Republic of Zambia

OFFICE OF THE AUDITOR GENERAL

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF PARASTATAL BODIES AND OTHER STATUTORY INSTITUTIONS

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2021

REPUBLIC OF ZAMBIA

REPORT OF THE

AUDITOR GENERAL

ON THE

ACCOUNTS OF PARASTATAL BODIES

AND OTHER STATUTORY INSTITUTIONS

FOR THE

FINANCIAL YEAR ENDED

31ST DECEMBER 2021

OFFICE OF THE AUDITOR GENERAL

VISION: A dynamic audit institution that promotes transparency, accountability and prudent management of public resources.

MISSION: To independently and objectively provide quality auditing services in order to assure our stakeholders that public resources are being used for national development and wellbeing of citizens.

CORE VALUES:
Integrity
Professionalism
Objectivity
Teamwork
Confidentiality
Excellence
Innovation
Respect

PREFACE

The audit of selected Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2021 was conducted in accordance with the Provisions of Article 250 of the Constitution of Zambia (Amendment) Act No. 2 of 2016, the Public Audit Act No. 13 of 1994, the Public Finance Act No. 15 of 2004, the Public Finance Management Act No. 1 of 2018 and International Standards for Supreme Audit Institutions (ISSAIs).

This report highlights matters concerning the management and financial performance of selected Parastatal Bodies and Other Statutory Institutions. These matters include weaknesses in corporate governance, failure to prepare and have accounts audited, poor management of loans, pension funds and contracts, and failings in internal control systems.

It is my sincere belief that, those charged with the responsibility of oversight and managing public resources will take appropriate action to address the matters brought to their attention in this report.

Dr. Dick Chellah Sichembe

AUDITOR GENERAL

Table of Contents

EXECUTIVE SUMMARY

This Report has been produced in accordance with Article 250 of the Constitution of Zambia (Amendment) Act No. 2 of 2016, Public Audit Act No. 13 of 1994 and Public Finance Management Act No.1 of 2018.

During the audit process, there were various levels at which the Office interacted and communicated with Controlling Officers whose accounts were audited. The purpose of this interaction was to provide an opportunity for the Controlling Officers to clarify and take corrective action on the findings of the audits.

The audit findings mentioned in this Report are those which were not resolved during the audit of accounts for the financial year ended 31st December 2021 and outstanding matters as reported in the Treasury Minute (Action Taken Report) for the period 2012 to 2019 from the Ministry of Finance.

In addition, the Report contains audit recommendations which are aimed at addressing various findings observed during the audit process.

Some of the findings raised in this Report are:

1. CITIZENS ECONOMIC EMPOWERMENT COMMISSION

i. Failure to Prepare Annual Reports

As at 30th September 2022, management had not prepared the Annual Reports for the financial years ended 31st December 2019, 2020 and 2021 contrary to Section 9 of the Citizens Economic Empowerment Act No. 9 of 2006.

ii. Economic Empowerment Programmes Non-Performing Loans

CEEC had non-performing loans amounting to K283,198,665 as at 30th September 2022. The loans had been outstanding from as far back as 2008.

In addition, the Commission also disbursed a total of K98,953,919 under the Aquaculture Seed Fund to 533 projects of which a total of K34,670,156.78 was due for repayment to the Commission between 30th June 2020 and 31st December 2021. However, only K4,378,497 had been received by the Commission as at 31st December 2021 leaving a balance of K30,409,778 which was still outstanding as at 30th September 2022.

iii. Failure to Fully Disburse Approved Loans

Between 6th May 2020 and 20th April 2021, the Board of the Commissioners approved a total of 380 loans amounting to K55,237,536 out of which amounts totalling K15,415,411 (project finance - K10,363,860 and other fees K5,051,551) had been disbursed.

However, as at 30th September 2022, the balance of K39,822,126 had not been disbursed.

2. DEVELOPMENT BANK OF ZAMBIA

a. Failure To Disburse Loans

The Development Bank of Zambia did not disbursed any loans from 2018 to June 2022. In addition, the bank had outstanding partially disbursed loans in amounts totalling K160,924,985 and US$7,542, 894.18 which had been due for disbursements for periods over 5 years.

b. Non- Performing Loans

The Bank had fifty six (56) clients with non-performing loans in amounts totalling K1,142,392,674 some of which had been outstanding from as far back as 2018.

3. ELECTORAL COMMISSION OF ZAMBIA - Weaknesses in Procurement of Goods and Services

During the period under review, the Commission signed several contracts for procurement of various goods, works and services in amounts totalling US$26,850,810 which had shortcomings in complying with the Public Procurement Act and Procurement Regulations as follows:

a. Failure to sign contracts

b. Delay of procurement process
c. Failure to charge liquidated damages
d. Failure to obtain performance securities
e. Issuance of purchase orders, invoices, and delivery of goods before signing of contracts
f. Failure to obtain contracts clearance from attorney general
g. Delayed delivery of procured goods

4. EVELYN HONE COLLEGE OF APPLIED ARTS AND COMMERCE - Failure to Prepare Financial Statements

Contrary to the TEVET Act No. 13 of 1998, management had not prepared the Financial Statements for the financial years ended 31st December 2019, 2020 and 2021 as at 30th September 2022.

5. THE FOOD RESERVE AGENCY

a. Failure to Collect Revenue from Government Institutions

During the period from 2019 to 2021, the Agency sold 281,710.88 metric tonnes (MT) of maize to Ministry of General Education (MOGE) and the Disaster Mitigation Management Unit (DMMU). However, the Institutions owed the Agency amounts totalling K516,444,371 which had been outstanding for periods ranging between six (6) months and five (5) years.

b. Failure to Uplift Issued Loading Orders

In 2019 and 2020, the Agency planned and issued loading orders to various transporters to haul 534,586 MT of maize from Agency's depots to sheds for storage.

However, as at 31st May 2022, a total of 285,956.03MT had not been transported twenty four (24) months after the orders were issued. Consequently, this may lead to failure to secure national strategic reserves and maize may go to waste.

6. THE JUDICIARY

a. Delay in Delivery of Justice

There were 2,830 court cases at various stages which had delayed to be concluded for periods ranging from one (1) to thirty (30) years. Some of the cases commenced as far back as 1992.

b. Unaccounted for Exhibits - Muchinga Province

Thirty eight (38) exhibits such as assorted guns, ivory and ammunition cartilages at Nakonde Subordinate Court were unaccounted for in that they were not found in the exhibit room where they were designated to be kept. In addition, there were no handover certificates to indicate that the exhibit were handed over to the responsible institutions as at 30th September 2022.

7. MUKUBA UNIVERSITY

a. Operating Without a Council

As at 30th September 2022, The University had no Council in place which was ten (10) months after the expiry of the tenure for the Caretaker Council in November 2021.

b. Failure to Prepare Annual Reports

Contrary to Section 12 of the Higher Education Act No.4 of 2013, the University had not prepared the Annual Reports for the financial years ended 31st December 2019, 2020 and 2021 as at 30th September 2022.

c. Failure to Maintain expenditure Ledgers

The university did not maintain expenditure ledgers during the period under review.

8. THE NATIONAL HERITAGE CONSERVATION COMMISSION (NHCC)

a. Lack of Board of Directors

The Commission operated without the board of directors for a period of three (3) years starting 7th September 2019. As at 30th September 2022, the board had not been appointed.

b. Failure to Prepare Annual Reports

The Commission had not prepared the Annual Reports for the financial years ended 31st December 2019, 2020 and 2021 as at 30th September 2022.

c. Failure to Conserve Heritage Sites

A review of the register revealed that there were 4,034 heritage sites in the country However, as at 30th September 2022, a total of twenty one (21) sites, some of which were brought to the attention of the Commission from as far back as 1978, listed in the register had not been verified by the Commission as heritage sites.

9. NATIONAL PENSION SCHEME AUTHORITY

a. Financial Performance

i. The provision for bad debts increased by K27,497,727 from K2,463,334 in 2020 to K29,961,061 in 2021 due to failure to collect rental income.

ii. In 2021, there was a net exchange loss of K1,068,354,041 compared to a net exchange gain of K334,868,648 in 2020. This arose from translation of monetary assets and liabilities quoted in foreign currencies and US Dollar denominated bank accounts balances for the Authority.

iii. The contributions receivables increased by K255,067,425 from K452,145,190 in 2020 to K707,212,615 in 2021 due to non-collection of contributions from members.

iv. Other receivables increased by K138,067,023 from K353,342,444 in 2020 to K491,409,467 in 2021. This was attributed to non-collection of rentals, outstanding Value Added Tax (VAT) refunds and dividends among others.

b. Shared National Identity Numbers

An NRC is a national identity which identifies nationals uniquely by a number and this is essential for identification of members of the Authority. An analysis of the members' master database revealed that 83,343 members shared 39,730 NRC Numbers on the database.

c. Duplicate Membership

A member at NAPSA is identified using the Social Security Number which is system sequentially generated. An analysis of the member master database conducted in June

2022 revealed that 1,655 members had more than one record on the system ranging from two (2) to six (6) records.

In this regard, the members had multiple social security numbers as a consequence of duplicate records. As such, the integrity of the data was impaired.

10. PUBLIC SERVICE PENSIONS FUND

a. Deteriorating Actuarial Position

A review of the Actuarial Report for the year ended 31st December 2020, revealed that the position of the Fund has deteriorated from a deficit of K46,176,000,000 as at 31st December 2017 to a deficit of K52,466,000,000 as at 31st December 2020. The actuarial present value of promised retirement benefits.

b. Failure to Recover Outstanding Loans

The PSPF failed to recover loans from 462 clients in amounts totalling K24,406,861.85 which had been overdue for periods ranging from four (4) months to sixty eighty (68) months.

11. THE TANZANIA ZAMBIA RAILWAY AUTHORITY

a. Financial performance

i. Poor Working Capital

The working capital of the Authority had deteriorated from negative to K521 million in 2019 to negative K1,163 million in 2021. Consequently, the Authority paid staff salaries mainly from government grants and failed to meet its statutory obligations which had increased from K435 million in 2019 to K801 million in 2021.

ii. Accumulated Losses

The Authority had accumulated losses of K4,471 million as at 30th June 2021 which increased from K2,132 million in 2019. The recurrent losses incurred by the Authority may result in the accumulated deficit wiping out the equity base.

b. Inadequate Locomotives and Coaches

As at 31st July 2022, TAZARA had thirty eight (38) serviceable locomotives out of which twelve (12) were operational against management's target of nineteen (19) locomotives.

In addition, the Authority had a fleet of 144 coaches out of which only fifty four (54) were operational for use during the period under review. This was mainly attributed to lack of capitalisation and consequently, this affected the ability of the Authority to operate as planned.

c. Failure to Secure Title Deeds

The Authority had forty one (41) properties along the line of rail without title deeds out of which five (5) in Serenje, Mkushi, Chandaweyaya, Kasama and Nakonde had been encroached on.

12. THE UNIVERSITY OF ZAMBIA

a. Lack of a Full Council

The University had been operating without a Council for over seven years and the Minister of Higher Education had still not appointed a full Council for the University as at 31st July 2022. The University last had a substantive (Full) Council in 2015 whose mandate came to an end on 7th May 2015.

b. Failure to Prepare Financial Statements

The University had failed to prepare financial statements for the financial years ended 31st December 2019, 2020 and 2021 as at 31st July 2022.

c. Failure to Pay Retirees Terminal Benefits

During the period from 2019 to 2021, University staff totalling 284 retired. However, the University failed to pay off the retired employees their terminal benefits in amounts totalling K653,000,000. As a result, UNZA had retained the employees on the payroll and incurred wage bills in relation to the retirees in amounts totalling K115,128,809 from January 2019 to December 2021.

13. ZAMBIA FORESTRY AND FOREST INDUSTRIES CORPORATION LIMITED

a. Failure to Adhere to the Annual Allowable Cut (Felling Plan)

A review of the Felling Plans and Annual Reports for the period under review revealed that the Corporation had continued to exceed the Annual Allowable Cut (AAC) in that while the annual allowable cut during the period under review was 467,000 m^3 - (430,000 m^3 of pine and 37,000 m^3 of eucalyptus), the total forest harvested was 488,406 m^3 resulting in excess Annual Allowable Cut of 21,406 m^3.

b. Failure to Secure Title Deeds

The Corporation did not secure title deeds for nine (9) parcels of land with a total 61,856 hectares for plantations in Ndola, Ichimpe, Lamba, Chati, Nakonde, Lupososhi, Mfumu, Kalumbila and Mushindamo.

