounting and Management of Hammer Mills Loan Project – Progress made on the issues raised.

- Para 70 (82) Hammer Mill Loan Recoveries – Progress made on the matters raised and clarification as regards the funds transferred to first Alliance Bank and the status of the Bank.
- Para 73 (85) Construction of Boundary Wall Fences at VIP Houses – Whether the verification has been done.
- Para 74 (86) Rehabilitation of National Assembly Motel Phase II – Whether a progress report on the court case and the administrative action taken and a report on the completion of the project has been done.
- Para 76 (88) Emergency Repairs to the Nalusanga gate to Kaoma stretch – Progress made on the matter.
- Para 83 (95) Mutanda-Kasempa Road – Whether the authority from the Secretary to the Treasury has been sought before affecting the proposed debt-swap.
- Para 102 (114) Chiengi-Kaputa Road – Progress as regards the recoveries from the contractor.
- Para 111 (123) Special Imprests – Whether the loss report has been prepared.
- Para 124(136) District Administrator’s Offices – Northern Province – Progress made on the matter.
- Para 127(139) District Administrator’s Account – Progress made on the issues raised.

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS  
COMMITTEE FOR THE FOURTH SESSION OF THE EIGHTH NATIONAL  
ASSEMBLY**

**Report of the Auditor-General on the accounts for the financial year ended  
31<sup>st</sup> December 1998.**

- Para 12(18) Weaknesses in the collection of revenue – Progress on the recovery of \$85,000.
- Para 12(20) Accounting and other irregularities – Progress made on the issues raised.
- Para 21(27) Accounting Irregularities – As regards progress made on the issues raised.
- Para 41(47) Misappropriation of funds, Co-operative College – Progress report on the Court case.
- Para 42(48) Lease of Masaiti Farmer Institute – Progress report on the K7,957,000 Deposited in the personal bank account.
- Para 43(49) Fraudulent accounting for salaries, wages, long service bonuses and other accounting irregularities – As regards progress made on the issues raised.
- Para 45(51) Accounting Irregularities – Progress made on the issues raised.

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIRST SESSION OF THE EIGHTH NATIONAL ASSEMBLY**

**Report of the Auditor-General on the accounts for the financial year ended 31<sup>st</sup> December 1997.**

Para 39(33) Irregularities in Accounting for Elections Funds-Regarding progress made on the matters raised.

Para 46(40) Accounting Irregularities-Progress on the items (d) & (e).

Para 48(42) Irregularities in the execution of the project - As regards progress made on the matters raised.

Para 50(44) Irregularities in Accounting and Maintenance of stores records-Progress made on the matter.

Para 54(48) Road Rehabilitation and maintenance - As regards progress made on the recoveries.

Para 55(49) Road Rehabilitation and Maintenance - Progress on item (e) (ii).

Para 56(50) Road rehabilitation and Maintenance - As regards progress made on the matter.

Para 58(52) Irregularities in the Management of Constituency Funds - As regards progress made on the matter.

Para 59(53) Irregularities in the Management of Chiefs' Subsidies and Kapasus' Wages – progress made on the matter.

- Para 62(56) Irregularities in the Management of the Chemical Revolving fund-Progress made on the issues raised.
- Para 64(58) Accounting and Stores Irregularities - As regards progress made on the matter.
- Para 65(59) Irregularities in the Administration of Public Welfare Assistance and Health Care-Progress made on the matter.
- Para 66(60) Purchase of Ndeke House-Progress made on the issues raised.
- Para 76(70) Accounting Irregularities - Progress made on (b), (d), (e) & (g).
- Para 77(71) Accounting irregularities - Progress made on the matter.
- Para 78(72) Purchase of school desks - Regarding progress made on the matter.
- Para 79(73) Distribution of Desks - As regards action taken on the matter.
- Para 80(74) Fraudulent Remittance of Funds abroad-Progress on the outcome of investigations on the fraudulent remittance of US\$412,750 to an individual's account in the United States of America.
- Para 81(75) Inadequate Control over Payment of Teachers' Allowance -As regards progress on the unclaimed wages.
- Para 82(76) Rehabilitation of primary and secondary schools - Progress made on the matter.
- Para 83(77) Irregularities in the payment of students' allowances - As regards progress made on the matter.

- Para 84(78) Misappropriation of funds-Progress made on the matter.
- Para 85(79) Accounting Irregularities-Progress made on the matter.
- Para 86(80) Irregularities in accounting for Teachers' salaries, stores, Foodstuffs and Boarding and other fees-Regarding progress made on the matter.
- Para 93(87) Construction of Gene Bank, Seed Store and Offices - As regards action taken against the Director of Buildings.
- Para 95(89) Failure to Account for Stores-Progress regarding K16, 655,835.
- Para 102(96) Weaknesses in control over Below-the-line accounts -Progress made on the matter.
- Para 103(97) Lack of control over special imprests-Regarding progress made on the matter.