14. ZAMBIA MEDICINES AND MEDICAL SUPPLIES AGENCY

a. Failure to Prepare Financial Statements

As at 30th September 2022, there were no signed audited financial statements for the years ended 31st December 2019, 2020 and 2021.

b. Failure to Claim Liquidated Damages –Undelivered Medicines

Various medicines and medical products costing K168,933,249 had not been delivered to ZAMMSA as at 30th September 2022. Further, the Agency had not claimed liquidated damages amounting to K16,893,325 for deliveries that had delayed for period of nine (9) months.

c. Failure to Dispose of Expired Medicines and Medical Supplies

Various medicines and medical supplies costing K5,466,385 which expired in the years 2020 and 2021 at three (3) stations had not been disposed of as at 30th September 2022 and were still quarantined in warehouses.

d. Irregularities in the Distributions of Medicines and Medical Supplies

i. Undelivered Medicines

During the period from January 2020 to December 2021, medicines and medical supplies costing K332,134 had not been received by several health facilities although records at ZAMMSA indicated that the items had been dispatched and delivered.

ii. Medicines Supplied but Not Ordered

During the period under review, medicines costing K1,695,860 were dispatched from ZAMMSA Headquarters without orders from health facilities.

iii. Rejected Drugs

A review of stock records for various health facilities revealed that various quantities of medicines and medical supplies costing K7,331,176 dispatched by ZAMMSA during the period from November 2018 to December 2021 to the health facilities were rejected due to the products having short expiry periods, over supply and being damaged.

15. ZAMBIA NATIONAL BUILDING SOCIETY

a. Reduced Profitability

The Society recorded a reduced profit of K107,071,000 from K223,384,000 in the financial year ended 31st March 2021 to K116,313,000 in the financial year ended 31st March 2022.

b. High Cost to Income Ratio

The Society's Cost to Income Ratios for the financial years ended 31st March 2021 and 2022 was set at 53% and 60% respectively as per the Corporate Strategic Plan (CSP). However, the Society had a Cost to Income Ratios of 85% and 78% in 2021 and 2022 respectively which were higher than the set targets.

The high Cost to Income Ratio was attributed to high staff costs which were 63% and 60% of operating costs for 2021 and 2022, respectively.

c. **Mortgages without Collateral**

ZNBS had twenty eight (28) mortgages valued at K10,872,309 that did not have collateral.

d. **Loan Repayment Period Exceeding Eighty Four (84) Months**

A review of records revealed that there were 307 unsecured loans in amounts totalling K12,138,587 which had loan repayment periods exceeding eight four (84) months.

e. **Mortgage Above 25 years**

115 mortgage loans in amounts totalling K24,313,736 had maximum tenures ranging from twenty six (26) to fifty (50) years contrary to the Board's resolution to limit the loan tenure to 25 years.

f. **Non-performing Mortgage Loans**

There were fifty two (52) mortgage loans in amounts totalling K7,450,645 that were secured with residential title deeds that were non-performing for periods ranging from two (2) to thirteen (13) years. Further, the non-performing loans were not foreclosed as at 31st October 2022.

16. ZAMBIA POSTAL SERVICES CORPORATION

a. **Failure to Prepare Annual Report**

Contrary to Section 14 of the Postal Services Act No. 22 of 2009 the Act, as at 30th September 2022, management had not prepared the Annual Reports for the financial years ended 31st March 2021 and 2022.

Further, the Corporation and its subsidiaries namely; Postbus Company Limited and ZAMPOST Travel and Tours Limited, did not have audited financial statements for the financial years ended 31st March 2021 and 2022.

b. **Failure to Collect Post Box Rentals**

A review of financial records revealed that the Corporation had outstanding post box rentals in amounts totalling K83,796,792 as at 30th September 2022.

c. Failure to Collect Revenue from Rented Properties

A review of financial records revealed that the Corporation had uncollected rentals in amounts totalling K5,856,605 as at 31st August 2022.

d. Failure to Collect Commission Earned

A review of the financial records revealed that the Corporation had not collected earned commissions in amounts totalling K7,074,870 from the Road Transport and Safety Agency, as at 30th September 2022.

e. Lack of Title Deeds

The Corporation had 253 properties with a Net Book Value of K91,472,552 out of which only eight (8) had title deeds leaving a balance of 245 properties without title deeds as at 30th September 2022.

17. ZAMBIA TELECOMMUNICATION CORPORATION LIMITED

a. Profitability – Operating profit Margin

An analysis of the Earnings Before Interest Tax Depreciation and Amortization (EBITDA) margin for the period under review revealed declining margins which were also below set targets.

b. Reduction in Gross Profit Margin

An analysis of the gross profit margins for the period under review revealed declining margins. The company's gross profit though improved from 4% in 2019 to 27% in 2021, it was below the target set by IDC of 64%, 72% and 77.44% respectively.

c. Inadequate Information Technology Infrastructure

ZAMTEL had inadequate information technology infrastructure in that the company did not have eight (8) critical systems/applications which are essential in the management of various business process (Customer Relationship Management, Customer Value Management, Data Ware House, Fraud Management System, Revenue Assurance System and Point of Sale System).

d. Failure to Collect Revenue

A review of the financial statements the year ended 31st December 2021, revealed that ZAMTEL had receivables of K514,341,210 (Public Switched Telephone Network - K479,721,296 and Global System for Mobile Network - K34,619,914 for services consumed by customers). In addition, receivables totalling K9,901,192 that were attributable to seventy eight (78) distributors had been outstanding for periods from January 2012 to November 2020. As at 31st October 2022, the amounts remained

18. ZAMBIA CONSOLIDATED COPPER MINES INVESTMENTS HOLDINGS

a. Weaknesses in Investee Companies

ZCCM-IH had investments in twenty four (24) companies with a total net asset value of K63,989,866,000 as at 31st December 2021 out of which K31,567,675,000 was ZCCM-IH's share.

A review of accounting and other related records revealed the following:

i. Performance of Subsidiaries – Failure to Declare Dividends by Investee Companies

Out of the twenty four (24) investee companies, ZCCM-IH only received dividends in amounts totalling K1,287,871,000 from three (3) companies during the period from January 2019 to 31st December 2021 representing an average return of 2.1% on Share of Net Assets.

ii. Questionable Purchase Price for Mushe Milling Limited

ZCCM-IH purchased 100% equity interest in Mushe Milling at a consideration of K17,700,000 and an Earn Out Instrument for a period of five (5) years. It was questionable why ZCCM-IH paid K17,700,000 plus Earn Out Instrument Income for five (5) years which was above the estimated value of K700,000.

b. Questionable Payments - Winding-up of Ndola Lime Company and Subsequent Formation of Limestone Resources Limited

A review of a Court Order dated 2nd September 2019 revealed that the agreed scheme of arrangements for settlement of outstanding amounts to creditors amounted to K110,396,116.

However, the Liquidator adjusted the Scheme of Arrangement settlement amount by K82,328,954 bringing the total liability on the transfer of assets from Ndola Lime Company to Limestone Resources Limited to K192,725,070 which was transferred to a legal company between 2019 and 2021.

c. Non-Performing Shareholder or Related Party

As at 31st December 2021, ZCCM-IH had gross loan amounts totalling K2,158,603,000 to investee companies. However, amounts totalling K1,448,004,000 in respect of 8 investee companies were impaired due to non-performance leaving a carrying amount of K710,599,000.

In this regard, as at 31st December 2021, funds in amounts totalling K1,448,004,000 were tied up in non-performing loans.

19. ZESCO LIMITED

a. Financial Performance-Gearing (Debt Equity Ratio)

A review of the Financial Position revealed that the Corporation was highly geared in that the ratio was 455% in 2020 and 188% in 2021 which was above the benchmark of 70%.

b. Failure to Achieve Key Performance Indicators (KPIs)

A review of the Energy Sector Report for 2020 issued by ERB revealed that ZESCO Limited did not meet the targets on a number of KPIs and had an overall score of 35% in 2020. In particular, ZESCO Limited under performed in new customer connections, financial performance, efficiency, system losses, quality of services, safety and customer service.

c. Poor Contract Management

During the period under review, ZESCO signed several contracts for procurement of various goods, works and services which had shortcomings such as uncompetitive procurement (US$18,500,199.71), failure to complete works (US$5,842,749.62), failure to extend contract (US$1,227,677), and lack of performance security (K2,943,744).

d. Irregularities In the Administration of Billing

The following were observed:

i. Irregular Use of the Social Tariff Structure

A review of pre-paid tariff charges for the period under review revealed that sixty four (64) customers (40 in 2020 and 24 in 2021) who owned properties such as residential houses, offices and taverns were charged on the social tariff structure, resulting in an under charge of K498,383 (K196,153 in 2020 and K302,230 in 2021).

ii. Failure to Revise Staff Tariff

It was observed that management had not acted on the directive from ERB to revise conditions for tariffs to staff. In this regard, ZESCO Limited was still granting employees units up to 700 units per month in excess of the ERB directive resulting in loss of revenue totalling K81,043,795 during the period under review.

PART I

PREAMBLE

1 INTRODUCTION

The roles and responsibilities of the Auditor General as regards the management of public resources, reporting and accountability are as contained in the Constitution of Zambia (Amendment) Act No. 2 of 2016, the Public Finance Act No. 15 of 2004, Public Finance Management Act No. 1 of 2018, the Public Audit Act No. 13 of 1994 and International Standards for Supreme Audit Institutions (ISSAIs).

The Report on the Accounts of Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2021 contains paragraphs on twenty four (24) Parastatal Bodies and Other Statutory Institutions that were audited, but the issues remained unresolved at the time of publication.

The Report also includes findings from the audits of Information and Communication Technology (ICT) Systems that some organisations have implemented in order to improve on the efficiency and effectiveness of service delivery.

In preparing this Report, Controlling Officers and Chief Executive Officers of the affected institutions were availed draft paragraphs for comments and confirmations of the correctness of the facts presented. Where management comments were received and varied materially with the draft paragraphs presented, amendments were made accordingly.

2 SCOPE AND METHODOLOGY

This Report is as a result of audits of selected Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2021. Although the Report is for the financial year ended 31st December 2021, it includes audits covering the financial years 2018, 2020 and 2021 for institutions that had not been audited for those years.

The audits covered in this report are in two (2) categories:

i. Institutions whose Financial Statements are audited and certified by the Auditor General. See Appendix 1.

ii. Institutions whose Financial Statements are audited and certified by private auditors in line with appropriate pieces of legislation and are reviewed by the Auditor General. It is necessary that such accounts are reviewed, and the result of such reviews are reported by the Auditor General in compliance with relevant legislation. See Appendix 2.

The report is as a result of programmes of test checks, inspection and examination of financial, procurement, projects and other records maintained by public officers entrusted with handling public resources. The audit programmes were designed to give reasonable assurance of financial management in the audited institutions.

3 INTERNAL CONTROL

In this Report, specific mention is made of non-preparation of financial statements, non-adherence to procurement procedures, wasteful expenditure and poor financial performance among other issues by the respective institutions. These are clear indicators of internal control weaknesses in the Institutions audited.

PART II

PARAGRAPHS

4 CITIZENS ECONOMIC EMPOWERMENT COMMISSION

4.1 Background

a. Establishment

The Citizens Economic Empowerment Commission (CEEC) was established under the Citizens Economic Empowerment Act No. 9 of 2006 and (Amendment) Act No. 5 of 2021. The Commission became operational in 2007 and falls under the Ministry of Small and Medium Enterprises Development (MSMED).

The Commission's core functions as provided for in the Act are as follows:

i Promote and facilitate investment;

ii Regulate and facilitate the development of multi-facility economic zones, industrial parks and monitor their performance;

iii Oversee the privatisation programme;

iv Promote and facilitate the development of micro and small business enterprises;

v Increase Zambia's capacity to trade;

vi Undertake economic and sector studies and give advice to the Minister;

vii Encourage public to public, private to private and private to public dialogue; and

viii Establish a database of facilities and promote accessibility to industry.

b. Governance

The Citizens Economic Empowerment (Amendment) Act No. 5 of 2021 provides that the Commission should consist of the following part time Commissioners who are appointed by the President.

i. Chairperson;

ii. a representative of the Ministry responsible for Labour and Social Security;

iii. a representative of the Attorney – General;

iv. One (1) person representing the youth;

v. Two (2) persons representing the private sector and civil society organisations;

vi. Three (3) persons representing the university community, central statistical office and trade unions, respectively; and

vii. One (1) person representing the disabled;

The Chief Executive Officer is an ex-officio member of the Board. A member of the Board should hold office for a term of not more than three (3) years.

c. Management

The Citizen Economic Empowerment Commission is headed by the Director General who is the Chief Executive Officer and is assisted by five (5) Directors responsible for Credit Control and Risk Management, Business Development, Corporate Services, Legal Services, Finance and Administration.

The management team is appointed by the Board on three (3) year renewable contracts.

d. Sources of Funds

The Act stipulates that the funds of the Commission should consist of such Commission moneys as may;

- be appropriated by parliament for the purposes of the Commission;
- be paid to the Commission by way of fees, grants or donations; and
- vest in or accrue to the Commission.

In addition, the Commission may, subject to the approval of the Minister accept moneys by way of grants or donations from any source and raise by way of loans or otherwise such moneys as it may require for the discharge of its functions.

e. Information and Communication Technology Systems

During the period under review, the Commission operated the following Information and Communication Technology (ICT) Systems:

i. Pastel Evolution (Sage Evolution) used in financial management;

ii. Swift Payroll used to manage the payroll;

iii. Loan Management System (Microsoft Dynamics Navision 2015) used to manage loan disbursements;

iv. Exchange Server 2013 used for corporate emails; and

v. Active Directory (Microsoft Server 2012) used as a domain controller.

4.2 Audit Findings

A review of the accounting and other related records maintained by CEEC for the period under review revealed the following:

a. Management

i. Strategic Planning – Lack of Performance Indicators and Targets

A review of the Commissions Strategic plan for the period 2017 to 2021 revealed that, although the objectives and strategies were clearly defined, no performance indicators and targets were set. It was therefore not clear how the Commission would assess the effectiveness of its overall performance in meeting the indicated objectives and strategies during the period in question.

ii. Failure to Prepare Annual Reports

Section 9 of the Citizens Economic Empowerment Act No. 9 of 2006 states that,

"(1) As soon as is practicable, but not later than ninety days after the end of the financial year, the commission shall submit to the Minister a report concerning its activities during the financial year.

(2) The report referred to in subsection (1) shall include information on the financial affairs of the Commission and there shall be appended to the report

- an audited balance sheet;
- an audited statement of income and expenditure; and
- such other information as the Minister may require.

(3) The Minister shall, not later than seven days after the first sitting of the National Assembly next after receipt of the report referred to in subsection (1), lay the report before the National Assembly."

Contrary to the Act, as at 30th September 2022 management had not prepared the Annual Reports for the financial years ended 31st December 2019, 2020 and 2021.

b. Budget and Income - Failure to Achieve Budget Income Levels

The Commission budgeted to receive K58,200,625 during the financial years ended 31st December 2019, 2020 and 2021 from the Treasury and empowerment loan activities against which K7,074,866 was generated resulting in a negative variance of K51,125,759. See table 2 below.

Table 1: Failure to Achieve Budget Income Levels

No.	Income from Empowerment Funds	2021 Budget K	2021 Actual K	Variance K
1	Treasury Appropriation	41,042,625	-	(41,042,625)
2	Empowerment Loan Recoveries	17,158,000	7,074,866	10,083,134
	Total	**58,200,625**	**7,074,866**	**(51,125,759)**

c. Information and Communication Technology

i. Lack of an ICT Steering Committee

CoBIT PO4.3 stipulates that an IT Steering Committee (or equivalent) composed of executive, business and IT management should be established to:

- Determine prioritisation of IT enabled investment programmes in line with the enterprise's business strategy and priorities.
- Track status of IT projects and resolve resource conflict.
- Monitor service levels and service improvements.

During the period under review, CEEC acquired and implemented ICT activities and systems without constituting an IT Steering Committee or its equivalent to oversee the ICT projects and activities.

ii. Lack of an Approved Information Security Policy

An Information security policy outlines all of the policies, procedures, plans, processes, practices, roles, responsibilities, resources and structures that are used to protect and preserve information. The policy should be approved by management, be published and communicated to all employees and relevant external parties.

Further, ISO/IEC 27001:2013 A.5 Security Policy, provides that the objective of an information security policy is to provide management direction and support for information security in accordance with business requirements and relevant laws and regulations.

However, CEEC had a draft information security policy which was formulated in September 2014 and as at 30th September 2022, the policy had not been approved by the Board of Directors.

In the absence of an approved policy, the basis upon which the corporation was making ICT security decisions could not be ascertained.

iii. Lack of a Patch Management Policy

A patch is a security update that is designed to fix vulnerability in an application or software. Patch management is a strategy and process used to determine what patch should be applied to which application or software and when.

ISO/IEC 27001:2005 A12.5.3 Restrictions on Changes to Software Packages, stipulates that modification to software packages should be discouraged and only limited to necessary changes and all changes should be strictly controlled.

However, CEEC did not have a policy on administering patches on the system.

d. Operational Matters

During the period under review, the Commission disbursed amounts totalling K10,839,395 to twenty seven (27) empowerment beneficiaries for projects such as wood processing, cassava processing and auto panel beating.

The following were observed:

i. Economic Empowerment Programmes Non-Performing Loans

Section 8.0 of the CEEC Credit Manual states that, "In order to manage credit risk effectively, it is the Commission's policy that officers and staff follow closely the ongoing activities and operations of all clients, anticipating the impact that economic and market events might have on the businesses being financed."

Further, the CEEC Credit Policy stipulates that The Credit Officer should monitor client loan repayments on a monthly basis.

A review of the Credit Report schedule (Master List) revealed that CEEC had non-performing loans amounting to K283,198,666 as at 30th September 2022. Some of the loans had been outstanding from as far back as 2008.

ii. Failure to Recover Loan Arrears

Part 11 of the Credit Manual on Recovery stipulates that the Commission should follow the following steps in recovering loans that are overdue:

- A Letter of Demand should be used to remind the client on the outstanding loan repayment within 30 days of being overdue;
- Credit Reference Bureau - To ensure that the loan data on all clients is registered with the Credit Reference Bureau by the 10th of the following month as a credit risk mitigation undertaking;
- External Debt Collector - The Commission may engage external Debt Collectors to recover loans outstanding as may be guided by the Management Credit Committee; and
- Litigation - The Commission should refer all delinquent clients where both internal and external means of recovering the outstanding loan balances have failed to the litigation process. The Commission may use either in-house or external lawyers to undertake this exercise.

A review of loan documentation in respect of various loan beneficiaries revealed the following:

- **Aquaculture Seed Fund - Loan Arrears**

  The Commission entered into an agreement with the Zambia Aquaculture Enterprise Development Project as an implementing partner. The scope of the assignment included the following:

  - Applicant Processing: Receipt and processing of applications for business loans along the Aquaculture Value Chain for the client. This would also include undertaking legal, commercial, financial and operational due diligence assurances;

- Risk management and disbursement of approved loans;
- Recovery of all disbursed business loans to assure a sustainable revolving fund;
- Provision of business development services to targeted beneficiaries;
- Provision of advisory services on the financing mechanisms, interest rates and growing of the fund; and
- Mobilisation and coordination of various technical partners that may be required for the successful accomplishment of the above.

A review of the loan statements under Aquaculture Seed Fund revealed that out of a total of K98,953,919 disbursed to 533 projects, only amounts totalling K4,378,497 had been received by the Commission leaving a balance of K30,409,778 uncollected as at 31st December 2021. The Commission was due to collect amounts totalling K34,670,157 between 30th June 2020 and 31st December 2021.

However, only K4,378,497 had been received by the Commission as at 31st December 2021 leaving a balance of K30,409,778 which was still outstanding as at 30th September 2022.

Further, Paragraph 6.5.2 of the CEEC Credit Policy specifies procedures to be taken by the Commission to deal with delayed loan installment payments by the loan beneficiaries.

However, a review of loan beneficiary files and other documentation revealed that there was no evidence of the Commission having taken such procedures to recover the loan arrears.

- **Failure to Fully Disburse Approved Loans**

Between 6th May 2020 and 20th April 2021, the Board of the Commissioners approved a total of 380 loans amounting to K55,237,536 out of which amounts totalling K15,415,411 (project finance - K10,363,860 and other fees K5,051,551) had been disbursed.

However, as at 30th September 2022, the balance of K39,822,125 had not been disbursed.

- **Loan Arrears - Mumbwa Famers Ginning and Pressing Company Limited**

  On 24th May 2016, CEEC (The Lender) entered into a triangular agreement with Mumbwa Famers Ginning and Pressing Company limited (The Borrower) and Excel Textile Mills of Zambia (The Buyer) for the purposes of consigning payments for cotton lint from the buyer to the Lender.

  Mumbwa Farmers Ginning and Pressing Company (MFGPC) Limited obtained a trade finance loan from CEEC amounting to K8,005,856 to purchase unknown metric tons of seed cotton from small scale farmers in the 2015/2016 farming seasons.

  An examination of MFGPC Limited customer statements revealed that on 30th October 2016, the Commission disbursed a Trade Finance Loan amounting to K4,217,760 and a Project Finance Loan amounting to K8,005,856 which expired on 30th April 2017 and 30th October 2021 respectively.

  However as at 30th September 2022, the company still had outstanding balances on the loans amounting to K823,531 in respect of the Trade Financing Loan. It was further observed that the Project Financing Loan of K8,005,856 had increased to K9,938,563 and no evidence was availed to indicate any action taken by CEEC to recover the amounts outstanding.

- **Failure to Sale Repossessed Properties**

  Paragraph 6.5.3.3 of the credit policy manual states that, "The Commission shall advertise for sale the repossessed properties after fourteen (14) days of the repossession in order to recover the outstanding loan amounts, legal fees, Sheriff's fees and any other incidental costs like security."

A review of the list of properties repossessed between 2015 and 2018 in respect of thirteen (13) projects with a total loan value of K14,680,702 revealed that the properties had a sale value of K8,349,700.

However, as at 30th September 2022, the properties had not been sold, over five (5) years after repossessions.

In addition, management had not provided a list of repossessed properties after 2018.

- **Irregular Payments from Empowerment Fund**

Section 29 (1) of the Citizen's Economic Empowerment Act No. 6 of 2006 states that, "There is hereby established the Citizen's Economic Empowerment Fund for supporting the development of broad-based economic empowerment programmes."

Contrary to the Act, a review of records revealed that in 2020, the Commission spent amounts totalling K2,028,311 on activities not related to the economic empowerment programmes such as legal fees, Security and Board meetings. See table 3 below.

Table 2: Irregular Payments from Empowerment Fund

No.	Description	Amount K
1	Security expenses	244,491
2	Audit fees	486,664
3	Legal fees	973,835
4	Board Meetings	4,800
5	Board Meetings	31,036
6	Imprest	78,108
7	Salaries	209,378
	Total	**2,028,311**

e. Accounting Irregularities - Failure to Remit Statutory Obligations

Income Tax Act Chapter 323 of the Laws of Zambia stipulates that Pay As You Earn (PAYE) must be deducted and remitted by the employers to Zambia Revenue Authority by the 14th day of the month following the month in which the deduction was made.

Further, Section 14 of the National Pension Scheme Act No. 40 of 1996 states that,

"(i) a contributing employer shall pay to the scheme a contribution in respect of an employee in his employment consisting of employers contribution and the employees contribution at the prescribed percentage. (ii) The contributing employer shall be entitled to recover from his employee who is a member of the scheme the amount of the employers contribution by deductions from his earnings to which the contribution relates."

Contrary to the above provisions, the Commission had not remitted PAYE (K4,959,114) and NAPSA contributions (K960,741) deducted from employees as at 31st December 2021 with part of the NAPSA contribution being outstanding from as far back as November 2015.

4.3 Skills Development and Entrepreneurship Project Supporting Women and Youth (SDEP-SWY)

On 29th March 2016, the Government of the Republic of Zambia signed a Loan Agreement with the Africa Development Bank (AfDB) for US$30,000,000 to implement the Skills Development and Entrepreneurship Project Supporting Women and Youth (SDEP-SWY).

The Zambia SDEP-SWY's goal was to contribute to job creation, promotion of gender equality and poverty reduction in Zambia and was to be achieved mainly through enhancement of skills and entrepreneurship among women and youth. Specifically, the project aimed to;

i. increase Micro Small and Medium Enterprises (MSMEs) productivity & competitiveness by enhancing their access to infrastructure, entrepreneurship education as well as business skills, and

ii. increase income of rural smallholder farmer cooperatives and enterprises in the Cassava Value Chain through productivity enhancement and market commercialization.

The project was composed of three (3) components as follows:

i. **Components 1: Industrial Clusters**

Construction of ten (10) Industrial Clusters in seven (7) provinces as shown in the table 7 below.

Table 7: Industrial Cluster

No.	Province	District	No. of Clusters
1	Lusaka	Lusaka	3
2	Copperbelt	Ndola	2
3	Luapula	Mansa	1
4	Northern	Kasama	1
5	Northwestern	Solwezi	1
6	Eastern	Chipata	1
7	Western	Mongu	1
		Total	10

The clusters comprised primarily factory shells providing business space for light manufacturing and agribusiness MSMEs, storage, incubation centres and shared facilities for supporting services and specialised equipment.

ii. **Components 2: Cassava Value Chain Development**

Supporting 12,000 smallholder farmers to increase their productivity from 5-7 tons/Ha to 20 tons/Ha by use of improved disease free and early maturing cassava planting materials, which was to be developed using Tissue Culture Technology in partnership with the Zambia Agricultural Research Institute (ZARI). This component also seeks to support the development of Cassava Value Chain by establishing three (3) warehouses and seven (7) bulking centres in Kasama, Mansa, Solwezi, Mushindamo and Kalumbila districts.

iii. **Components 3: Institutional Support and Project Management**

Institutional support including capacity building and skills enhancement in entrepreneurship and business development by CEEC.

An examination of accounting and other records maintained at CEEC for the period under review revealed the following:

a. Budget and Income

During the period under review, the project budgeted to receive amounts totalling K485,507,797 against which amounts totalling K286,453,769 were received resulting in a negative variance of K199,054,028. See table 8 below.