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE SECOND SESSION OF THE EIGHTH NATIONAL ASSEMBLY**

**Report of the Auditor General on the accounts for the Financial year ended 31<sup>st</sup> December 1996.**

- Para 5(11) Failure to reconcile accounts - Whether a Progress Report on the matter has been prepared.

- Para 19(24) Revenue from Sale of State Owned Enterprises - As regards progress made on the matter.
- Para 21(26) Irregularities in Accounting for funds for elections - Action taken against the senior officer.
- Para 31 (36) Commodity Grant-As regards progress made on the issues.
- Para 32 (37) Delays in Repayment by the Traders who benefited from the mealie meal import facility - Action taken on the matter.
- Para 41(46) Non-Delivery of motor vehicles-As regards progress made on the matter.
- Para 42(47) Review of Operations of the National Trust Fund for the Disabled - As regards progress made on the matters.
- Para 46(51) Lack of Control over Youth Projects - As regards progress made on the matter.
- Para 56(60) Third Party Deposits-Lack of effective supervision over USAID Social Action Programme - As regards progress made on the matter.



**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE SECOND SESSION OF THE EIGHTH NATIONAL ASSEMBLY**

**Report of the Auditor General on the Accounts for the year ended 31<sup>st</sup> December 1995.**

- Para 17(25)            Accounting irregularities - Whether the quotations have been submitted and the funds sourced to undertake the repairs of the house in question.
- Para 19(27)            Accounting irregularities - Windhoek Mission-As regards measures taken to address the committee concerns such as funding of Defence attaches in the Missions under a single vote.
- Para 21(29)            Accounting irregularities-On progress regarding the recovery of R4,965.00 unaccounted receipt.
- Para 29(37)            Non-Repayment of loans, maize purchases-As regards progress made on the claims lodged with the liquidators.
- Para 30(38)            Management Programme, fertilizer purchases-Whether the Ministry of Agriculture, Food and Fisheries has submitted detailed information to the committee.
- Para 31(39)            Crop and Fertilizer marketing and Financing Revolving Fund - As regards progress made in recovering the outstanding debts.
- Para 32(40)            Irregularities in the transportation of maize - On whether the payment vouchers in amounts totaling K498,087,154 have been traced or the money recovered and the erring officers disciplined.

- Para 33(41) Weaknesses in Accounting for strategic maize reserves-Whether the undelivered maize queried has been recovered from the relevant companies and disciplinary action taken against the officers and money recovered from those who were involved in thefts.
- Para 37(45) Payment of compensation to an individual - Progress made on the matter.
- Para 44(52) Irregular Funding for Roads rehabilitation works, Lundazi and Chama District Councils - As regards progress made on the matters raised.
- Para 50(58) Irregularities in the maintenance of Bank Account - Progress made on the outstanding issues.
- Para 51(59) Accounting irregularities - On progress made on the issues raised.
- Para 52(60) Dag Hammarskjöld Stadium Reconstruction Fund-Progress made on the matter.
- Para 54(62) Accounting irregularities - Progress made to complete the repairs to Escape Fire steps.
- Para 55(63) Accounting irregularities - Progress on the construction works.
- Para 66(74) Third Party Deposits, Lack of effective supervision over USAID Social Action Funded Projects - As regards disciplinary action taken against the Provincial Commissioner of Works.

- Para 68(76) Third Party Deposits, irregularities in Accounting for Capital Projects Funds, Senga Hill Account - As regards progress made on the matter.
- Para 69(77) Weaknesses in control over the Below - The-Line-Accounts-Progress made on the issues raised.
- Para 70(78) Lack of Control over the use of Road Rehabilitation Funds - Progress on the recovery of the 259 pockets of cement.
- Para 71(79) Irregularities in the procurement, receipt, custody and issue of Foodstuffs and spare parts - Regarding disciplinary action taken against the senior officer who allowed a driver to deal with stores.

**TREASURY MINUTE ON THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR THE FIRST SESSION OF THE EIGHTH NATIONAL ASSEMBLY**

**Report of the Auditor-General on the accounts for the financial year ended 31<sup>st</sup> December 1994.**

- Para 6(17B) Revenue Collections without supporting finance receipts -Progress made to trace the missing receipts.
- Para 30(40) Inadequate maintenance of records over maize marketing – Progress made on the matter.
- Para 54 (64) Irregularities in the purchase and distribution of school mattresses – Whether the balance of K30,488,497 has since been recovered.

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