Table 8: Budget and Income

Year	Budget K	Income K	Variance K
2019	138,825,132	129,141,369	9,683,763
2020	173,341,332	107,888,578	65,452,754
2021	173,341,332	49,423,822	123,917,510
Total	**485,507,797**	**286,453,769**	**199,054,028**

As at 31st December 2021, amounts totalling K286,453,769 had been spent.

b. Operational Matters - Construction of Industrial Yards and Cassava Bulking Centres

During the period under review, contracts in amounts totalling K219,736,101 were signed for the construction of industrial yards (K213,150,022) and cassava bulking centres (K6,586,078). See table 9 below.

Table 9: Projects

No.	Project	Contractor	Contract date	Expected completion date	Contract amount K	Payments made K
1	Kasama Industrial Yard	Unik Construction Engineering (PTY) Limited	26th March 2018	30th April 2019	24,802,486	24,226,465.03
2	Mansa Industrial Yard	Shangdon Dejian Group Co. (Z) Ltd	27th September 2019	30th October 2020	23,980,776	17,838,627.22
3	Solwezi Industrial Yard	Golden Horse Limited	31st March 2018	30th April 2019	24,950,000	17,880,134.68
4	Mongu and Chipata Industrial Yards	Conduril Engenharia SA	14th July 2018	13th July 2019	50,000,000	15,888,299.05
5	Lusaka Industrial Yards	Zhengtai Group Zambia Limited	1st October 2019	31st October 2020	40,519,223	9,491,082.82
6	Kitwe and Ndola Industrial Yards	Mango Tree Construction Limited	31st March 2018	30th April 2019.	48,897,537	47,678,927.57
					213,150,022	133,003,536
No.	**Project**	**Contactor**	**Contract date**	**Expected completion date**	**Contract amount (K)**	**Payments made (K)**
1	Mansa Fimpulu Bulking Centre	Mart Speed Contractors	26.12.18	31.12.19	1,703,821.60	1,663,748
2	Kasama Bulking Centre	Tosh Building Contractors	26.12.18	31.12.19	2,916,669.95	2,541,215
3	Solwezi Cassava Bulking Centre	Oluka Limited	26.12.18	31.12.19	1,965,586.80	1,871,134
					6,586,078	6,076,097
					219,736,101	139,079,633

A physical inspection of the industrial yards conducted in September 2022 revealed that the industrial yards were completed but had not been commissioned and were unoccupied. See table 10 below.

Table 10: Industrial Yards not Occupied

No.	Project	Contractor	Completion date	Defects Liability Period	Occupation Status
1	Lusaka	Zhengtai Group Z Ltd	27th August 2021	29th August 2022	Not Occupied
2	Kitwe	Mango Tree	30th April 2019	365days after issuance of completion certficate	Not Occupied
3	Solwezi	Mwangala Lethbridge	18th April 2021	18th April 2022	Not Occupied
4	Ndola	Mango Tree	30th April 2019	365days after issuance of completion certficate	Not Occupied
5	Mansa	Shandong Dejian Group Co.(Z)	20th October 2020	365days after issuance of completion certficate	Not Occupied

Consequently, the delay in the commissioning of the yards resulted in CEEC incurring additional expenditure on security services in that on 19th December 2019, CEEC entered into a contract with Magnum Security Company at an annual cost of K561,600 for the provision of 24-hour security services at the eight (8) industrial yards for a period of one year which was later renewed to 18th December 2021.

Further, the following were observed:

i. Unmanned Industrial Yard – Kitwe

A visit to the site carried out on 7th September 2022, revealed that the Kitwe Industrial Yard was unmanned despite there being a valid contract with the security company at the time of the inspection.

ii. Loss of Property - Solwezi Industrial Yard

On 9th December 2021, there was theft at the yard and a review of Site Theft Report on works executed at CEEC Solwezi Industrial Yard dated 9th February 2022 revealed that the estimated costs associated with the theft were K3,731,752 as shown in table 11 below.

Table 11: Estimated Cost of Theft and Damages

No.	Description	Amount K
1	External Electrical Reticulation	3,491,352
2	External Water Reticulation	180,400
3	Supply Cable from Pole to Transformer	60,000
	Total	**3,731,752**

At time of the theft, the CEEC had engaged Magnum Security Company to guard the premises. As at 30th September 2022, the property had not been replaced and there was no evidence that the Commission had taken any action against Magnum Security Company.

c. Failure to Complete Works – Mansa

On 27th September 2019, the Citizens Economic Empowerment Commission (CEEC) engaged Shangdon Dejian Group Co. (Z) Ltd for the construction of the Mansa Industrial Yards in Luapula Province at a contract sum of K23,980,776 with a completion date of 30th October 2020.

The scope of works included construction of four general workshop, a kiln workshop, a spray workshop block, a bulk storage warehouse, an administration block, ablution block, a guard house, a restaurant, external works such as substation and perimeter steel fence.

Contract terms included a Performance Security in terms of Bank guarantee of 10% of the Contract sum to which failure by the Contractor to execute any of their obligations contained within the contract, should result in a forfeiture of the Performance Security.

As at 30th September 2022, amounts totalling K17,838,627 had been paid to the contractor.

However, as at 30th September 2022, works had not been completed twenty three (23) months after expected completion date. Outstanding works included installation of street pole lights and generators, construction of perimeter steel fence and of slabs and fence on which to place and secure generators.

Further, the performance security had not been evoked and the Industrial Yards were still not handed over to CEEC.

d. Construction of Cassava Bulking Centres - Mansa

On 26th December 2018, the Citizens Economic Empowerment Commission (CEEC) engaged Mart Speed Constructions for the construction of the Mansa Cassava Bulking Centre at a contract sum of K1,703,821 with a completion date of 31st December 2019.

The scope of works included earth works, foundations, super structure, internal and external finishing, electricals and plumbing.

As at 30th September 2022, the contractor had been paid amounts totalling K1,663,748

The following was observed during the physical inspection of the Bulking Centre conducted in September 2022:

i. Non-functioning Bulking Centre

Despite the construction of the bulking centre having been completed, it was not being utilised in that the intended beneficiaries/ stakeholders had not stored cassava products at the time of inspection. Further, the metal door frame to the storage room had rusted. See figures below.

Rust on bottom door frame

Fimpulu Bulking Centre

ii. Lack of Electricity and Water Supply

Despite the bulking centre structure having electrical fittings, there was no electricity supply from ZESCO. In addition, although plumbing fittings had been installed, there was no water supply system while no sewer system was in place despite being included in the scope of works at a cost of K79,340.

5 THE DEVELOPMENT BANK OF ZAMBIA

5.1 Background

a. Establishment

The Development Bank of Zambia (DBZ) was incorporated as a development finance institution under the Development Bank of Zambia Act No. 35 of 1972 which was amended by the Development Bank of Zambia Amendment Acts Nos. 11 of 2001 and 24 of 2005.

The mandate of the Bank is to provide short, medium, and long-term finance and provision of related business advisory services.

b. Shareholding

During the period under review, the distribution of the issued and allotted shares was as shown in table 1 below.

Table 1: Share Distribution

Type of Shares	Number of Shares	Shareholding Percentage
Class 'A' Share Capital		
Golden Shares	1	0.08
GRZ	4,508	63.529
NAPSA	9	0.127
ZANACO	5	0.009
ZSIC	500	7.046
Class 'B' Share Capital		
Valentine Chitalu	3	0.042
Eximbank of India	1,400	19.729
Development Bank of South Africa	670	9.442
Shares alloted	**7,096**	**100**
Class A Shares Pending Allotment	55,555	
Total No. of Shares	**62,651**	

c. Governance

The Bank is governed by a Board of Directors comprising ten (10) members who are appointed on three (3) year renewable terms. The chairperson and three (3) other members are appointed by the Minister responsible for Finance while the remaining six (6) members are appointed by the holders of class ‘B’ shares

d. Management

The day to day operations of DBZ is the responsibility of the Managing Director who is the Chief Executive and is assisted by Directors responsible for Finance, Human Resource and Administration, Investment and Portfolio.

The Managing Director is appointed by the Board on three (3) year renewable contract.

e. Source of Funds

The Funds for the Bank consist such moneys raised through:

- Interest income accrued from loans given out to customers
- Such sums of money as the Bank may acquire by virtue of grants or raise by means of loans;
- Such sums of money as may be appropriated by Parliament; and
- Such other sums of money as may accrue to it in the course and on account of its business.

5.2 Audit Findings

An examination of financial and other accounting records maintained at DBZ for the financial years ended 31st December 2020 and 2021 revealed the following:

a. Budget and Income

During the financial years ended 31st December 2020 and 2021, the Bank budgeted to receive government grant and generate income from interest, fees and commission and other operating income amounting to K147,984,799 against which K161,449,000 was realised resulting in a positive variance of K13,464,201. See table 2 below.

Table 3: Budget Vs Income

No.	Period	Budget K	Actual K	Variance K
1	**Interest Income**			
	2020	79,083,234	31,381,000	(47,702,234)
	2021	9,428,091	18,024,000	8,595,909
	Sub Total	**88,511,325**	**49,405,000**	**(39,106,325)**
2	**Fees and Commission**			
	2020	2,092,105	2,892,000	799,895
	2021	23,542,105	14,214,000	(9,328,105)
	Sub Total	**25,634,210**	**17,106,000**	**(8,528,210)**
3	**Other Operation Income**			
	2020	3,581,034	73,553,000	69,971,966
	2021	10,258,230	1,385,000	(8,873,230)
	Sub Total	**13,839,264**	**74,938,000**	**61,098,736**
4	**Restructuring MOF Grant**			
	2020	20,000,000	20,000,000	-
	2021	-	-	-
	Sub Total	**20,000,000**	**20,000,000**	**-**
	Grand Total	**147,984,799**	**161,449,000**	**13,464,201**

b. Financial Analysis

A review of the Bank's statements of comprehensive income and financial position for the period under review revealed the following:

i. Statement of Comprehensive Income

Table 4: Statement of Comprehensive Income

Details	2021	2020
	K'000	**K'000**
Interest income	18,024	31,381
Interest expense	(43,240)	(38,108)
Net interest income	**(25,216)**	**(6,727)**
Impairment charges for credit losses	66,556	(153,561)
Net income after impairment charges for credit losses	**41,340**	**(160,288)**
Fee and commission income	14,214	2,892
Fee and commission expense	(114)	(104)
Net fee and commission income	**14,099**	**2,788**
Other operating income		
Investment income	2,242	3,689
Share of profits of associates	12,538	4,278
Other income	1,631	4,658
Net foreign exchange gains	(15,026)	60,928
	1,385	**73,553**
Total (expenses)/operating income	**56,824**	**(83,947)**
Employee benefits expenses	(54,952)	(95,958)
Other expenses	(14,913)	(17,044)
Impairment of equity investment	-	-
Depreciation and amortisation	(1,377)	(1,996)
	(71,242)	**(114,998)**
Loss before taxation	**(14,418)**	**(198,945)**
Taxation	-	-
Profit after taxation	**(14,418)**	**(198,945)**
Other comprehensive income	-	-
Items that will not be reclassified to profit or loss	-	-
Fair value gain on Equity Investments	5,360	-
Total other comprehensive income	-	-
Total comprehensive income for the year	**(9,058)**	**(198,945)**

- **Reduced Net Interest Percentage**

  In Paragraph 4 of the Auditor General's Report on Accounts for Parastatal Bodies and Other Statutory Institutions for the Financial Year Ended 31st December 2019, mention was made of the Bank having its Net Interest reduced from K73,906,000 in 2018 to K20,385,000 in 2019.

  An analysis of the financial performance of the Bank for the period under review revealed that the Net Interest Income of the Bank had continued to decline. The Net Interest income reduced by K13,357,000 from a negative of K6,727,000 in 2020 to a negative of K25,216,000 in 2021. The decrease was attributed to the Bank's partial disbursements of loan facilities to its clients which affected the financial performance of projects and ability to repay the loans thus affecting income and profitability of the Bank. See table 4 below.

Table 4: Net Interest Percentage

	Year	
	2021	**2020**
Net Interest Percentage	**K'000**	
Interest income	18,024	31,381
Interest expense	-43,240	-38,108
Net interest income	**-25,216**	**-6,727**
Net Interest %	-140%	-21%

- **Employee Benefits as a Perncetage of Income**

The Employee benefits as a percentage of income remained high in the period under review at 306% in 2020 and 305% in 2021. This meant that the employee benefits were unsustainable in relation to revenue generated as they were higher than the total income generated by the Bank. The Bank in essence was paying its employees more than it was generating. This was attributed to the Bank's failure to collect interest on disbursed loans as most of loans were non – performing. See table 5 below.

Table 5: Employee benefits as a Percentage of income

Employee Benefit as a % of Income	**Year**	
	2021	**2020**
Income (K)	18,024	31,381
Employee Benefits (K)	54,952	95,958
Employee benefits as a % of income	**305%**	**306%**

ii. Statement of Financial Position

Table 6: Statement of Financial Position

Details	2021	2020
Assets	**K'000**	**K'000**
Cash and cash equivalents	161,942	89,696
Loans and advances to customers	826,211	1,026,267
Equity investments	139,586	150,193
Investment in associates	51,159	38,621
Investment properties	37,157	31,797
Property and equipment	17,806	19,110
Intangible assets	181	254
Deferred tax asset	-	-
Other assets		20,128
Total assets	**1,234,042**	**1,376,066**
Liabilities		
Trade and other payables	2,362	14,756
Loans and borrowings	563,424	703,149
Current tax liabilities	-	-
Other liabilities	532,085	512,932
Total liabilities	**1,097,871**	**1,230,837**
Equity		
Share capital	299,160	299,160
Funds awaiting allotment of shares	236,176	236,176
General Banking Reserves	72,798	72,798
Fair value reserve	36,149	30,789
Revaluation reserve	72,798	17,929
Deficit in Reserve	(526,041)	(511,623)
Total equity	**136,171**	**145,229**
Total liabilities and equity	**1,234,042**	**1,376,066**

- **Doubtful Going Concern of the Bank**

A company's ability to continue operating in the foreseeable future also known as the going concern is dependent on its ability to meet its financial obligations, post positive revenue trends, collect receivables and increasing asset and capital bases among others.

An analysis of the Development Bank of Zambia's Financial Position revealed that the Bank over the period under review, continued to post negative revenue trends, failed to collect interest on loans that were falling due, the debt/equity ratio was negative and Bank's capital base was decreasing. These indicators cast doubt on the going concern of the Bank.

- **Depleting Capital**

The required capital of the Bank as per Bank of Zambia regulations was K750,000,000. However, the Banks's capital as at 31st December 2021 was

K136,171,000 which was less than the required capital by K613,829,000. The continued operation of the Bank below the required Capital abrogates the requirements of the Central Bank and puts the shareholder's investment at risk. The depletion in Capital was as a result of decline in interest income and Non-Performing Loans which eroded banks equity.

- **Declining Equity**

In Paragraph 4 of the Auditor General's Report on Accounts for Parastatal Bodies and Other Statutory Institutions for the Financial Year Ended 31st December 2019, mention was made of the Bank having equity of K532,995,000 in 2018 which reduced by 35% to K344,174,000 in 2019.

A review of the situation in 2022 revealed that the Total Equity of the Bank reduced by K9,058,000 from K145,229,000 in 2020 to K136,171,000 in 2021. This shows that the Bank's capital depleted by 60.4% in the period under review. The continued reduction in equity indicates the Banks's failure to generate profits which are supposed to grow the equity. The decline in interest income and the non-performing loans and fall in profitability contributed to the erosion of the bank's equity.

Table 7: Depleting Equity of the Bank

Changes in Equity	Year	
	2021	2020
	K'000	K'000
Total Equity	136,171	145,229
Change as a percentaged (%) (2019 as Base)	**60.4**	**57.8**

- **High Debt/Equity Ratio**

In Paragraph 4 of the Auditor General's Report on Accounts for Parastatal Bodies and Other Statutory Institutions for the Financial Year Ended 31st December 2019, mention was made of the Bank having Debt/Equity ratio of 159% in 2019.

A review of the financial performance of the Bank in 2022 revealed that the Banks's debt/equity ratio remained high in the period under review from 848% in 2020 to 806% in 2021. In this regard, the Bank was highly geared. The high indebtedness of the Bank may prevent the Bank from acquiring credit lines that may be needed to recapitalize the Bank. See table 8 below.

Table 8: Debt to Equity Ratio

Debt/Equity Ratio	2021	2020
Debt (K)	1,097,871	1,230,837
Equity (K)	136,171	145,229
Debt/Equity Ratio	**806%**	**848%**

c. Operational Matters

i. Failure To Disburse Loans

Section 12 (1) of the DBZ Act No. 35 of 1972 stipulates that the principal functions of the bank among others should be to make available long, medium- and short-term finance and equity investment for economic development.

However, the bank did not disburse any loans from 2018 to June 2022. In addition, the bank had outstanding partially disbursed loans in amounts totaling K160, 924,985 and US$7,542,894.18 which had been due for disbursements for periods over 5 years.

ii. Non- Performing Loans

In Paragraph 4 of the Auditor General's Report on Accounts for Parastatal Bodies and Other Statutory Institutions for the Financial Year Ended 31st December 2019, mention was made that DBZ had seventy nine (79) and thirteen (13) clients' loans worth K769,123,336 and US$31,458,404.12 respectively which were classified below pass due to non-recovery by the Bank.

In the Report of the Committee on Parastatal Bodies on the Report of the Auditor General on Accounts of the Parastatal Bodies and Other Statutory Institutions for the Financial year ended 31st December 2019, for the First (1st) Session of the Thirteenth (13th) National Assembly, the Committee directed the Controlling Officer to ensure that the loans that were classified as below the due period be expeditiously recovered by the Bank.

A review of the matter in July 2022 revealed that DBZ management had not recovered all the loans in that as at 31st July 2022, the Bank had fifty six (56) clients with non-performing loans in amounts totalling K1,142,392,674 representing 98% of its total loan portfolio some of which had been outstanding from as far back as 2018.

A further scrutiny of the non-performing loans reviewed the following:

- **A Facility Loan to Nomads Court Limited**

  On 3rd April 2013, the Bank entered into a loan agreement with Nomads Court Limited of K10,525,000 for a period of 108 months at an interest rate of 29.22%. The full loan amount which was meant for purchase of Mwiza Corporate Lodge, renovations, refinance CEEC loan and working capital was disbursed as at 31st December 2013. In December 2017, the loan was extended by a further thirty six (36) months bringing the total loan tenure to 144 months. As at 31st August 2022, the loan outstanding amount was K11,563,788 (principal - K8,809,994 and interest -K12,753,794).

- **Facility Loan to Highview Enterprises Limited**

  In April 2016, the Bank approved the disbursement of the long-term loan to Highview Enterprises Limited totalling K1,400,000 for period of 108 months at an interest rate of 30.98% for construction of a shopping complex in Monze. The loan was disbursed in full by 31st December 2016 with a grace period of six (6) months on principal repayments. The grace period was extended to 31st December 2017 after the restructuring of the loan.

  A physical inspection carried out in April 2022 revealed that the shopping complex comprising of eight (8) shops was completed and all the shops were occupied. See picture below.

Highview Enterprises Shopping Complex

However, the loan was not performing in that the borrower had not serviced the loan and as at 31st July 2022 the loan balance had increased to K5,017,116 comprising principal of K2,563,453 and interest of K2,453,663.

- **Facility Loan to Patichi Patichi Enterprises Limited**

In January 2014, the Bank approved the disbursement of a Medium Term Loan of K3,000,000 to Patichi Patichi Enterprises Limited for a period of seventy- two (72) months at an interest rate of 9.3% for the construction of a housing complex in Chibombo. The loan was disbursed in full as at 31st December 2014 with a grace period of twelve (12) months.

On 15th December 2016, the loan was restructured and the grace period was extended to 30th May 2017.

A physical inspection conducted in April 2022 revealed that the housing complex had been constructed and all the houses were occupied.

See picture below.

One of the Houses from the Housing Complex in Chibombo

However, the loan was not performing in that the borrower had not serviced the loan and as at 31st July 2022 the loan balance had increased to K4,805,165 comprising principal of K3,023,472 and interest of K1,781,693.

- **Facility loans to Tulip Print Park Limited- Failure to Enforce Judgement**

In December 2015, the Bank approved the disbursement of a Medium-Term Loan to Tulip Print Park Limited of US$1,150,000 (K16,876,250) for a period of sixty (60) months at an interest rate of 9% for the purchase of printing machines.

The full amount of US$1,150,000 was disbursed as at 31st December 2016.

In December 2017, Tulip Print Park Limited was offered additional loan of US$150,000 bringing the total loan to US$1,300,000

Following the failure by the borrower to repay the loan the bank sued, and judgement was granted in favor of the bank and a writ of possession was awarded by the court on 21st June 2021.

However, the loan was not performing in that the borrower had not serviced the loan and as at 31st July 2022 the loan balance had increased to K26,951,283 comprising principal of K13,752,462 and interest of K13,198,821

- **Facility Loans to Alfbeth Limited**

In November 2013, the Bank approved the disbursement of a Medium Term Loan to Alfbeth Limited of K1,200,000 for the construction of an industrial building to house a Spare Shop and a Mechanical Fitment Centre for a period of seventy two (72) months at an interest rate of 23.5%. In June 2016, an additional loan of K700,000 was issued.

Due to the failure by the borrower to repay the loan the bank sued and judgement was granted in favor of the bank. A writ of possession was awarded by the court on 26th April 2021. As at 31st July 2022, the loan amount outstanding was K8,550,456

However, the loan remained outstanding as the bank had not taken action on the judgement.

- **Facility Loan to Kephil W.J. Investments Limited**

In October 2016, the Bank approved the disbursement of a Medium Term Loan of K1,250,000 to Kephil W.J. Investment Limited at an interest rate of 30.72% with a repayment period of sixty (60) months which had a grace period of six (6) months. The purpose of the loan was to complete the installation of the already acquired milling plant and construction of an additional shed. The loan was disbursed in full as at 31st August 2017.

However, the loan was not performing in that the borrower had not serviced the loan and as at 31st July 2022 the loan balance had increased to K2,960,894 comprising principal of K1,480,447 and interest of K1,480,447.

A physical inspection carried out in April 2022 revealed that the milling plant was installed while the storage shed was incomplete. Kephil W.J. Investment Limited completed the installation of the milling plant but failed to complete the construction of the storage shed and had only put the steel structure. At the time of inspection, the milling plant was not in operation due to lack of raw materials and the plant was last operated in September 2021.

As at 31st July 2022, the outstanding loan amount was K2,960,894.

- **Facility Loan to C&C World Limited T/A Dantys Bakery and Fast Foods**

  In October 2015, the Bank approved the disbursement of a Medium Term Loan of K4,000,000 to C & C World Limited trading as Dantys Bakery and Fast Foods at an interest rate of 24.5% for the purchase of five (5) trailers for the trucks. The loan had a repayment period of sixty (60) months with a grace period of twelve (12) months ending in March 2016.

  A review of the loan agreement between C&C World Commodities and DBZ revealed that C&C World Commodities was supposed to register the Bank as the absolute owner of the truck and trailers until the loan had been repaid

  However, a physical inspection carried out in April 2022 to verify the existence of the five (5) truck and trailers revealed that the registered absolute owner of the truck and trailers was C&C World Commodities instead of the Development Bank of Zambia

  Further, only one (1) truck trailer was availed for audit inspection. An inquiry with the promoter regarding the four (4) trailers revealed that the truck trailers were seized by the company's other creditors through the Office of the Sherriff and scrutiny of the Seizure Form revealed that three (3) truck trailers were seized on 11th January 2022. Between March 2017 and July 2021, no payments were made by the promoter and the loan balance was K10,549,143 as at 31st July 2022 comprising of principal of K4,000,000 and interest of K6,549,143

- **Facility Loan to Kayalami Farms Limited**

  In April 2016, the Bank approved the disbursement of a medium-term loan to Kayalami Farms Limited of K2,188,471 at an interest rate of 30.94% for the construction of an abattoir, procurement and installation of equipment and a generator. The loan was for a period of sixty (60) months with a grace period of six (6) months up to November 2016. As at 31st July 2022, the outstanding loan amount was K4,254,427 despite the loan period having expired. The total loan outstanding comprised of principal of K1,856,371 and interest of K2,398,056.

  A physical inspection carried out in April 2022 revealed that the construction, procurement and installation of the equipment including the gen-set were all completed and the abattoir was operational. See figures and below.

Equipment Installed

Abattoir

  In response, management indicated that a consent agreement was entered into on 15th March 2022 following a High Court Judgement in favour of the Bank. The respondent (Promoter) was required to adhere to the payment plan outlined in the Consent Agreement failure to which the Bank may execute the judgement and foreclose on the mortgaged properties. As such, the promoter was required to make the first instalment of K2,000,000 on 30th June 2022.

However, as 31st July 2022, there was no evidence that the promoter had paid any amount to the Bank.

6 ELECTORAL COMMISSION OF ZAMBIA

6.1 Background

a. Establishment

The Electoral Commission of Zambia (ECZ) was established under Article 229(2) of the Constitution of Zambia (Amendment) Act No. 2 of 2016. The ECZ is responsible for organising and conducting elections in Zambia. ECZ is mandated to:

- Implement the electoral process;
- Conduct elections and referenda;
- Register voters;
- Settle minor electoral disputes as prescribed;
- Regulate the conduct of voters and candidates;
- Accredit observers and election agents as prescribed;
- Delimit electoral boundaries; and
- Perform such other functions as prescribed.

b. Governance

The ECZ has a Commission which is the policy body of the Institution which consists of the following full time members appointed by the President subject to ratification by the National Assembly:

- The Chairperson;
- The Vice Chairperson; and
- Three (3) other members.

Members of the Commission hold office for a term of seven (7) years and may be re-appointed for a further term of seven (7) years.

c. Management

The Chief Electoral Officer is responsible for the operations of the Commission and is assisted by the Director of Finance, Director of Information Technology, Director of Voters Education, Director of Internal Audit, Director of Elections, Human Resource Manager and Commission Secretary. The management team is appointed by the Commission on three (3) year renewable contracts.

d. Sources of Funds

Section 14 (1) (2) of the Electoral Commission of Zambia Act No. 25 of 2016 provides that, the funds of the Commission shall consist of such monies as may;

- be appropriated to the Commission by Parliament,
- be paid to the Commission by way of grants or donations, or
- otherwise vest in or accrue to the Commission.

In addition, subject to the approval of the President the Commission may;

- accept monies by way of grants or donations from any source within or outside Zambia,
- raise by way of loans or otherwise, and
- such monies as it may require for the discharge of its functions.

e. Information and Communication Technology System

During the period under review, ECZ operated the following ICT systems:

- **Electoral Information Management System (EIMS)**

  ECZ used the Electoral Information Management System (EIMS) for its core business of managing elections.

- **SAP Enterprise Resource Planning System (SAP ERP)**

  The system was used for financial management, stores, payroll and fleet management. The system was also used for preparation of financial reports on accruals basis of accounting.

- **Financial Management System (FMS)**

  The system was used for preparation of financial statements on cash basis of accounting.

6.2 Audit Findings

An examination of financial and other records maintained at ECZ and selected Local Authorities for the period under review revealed the following.

a. Budget and Income

During the financial years ended 31st December 2018 to 2021, ECZ had a total budget provision of K2,353,705,347 in respect of election related programmes such as delimitation, voter registration, voter education, dismantling of arrears, bye elections and general elections out of which amounts totalling K2,351,318,706 were funded resulting in under funding of K2,386,641. See table 1 below.

Table 1: Budget and Income

Year	Budget K	Supplementary K	Total Budget K	Funding K	Under /(Over) Funding K
2018	42,260,990	70,000,000	112,260,990	128,789,350	(16,528,360)
2019	73,314,140	-	73,314,140	85,300,000	(11,985,860)
2020	168,764,861	350,000,000	518,764,861	635,700,000	(116,935,139)
2021	600,963,031	1,048,402,325	1,649,365,356	1,501,529,356	147,836,000
Total	**885,303,022**	**1,468,402,325**	**2,353,705,347**	**2,351,318,706**	**2,386,641**

b. Procurement Matters

i. Irregularities in the Hire of Motor Vehicles

During the period under review, the Commission hired 2,526 motor vehicles during the voter registration exercise, nominations and polls for general elections and incurred bills in amounts totalling K101,224,160 which were fully paid as at 31st December, 2021.

The following were observed:

- **Failure to Constitute an Adhoc Planning Committee**

  Clause No. 9.1.1 of the Hire of Transport Policy 2020 stipulates that the Commission should appoint a Hire of Road Transport Adhoc Planning Committee which should consist of staff from Human Resource and Administration, Procurement and Electoral Operations Departments. The committee should be constituted whenever there is an electoral activity which requires hiring of road transport and should be dissolved at the end of that electoral activity.

  Contrary to the Policy, the Commission failed to appoint a Hire of Road Transport Adhoc Planning Committee for the voter registration exercise and the 2021 general elections.

- **Contract for Fleet Management System Installation-Failure to Provide List of Vehicles Installed with Global Position System**

  On 28th July 2021, the Electoral Commission of Zambia engaged Zambia Telecommunication (ZAMTEL) Ltd through direct bidding for the supply and installation of a fleet management system for 2,310 hired vehicles at a contract sum of K3,939,562 for a period of one (1) year and thirty (30) days.

  As at 31st August 2021, the supplier had been paid amounts totalling K2,738,835 leaving a balance of K1,200,727.

  A review of the schedule for vehicles installed with Global Position System (GPS) revealed that 770 were installed with GPS while the vehicle tracking deployment report revealed that 1,694 vehicles were installed with GPS resulting in a variance of 924 vehicles.

  In this regard, total tracking system installation cost of K1,358,988 incurred in relation to the 924 was questionable.

ii. Hire of Buses to Ferry Police Officers

On 28th July 2021, the Electoral Commission of Zambia engaged six (6) transporters to ferry 4,454 Zambia Police Officers who were deployed to provide security at all provincial centers and some districts that did not have the required number of uniformed staff to service the polling stations. See table 2 below.

Table 2: Transporters Engaged to Ferry Police Officers

No.	Name of Supplier	Province	No. of Buses	Amount K	Total Amount K
1	Simelis General Merchants	Northern	8	707,200	1,295,060
		Muchinga	7	587,860	
2	Walkerville Enterprise	Western	10	551,000	725,720
		North Western	2	174,720	
3	Top Firm	Eastern	14	767,200	1,247,800
		Southern	9	480,600	
4	Wakwanza Enterprises	Copperbelt	13	718,250	1,071,850
		Central	8	353,600	
5	Double Express Trading	Luapula	8	520,200	520,200
6	Nopreder Trading	North Western	8	566,000	566,000
	Total		**87**		**5,426,630**

In this regard, police officers were ferried to various districts on 5th August 2021.

The following were observed:

- In the solicitation document there was a requirement for transporters to quote for the furthest district in each province thereby causing the quoted rates to be subject to inflation.
- Contracts were cleared by Attorney General on 1st November 2021 and signed on 9th November 2021 and 14th December 2021 after the contracts were executed.
- The allocation of lots to transporters was based on their initial unit prices and the quicker they could make available the buses to ferry the officers to the desired locations. Details are shown in table 3 below.

Table 3: Varied Contract Details

No.	Name of Supplier	Province	Unit Cost K	Unit Cost Varied K	Initial No of Buses	Varied Quantities	Initial Amount K	Varied Amount K
1	Simelis General Merchants	Northern	88,400	88,400	8	12	707,200	1,060,800
		Muchinga	83,980	83,980	7	6	587,860	503,880
2	Walkerville Enterprise	Western	55,100	79,650	10	5	551,000	398,250
		North Western	87,360	87,360	2	3	174,720	262,080
		Eastern		76,440		1		79,650
		Luapula		76,440		2		152,880
3	Top Firm	Eastern	54,800	54,800	14	12	767,200	657,600
		Southern	53,400	53,400	9	11	480,600	587,400
		Western	79,650	79,650		6		477,900
		Northern	88,400	88,400		2		176,800
		North Western	70,750	70,750		3		212,250
		Luapula	65,025	65,025		2		130,050
		Muchinga	83,980	83,980		3		251,940
		Copperbelt	55,250	55,250		3		165,750
4	Wakwanza Enterprises	Copperbelt	55,250	55,250	13	13	718,250	718,250
		Central	44,200	44,200	8	2	353,600	88,400
5	Double Express Trading	Luapula	65,025	65,025	8	4	520,200	260,100
6	Nopreder Trading	North Western	70,750	70,750	8	1	566,000	70,750
	Total						**5,426,630**	**6,254,730**

The following were observed:

- An examination of payment vouchers revealed that amounts totaling K6,717,870 were paid for the hire of transport services instead of K6,254,730 resulting in an overpayment of K463,140.

- No documents were availed to show that all bidders were communicated to in relation to the decision for variation.

- Whereas it was indicated that the allocation of lots to transporters was based on their initial unit prices and the quicker they could make available the buses to ferry the officers to the desired locations, it was observed that two (2) transporters namely Walkerville Enterprises and Top Firm were allocated lots for which they did not initially bid.

- Simelis General Merchants was awarded the Northern route at the rate of K88,400 for eight (8) buses, however the transporter was paid an additional K38,250 for Kasama to Kaputa despite an indication that transporters were expected to quote for the furthest district in each province. No explanation was made for the additional payment.

- Double Express Trading was awarded the Luapula route at the rate of K65,025 per bus for four (4) buses, however the ECZ was invoiced for a Lusaka to Luapula via Kamfinsa Police College route at rates of K92,500 and K70,200 resulting in an extra charge of K65,300. It was not clear why the rates differed and the basis for the rates was not provided. Details are shown in table 4 below.

Table 4: Variance in Transportation Cost Rates in Luapula

Procurement Details					Invoice Details			
No.	Transporter	No of Buses	Unit Cost Amount K	Total Amount K	No of Buses	Details	Unit Prices K	Amount K
1	Double Express Trading	4	65,025	260,100	2	Lusaka to Luapula Province via Kanfinsa Police College	92,500	185,000
2	Double Express Trading				2	Lusaka to Luapula Province via Kanfinsa Police College	70,200	140,400
	Total			**260,100**				**325,400**

- At the 10th Procurement Committee Meeting, it was mentioned that there was an application for demurrage for detention charges in relation to the services rendered in respect of transportation of police officers across the country. The demurrage charges arose as a result of buses that were detained at provincial headquarters for 2 to 3 days which the operators claimed for loss of business and the transporters claimed for compensation in form of demurrage in amounts totaling K330,150. See table 5 below.

Table 5: Demurrage Charges

No.	Name of Supplier	Province	No of Buses	Unit Cost K	Approved Days	Extra Days	Total Demurrage K
1	Walkerville Enterprise	North Western	1	35,100	1	1	35,100
2	Top Firm	Southern	1	26,700	1	2	53,400
		Western	1	39,825	1	2	79,650
3	Double Express Trading	Luapula	2	40,500	1	2	162,000
	Total						**330,150**

- However, there was no documentation availed to provide evidence of detention of the buses.

iii. Failure to Sign Contract - Provision of Web Services

Section 7 of the Electoral Process Act No. 25 of 2016 provides that the Commission should conduct a continuous registration of voters.

The 5th Procurement Meeting held on 12th August 2020 resolved to directly contract Amazon Web Services (AWS) to provide web services to be used during 2020 online voter registration exercise and for continuous voter registration for a period of three (3) years at a contract sum of US$36,261 (K664,700).

As at 30th November 2021, AWS had been paid amounts totalling US$68,833.23 (K1,450,674) as shown in table 6 below.

Table 6: Payment for Web Services

No.	Date	Payee	Amount US$	Amount K
1	22.12.2020	Amazon Web Services	5,285.83	112,852
2	08.02.2021	Amazon Web Services	5,864.56	127,497
3	29.04.2021	Amazon Web Services	3,809.08	85,819
4	29.04.2021	Amazon Web Services	7,838.46	176,601
5	01.07.2021	Amazon Web Services	8,420.45	192,491
6	10.08.2021	Amazon Web Services	6,450.14	125,778
7	14.09.2021	Amazon Web Services	6,730.34	108,695
8	15.11.2021	Amazon Web Services	23,304.77	496,858
9	29.11.2021	Amazon Web Services	1,129.60	24,083
	Total		**68,833.23**	**1,450,674**

Section 52(2) of the Public Procurement Act No. 12 of 2008 stipulates that the decision to award a contract by the approvals authority does not constitute a contract.

Contrary to the Act, the ECZ engaged Amazon Web Services without signing a contract. In response to a query management indicated that the service provider declined to sign the contract citing their international service provider policy that requires that the client signs the AWS International Standard Contract. However, the AWS International Standard Contract had not been signed as at 30th September 2022.

iv. Contract for Supply of 2,300 Generator Sets - Delay of Procurement Process

On 26th August 2020, the Electoral Commission of Zambia engaged Saro Agro Industrial Ltd to supply and deliver 2,300 generator sets at a contract sum of US$541,937.50 exclusive of VAT with a delivery period of eight (8) weeks up to 20th October 2020.

Saro Agro Industrial Ltd supplied the generators in the period from 30th October 2020 to 11th December 2020.

During the period from September 2020 to March 2021, ECZ paid Saro Agro Industrial Limited amounts totalling K11,415,811 (US$530,516.97) for the supply of generator sets. The payments made were equivalent to the contract price less liquidated damages totalling US$1,896.76 and contribution to contingent plan cost of US$9,523.84.

Public Procurement Regulation No. 3 (d) of 2011 provides that public procurement should be governed by a fundamental principle of efficiency. However, due to the delay in supply of the generators, ECZ ended up borrowing generators from the Malawi Electoral Commission (MEC) and incurred transportation costs in amounts totalling K1,378,227.

In particular, the following were observed:

- On 18th September 2019, the Procurement Committee granted authority to issue an invitation for bids. However, ECZ signed the contract on 26th August 2020, eleven (11) months later resulting in the generators being delivered after the start date of the voter registration exercise which commenced on 9th November 2020.

- On 13th June 2020, SARO Agro Industrial Ltd wrote to ECZ acknowledging receipt of a letter dated 9th June 2020 in which ECZ informed them of its intent of contract award and SARO Agro Industries Ltd proposed that the contract be denominated in US Dollar, converting K7,803,900 to US$530,877.55 at a rate of K14.7 as per letter dated 31st January 2020. However, the Procurement Committee only approved the request on 12th August 2020 at a converted price of US$541,937.50.

It was not clear why ECZ could not consider the supplier's request made in January 2020.

v. Contract for Supply and Delivery of 9,000,000 Voter Card Forms and Pouches – TeslaIT Business Solution Limited

On 20th July 2020, Electoral Commission of Zambia engaged TeslaIT Business Solution Limited for the supply of 9,000,000 voter card forms and pouches at a contract sum of US$572,112 VAT inclusive with a delivery period of eight (8) weeks. As at 31st December 2020, ECZ had paid the supplier in full.

On 6th November 2020, TeslaIT Business Solutions Limited supplied 9,000,000 voter registration card forms valued at US$208,800.

The following observations were made:

- **Delay of Procurement Process**

  Public Procurement Regulation No. 3 (d) of 2011 provides that public procurement should be governed by a fundamental principle of efficiency.

  On 18th September 2019, the Procurement Committee granted authority to issue an invitation for bids. However, ECZ only signed the contract on 20th July 2020.

  In particular, the solicitation documents indicated that bids should be valid for a period of ninety (90) days after bid closing and Section 37.1 of the Instruction to Bidders provided that the procuring entity should notify the successful bidder, in writing, that their bid had been accepted prior to the expiration of the period of bid validity.

  Further, Section 38 of Instructions to Bidders provided that within twenty eight (28) days of receipt of the Agreement, the successful bidder should sign, date, and return it to the procuring entity.

  Contrary to the guidelines, although the tender closed on 1st November 2019 and the decision to award the contract was made on 12th December 2019, the contract was signed on 20th July 2020, eight (8) months after tender closure.

  In response, management indicated that the delay was caused by late clearance of the contract by the Attorney General which was done in July 2020.

  In addition, Procurement Regulation No. 146 (1) (a) of 2011 provides for a contract manager responsible for monitoring the performance of the supplier to ensure that all delivery or performance obligations are met or appropriate action is taken by the procuring entity in the event of obligations not being met. However, there was no evidence availed to show that the contract was effectively monitored as no materials had been supplied by the end of the eight (8) weeks contract duration. Further, the meeting for discontinuation of the procurement process was held a month after the expected completion period.

- **Failure to Pass Additional Costs to Supplier**

  Pursuant to Clause 37.1 (a) of the contract, on 26th October 2020, ECZ terminated the contract of TeslaIT Business Solution Limited due to failure deliver 9,000,000 pouches. Consequently, ECZ procured lamination pouches from Prooftag SAS at a contract price of US$1,620,000 which was US$1,306,800 higher than the initial cost of US$313,200 (VAT inclusive) offered by TeslaIT business Solutions Limited.

  However, the termination was done without evoking clause GCC 37.1(b) which provided that in the event that the procuring entity terminated the contract in whole or in part for undelivered goods, the supplier should be liable to the procuring entity for any additional costs for such similar goods or related services. In this regard ECZ had not recovered the additional cost of US$1, 306, 800 from TeslaIT Business Solution Limited as at 28th February, 2022.

- **Failure to Charge Liquidated Damages**

  Clause GCC 29.1 of the contract provided that if the supplier fails to deliver any or all of the goods by the date(s) of delivery, the procuring entity may deduct liquidated damages for each week or part thereof of delay until delivery or performance up to a maximum of 10% of the contract price.

  However, ECZ did not evoke the clause, as such liquidated damages amounting to US$162,000 had not been recovered from the supplier.

- **Failure to Obtain Performance Security**

  Public Procurement Regulation No. 127 (1) and (7) of 2011 stipulate that a procuring entity should request a performance security for all contracts for goods, works and non-consulting services to secure the supplier's obligation to fulfil the contract and the conditions for forfeiture of the performance security should be specified in the contract.

  However, ECZ did not obtain a performance security from the supplier.

vi. Contract for Supply and Delivery of 3,000,000 Voter Card Laminating Pouches – Prooftag SAS

On 8th March 2021, the Electoral Commission of Zambia signed a contract with Prooftag SAS for the supply and delivery of 3,000,000 voter card laminating pouches at a contract price of US$540,000.

The method and conditions of payment were 100% of the contract price upon full delivery and supply of goods which should be paid not later than sixty (60) days from the receipt of the goods by the procuring entity. As at 30th April 2021, the supplier had been paid in full.

The following were observed:

- The solicitation document issued to the supplier was not availed for audit.
- The voter card laminating pouches were invoiced, delivered and received on 12th February 2021 and 27th February 2021 respectively, before the contract date.
- The purchase order was raised on 25th March 2021 after the pouches were invoiced and delivered in February 2021.
- Section 72(2) of the Public Procurement Act No. 8 of 2020 requires that a contract, purchase order, letter of bid acceptance or other communication in any form conveying acceptance of a bid or award of contract should not be issued prior to any other approvals required, including clearance of the contract by the Treasury and the legal advice of the Attorney-General.

Contrary to the Act, the contract was signed after execution and there was no evidence availed to show that the contract was cleared by Attorney General.

vii. Contract for Supply and Delivery of 3,000,000 Voter Card Forms – Alghurair Printing & Publishing LLC

On 26th March 2021, the Electoral Commission of Zambia signed a contract with Alghurair Printing and Publishing LLC for the supply and delivery of 3,000,000 voter card forms at a contract price of US$161,400.

The method and conditions of payment were 100% of the contract price upon full delivery and supply of goods which should be paid not later than sixty (60) days from the receipt of the goods by the procuring entity. As at 30th April 2021, the supplier had been paid the full contract sum.

The following were observed:

- The voter card forms were invoiced and received on 23rd February 2021 and 26th February 2021 respectively, before the contract date.
- The purchase order was raised before the application for authority to purchase and authorized on 30th March 2021, after the voter card forms were invoiced and received.
- At the 11th ECZ Procurement Committee Meeting held on 28th December 2020, it was indicated that Alghurair Printing and Publishing LLC was selected due to the running contract the Commission had with the company for the printing of ballot papers which would make the security feature for the forms easily adaptable by Alghurair Printing and Publishing LLC and guarantee quality and security, and the poor performance of TeslaIT Business Solutions on the initial contract.

However, a review of the Procurement Committee minutes dated 18th February 2021 revealed that the switch from TeslaIT Business Solutions to Alghurair Printing and Publishing LLC contributed to delayed delivery due to approval of artworks. Consequently, the contract amount was varied from US$74,000 to US$161,400 resulting in an increase in costs by US$87,400 arising from the switch in the mode of transport.

viii. Procurement of 300 Additional Biometric Voter Registration Kits

On 22nd October 2020, the Electoral Commission of Zambia engaged Smartmatic International Holding B.V. for the supply of 300 additional biometric voter registration kits at a contract sum of US$2,486,301 for a duration fifteen (15) days. As at 31st December 2020, the supplier had been paid in full.

A review of the procurement committee minutes dated 15th October 2020 revealed that the kits were urgently required for deployment along with the 2,600 kits procured earlier. The additional kits were meant to cater for a separate desk at each centre for attending to voters who had their registration details captured during pre-online voter registration.

The following were observed:

- A comparison of the prices for the 300 and 2,600 voter registration kits revealed that the 300 kits were procured at a higher price of US$8,287.67 per kit while the cost for the 2,600 kits was US$4,623.25 per kit exclusive of service and VIV devices costs resulting in over pricing of US$1,099,326 or US$3,664.42 per kit. See table 8 below.

Table 8: Mobile Voter Registration Kits

Description	Quantity	Contract Price	Services Costs (US$)	Unit Cost (US$)
Mobile Voter Registration Kit	**2,600**	**16,687,898**		
VIV Device	1,000		(648,000)	
ABIS Software	9,000,000		(1,530,000)	
Warranty Services			(911,367)	
Training			(75,583)	
Customisation of VRS			(773,835)	
ABIS Infrastructure Installation			(219,698)	
Project Management & travel expenses			(508,961)	
Total Services Costs			**(4,667,444)**	
Contract Price without services Costs (16,687,898 less 4,667,444)			**12,020,454**	
Expected Unit Cost for each Mobile Kit (12,020,454/2600)				**4,623.25**

- A review of the distribution details revealed that there were 421 kits which were not distributed thereby casting doubt on the need to procure the additional 300 kits.

ix. Supply, Delivery and Customisation of 1000 Voter Identification Devices

On 30th September 2020, management approved the introduction of voter identification devices subject to engagement of stakeholders on the adoption of the voter identification devices.

In this regard, in October 2020, ECZ procured 2,600 voter registration kits at a cost of K13,802,400 (US$648,000) and integrated and customised 1,000 voter identification devices at a total cost of US$1,953,784.94 (K39,798,598).

The following were observed:

- Although management approved the introduction of voter identification devices subject to engagement of stakeholders, there was no information provided to show that there was stake holder engagement prior to the introduction of the 1,000 VIDs.

- The distribution details for the VIDs were not availed for audit.

- The distribution list for the 1,000 selected polling stations where the voter identification devices were utilised was not availed for audit.

x. Contract for Supply and Delivery of Ten (10) Register Printers and Consumables

On 29th July 2020, the Electoral Commission of Zambia engaged Blue Lithium Communications Limited for the supply and delivery of ten (10) register printers and consumables at a contract price of US$332,525.80 inclusive of VAT with a delivery period of four (4) weeks.

The register printers and consumables were supplied on 6th October 2020 and the supplier was paid in full on 24th November 2020.

The following were observed:

- **Failure to Execute Contract on Time**

Though the contract was signed in July 2020, the decision for award was made seven (7) months earlier on 12th December 2019 in the 13th Procurement Committee meeting. In addition, although the delivery period was four (4) weeks, the delivery was undertaken eleven (11) weeks after the contract date.

It was further observed that the Commission suffered an exchange loss of K2,670,182 which would have been avoided or minimised if the contract was signed and executed timely. See table 9 below.

Table 9: Exchange Loss

No.	Description	Date	Contract Amount US$	Exchange Rate K	Kwacha Amount K
1	Contract Signed	29.07.2020	332,525.80	21.35	7,099,425.83
2	Decision to Award	12.09.2019	332,525.80	13.32	4,429,243.66
	Variance				**2,670,182.17**

- **Failure to Claim Liquidated Damages**

Clause 29.1 of the contract provided for the procuring entity to deduct from the contract price, liquidated damages at a rate of 0.05% per week up to a maximum of 10% of the contract sum for delayed delivery.

However, the Commission did not charge liquidated damages amounting to US$1,163.84.

- **Wasteful Expenditure**

At the 4th Procurement Committee meeting held on 20th April 2021, it was indicated that ECZ had no capacity to print 121,520 i.e. (10 sets) of certified registers required for general elections and therefore, outsourced printing services from Al Ghurair Printing and Publishing LLC at a cost of US$789,880.

On 2nd June 2021, Al Ghurair Printing and Publishing LLC was engaged to supply a further 121,520 i.e. (10 sets) of registers through circulation bringing the total cost of printing 20 sets of registers to US$1,579,760 (K36,018,528). The additional registers were meant for parliamentary candidates and for sale to stakeholders.

However, there was no information availed to show that the Commission assessed the capacity of the ten (10) printers prior to procuring from Blue Lithium Communications Limited which were not used for printing of the registers.

Further, although the registers were procured at US$6.50 (K155.04) each, ECZ was selling them at K50 each resulting in wasteful expenditure of K25,528,921.60 for the 20 sets procured.

- **Lack of Disposal Details for Printer Consumables**

Contrary to Public Stores Regulation No. 16 which stipulates that every stores officer or any other officer having in his charge any public stores or other articles of public property must keep and maintain records of the receipt and issue of such public stores, toner cartridges costing US$26,088 (K556,979) were not accounted for in that there were no disposal details. See table 10 below.

Table 10: Voter Register Printer - Toner Cartridge Costs

No.	Description	Quantity	Unit Cost US$	Total US$
1	Black ink Cartridges	40	144.18	5,767.20
2	Magenta Ink Catridges	20	338.68	6,773.60
3	Yellow Ink Catridges	20	338.68	6,773.60
4	Cyan In Cartridges	20	338.68	6,773.60
	Total			**26,088.00**

xi. Supply and Delivery of Register Printer Toner Cartridges and Accessories - Lack of Disposal Details

At the 1st Procurement Committee meeting held on 3rd February 2021 authority was granted for the procurement of toner cartridges and accessories for the printing of one set of provisional voters register for the voters' roll inspection exercise which was scheduled for March 2021 and one set for the August 2021 polls. The cartridges were procured at a cost of K1,222,614.48 (VAT inclusive) from Blue Lithium Communication Limited, the supplier for the printers on account of the ten (10) printers that were still on warranty. Details of the cartridges are outlined in table 11 below.

Table 11: Cartridges Procured

No.	Description	Qty	Unit Price K	Total Price K
1	T858100 - Workforce Enterprises WF-C20590 Black ink	60	6,914.96	414,897.60
2	T858200 - Workforce Enterprises WF-C20590 Cyan ink	20	8,121.59	162,431.80
3	T858300 - Workforce Enterprises WF-C20590 Magenta ink	20	8,121.59	162,431.80
4	T858400 - Workforce Enterprises WF-C20590 Magenta ink	20	8,121.59	162,431.80
5	T671300 - Workforce Enterprises WF-C20590 Maintenance box	100	639.18	63,918.00
6	S210061 - Workforce Enterprises WF-C20590 staples	20	4,393.35	87,867.00
	Sub Total			**1,053,978.00**
	VAT			168,636.48
	Grand Total			**1,222,614.48**
	Delivery Period			2 to 3 Weeks

At the 2nd Procurement Committee meeting held on 23rd March 2020, authority was granted to award a contract for the supply and delivery of register printer toner cartridges and other consumables to Blue Lithium Communications at a total cost of K5,312,754 VAT inclusive with a delivery period of four (4) weeks. The toners were meant for the old network printers to supplement the printing of provisional voters' registers for the voters' roll inspection exercise. Details of the cartridges are outlined in table 12 below.

Table 12: Cartridges Procured

No.	Description	Qty	Unit Price K	Total Price K
1	**DRUM 828A**			
	Black	80	2,993.11	239,448.80
	Magenta	35	8,281.04	289,836.40
	Yellow	30	8,281.04	248,431.20
	Cyan	35	8,281.04	289,836.40
2	**TONNERS 826A**			
	Black	80	10,580.43	846,434.40
	Magenta	50	17,372.91	868,645.50
	Yellow	50	17,372.91	868,645.50
	Cyan	50	17,372.91	868,645.50
3	**FUSER KIT CB458A**	45	9,461.66	425,774.70
4	**IMAGE TRANSFER KIT CB463A**	35	7,903.89	276,636.15
5	**ROLLERS CB459A**	35	1,227.76	42,971.60
6	**STAPLES HPC8091A**	45	1,054.39	47,447.55
	Sub Total			**5,312,753.70**
	VAT 16%			Inclusive

An examination of the stock bin cards revealed that the toner cartridges were received on 18th May 2021 and paid for on 30th July 2021.

The following were observed:

- The toner cartridges were delivered after the occurrence of the voter verification exercise for which they were intended and there was no evidence to show that they were used for the 2021 polls.
- The various toner cartridges procured for old network printers at a cost of K5,312,754 were issued out on 23rd December 2021.

However, no documentation was availed to show the activity for which the tonners were issued at the time when there was no election activity related to the printing of voter registers.

In response, management indicated that the remaining quantities were returned to stores.

However, details of the quantities returned to stores and details of utilisation of the tonners that were collected from stores after elections were not availed for audit.

In addition, stock bin cards for the various toner cartridges procured at a cost of K1,222,614.48 for the printers on warranty were not availed for audit.

xii. Contract for the Supply and Delivery of 64,000 Reams of Bond Paper

On 28th August 2020, the Electoral Commission of Zambia engaged Sepli Investments Limited in a Joint Venture with Sea Eagle Group Limited to supply and deliver 64,000 reams of Bond paper at a contract price of US$192,000 VAT inclusive with a delivery period of six (6) weeks.

The method and conditions of payment were 100% of the contract price upon full delivery and supply of goods which should be paid not later than sixty (60) days from the receipt of the goods by the procuring entity.

On 15th October 2020, the Procurement Committee granted authority for revision of the contract price by US$30,720 in response to a request by the supplier for the quoted amount to be VAT exclusive following escalation of prices on the world market.

On 4th November 2020, the Commission made a 25% advance payment of US$55,680 to Sepli Investments Limited and as at 31st December 2020, the supplier had been paid in full.

The following were observed:

- **Failure to Secure Supplier's Contract Obligation Fulfilment**

  Public Procurement Regulation No. 127. (1) of 2011 stipulates that a procuring entity should request a performance security for all contracts for goods, works and non-consulting services to secure the supplier's obligation to fulfil the contract.

  Further, Clause 19.1 of the contract stipulates that within fourteen (14) days of the notification of the signing of contract or bid acceptance, the supplier to provide a performance security for the performance of the contract in the amount specified in the Special Conditions of the Contract (SCC).

However, the SCC were not shown on the contact and there was no indication of whether the Commission requested for performance security from the supplier.

- **Failure to Award Contract to Best Evaluated Bidder**

  The comparative analysis of the results for commercial evaluation of the bidders revealed that although the most competitive bidder (on price) was a company with a bid sum of US$198,400, it was rated third while Sepli Investments Limited with a bid price of US$222,270 was regarded as the most competitive and rated first.

- **Failure to Avail Varied Contract**

  Clause 35.4 of the contract provided that no variation in or modification of the terms of the contract should be made except by written amendment signed by the parties. However, there was no evidence availed to show that the parties signed for the amendments to vary the contract from US$192,000 to US$222,720

- **Delay in Terminating Contract**

  On 10th December 2020, the ECZ Procurement Committee approved the termination of the contract with Sepli Investment Limited due to failure to deliver the balance of 46,000 reams of bond paper. It was not clear why management delayed terminating the contract when the procurement was meant for the voter registration exercise which was undertaken from 9th November to 20th December 2020.

  Following the termination of the contract with Sepli Investments Limited, the Commission engaged Book Hut Limited to supply 46,000 reams of bond paper at a contract sum of K3,197,000. Book Hut Limited delivered the bond paper on 12th December 2020 and was paid in full on 16th December 2020. However, the paper was not distributed as at 30th September 2022 thereby making the procurement questionable.

- **Failure to Obtain Contract Clearance**

  Sections 54 (1) and 58 (1) of the Public Procurement Act No. 12 of 2008 provides that contracts and all amendments to a contract require the prior authorisation of the appropriate approval's authority and the Attorney General.

  However, no documentation was availed to show that the contracts for the supply of bond paper were cleared by Attorney General.

- **Failure to Withhold VAT**

  The Value Added Tax (VAT) Amendment Act No. 12 of 2017 and Treasury and Financial Management Circular No. 6 of 2017 directed all institutions which were appointed as tax agents to withhold and remit VAT from payments to suppliers of goods and services to the Zambia Revenue Authority (ZRA).

  Contrary to the above provisions, ECZ did not withhold VAT in amounts totalling K623,615 from both Book Hut (K440,966) and Sepli Investments Limited US$8,640 (K182,650).

xiii. Contract for Supply and Delivery of 2,500 Megaphones

On 7th September 2020, the Electoral Commission of Zambia engaged Amasani Investment Limited to supply and deliver 2,500 megaphones at a contract sum of US$77,250 VAT inclusive with a delivery period of four (4) weeks.

A review of the 8th Procurement Committee minutes of ECZ dated 15th October 2020 revealed that the Commission granted authority to vary a contract for purchase of 2,500 megaphones by US$27,253.63 (K496,016) bringing the total contract sum to US$104,503.63 (K1,901,966). The award was made on the basis that Amasani Investment Limited had supplied the megaphones without batteries as its bidding documents did not include their supply.

The megaphones were supplied on 16th November 2020, ten (10) weeks after the contract date while the 40,000 batteries were supplied between 15th October 2020 and 16th November 2020 as shown in the table 13 below.

Table 13: Megaphone Batteries Receipt Details

No.	Date	Quantity	Unit Cost	Total Cost K
1	15/10/2020	10,000	0.6	6,000
2	16/10/2020	10,000	0.6	6,000
3	16/11/2020	20,000	0.6	12,000
Total		**40,000**		**24,000**

An examination of payment vouchers revealed that the megaphones and batteries were paid for in full and amounts totalling US$101,250 (K2,268,118) were paid between January and March 2021.

The following were observed:

- At the 8th ECZ Procurement Committee meeting held on 8th October 2020 where the contract was awarded, it was mentioned that the bidding documents for Amasani Investment Limited indicated that the supplier was not required to supply batteries.

  However, a review of the solicitation documents revealed that the megaphones were to be either with built-in rechargeable lithium battery or battery powered by (8) x "D" type battery. In this regard, the price variation of US$27,253.63 from US$77,250 to US$104,503.63 was questionable.

- Public Procurement Regulation No. 100(1) of 2011 stipulates that an evaluation committee should correct any arithmetic errors and determine whether the financial proposal is complete and has costed all corresponding inputs in the technical proposal and offers value for money.

  However, a review of solicitation documents and evaluation minutes dated 8th October 2020 revealed that there was no distinction of whether the phones were with built-in rechargeable battery or battery powered, consequently the cost implication for battery powered phones was not considered.

- No information was provided as to whether all bids evaluated were for battery powered phones and not battery imbedded phones thereby making the technical evaluation questionable.

- It was not clear whether the price for battery powered phones was the same with the price for phones with built-in rechargeable batteries.
- No documentation was availed to show the addendum for the contract and the terms and conditions for supply and delivery of the batteries.
- Distribution details for the megaphones and the batteries were not availed for audit.

xiv. Contract for Supply and Delivery of 760,000 Ballot Box Plastic Seals - Al Ghurair Printing and Publishing LLC

On 2nd June 2021, ECZ engaged Al Ghurair Printing and Publishing LLC of Dubai, United Arab Emirates for the supply and delivery of 760,000 ballot box plastic seals for the 2021 General Election at a contract sum of US$209,000 (K4,692,050). As at 31st July 2021, the supplier had been paid and the seals delivered.

A review of the distribution schedule for election materials revealed that 486,080 seals were distributed leaving a balance of 273,920 as at 30th September 2021. However, the balance of 273,920 seals costing US$75,328 were not in stores and the stock bin cards were not availed for audit.

xv. Irregularities in the Procurement of Voter Education Branded Caps

On 12th November 2020, Table Pride Agencies delivered 6,000 caps costing US$12,600 (K264,600) and the supplier was paid in full on 1st December 2021.

The following were observed:

- **Failure to Avail Contract**

  Public Procurement Regulation, No. 18 (3) of 2011 stipulates that all contract management records maintained should contain among others the signed contract document, including any signed contract amendments.

  However, the contract with Table Pride Agencies was not availed for audit.

- **Failure to Engage Best Evaluated Bidder**

  Section 34 (3) of the Public Procurement Act No. 8 of 2020 states that, "A Controlling Officer or Chief Executive Officer shall, before the issuance of a contract, authorise the contract and ensure that the contract conforms to the contract award recommendations authorised by the Procurement Committee."

Contrary to the Act, Table Pride Agencies was engaged instead of the company recommended by the Procurement Committee.

- **Delay to Deliver Voter Education Caps**

The Procurement Committee indicated that the caps were supposed to be delivered within the period of six (6) weeks. However, the caps were delivered on 12th November 2020, five (5) months after the recommended date.

- **Wasteful Expenditure**

A comparison of the prices for the recommended bidder and the supplier (Table Pride Agencies) revealed that the Commission paid amounts totalling US$4,320 equivalent of K90,720 over and above the amount that would have been paid if the recommended bidder had been awarded the contract resulting in wasteful expenditure. Details are shown the table 14 below.

Table 14: Unit Price Comparison Between Bidders

No.	Supplier	Description	Qty	Unit Price	Total	Exchange Rate	Total K
1	Table Pride Agencies	Voter Branded Caps	6,000	2.1	12,600	21	264,600
2	Recommended bidder	Voter Branded Caps	6,000	1.38	8,280	21	173,880
	Variance				**4,320**		**90,720**

xvi. Supply of Voter Education Branded Bags

On 12th August 2020, ECZ through the 5th Procurement Committee decided to award a contract to Table Pride Agencies for the supply and delivery of 6,000 voter education branded bags at a total sum of US$57,000 (K930,970) VAT inclusive with a delivery period of six (6) weeks to 15th October 2020. On 21st December 2020, the Supplier delivered 5,100 bags through Delivery Note No. 051.

However, the Goods Received Note and the invoice for the bags were dated 3rd March 2021. As at 30th April 2021, the supplier had been paid a sum of US$45,900 (K1,028,619).

The following were observed:

- **Failure to Avail Signed Contract**

  Public Procurement Regulation, No. 18(3) of 2011 stipulates that all contract management records maintained should contain among others the signed contract document, including any signed contract amendments.

  However, ECZ did not avail a contract, as such it was difficult to establish the contract date and terms.

- **Supply of Poor Quality Bags**

  In a letter dated 26th February 2021, addressed to Table Pride Agencies, ECZ indicated that the supplied voter education branded bags had been rejected as they were of the poor quality. Consequently, the supplier appealed to ECZ to reconsider its position regarding the rejected bags and ECZ agreed to accept the bags at a reduced price of US$9 per unit from the initial US$9.50 per unit.

  However, the minutes in which the price adjustment and the acceptance of the bags of poor quality were discussed were not availed for audit. In this regard, it was not clear whether the adjusted price was a fair price for the quality of the bags supplied.

xvii. Contract for Supply and Delivery of 15 Tablets – Blue Lithium Communications Limited

On 22nd March 2021, ECZ engaged Blue Lithium Communications Limited for supply and delivery of fifteen (15) Ipad tablets at a contract sum of US$47,753. The tablets were received by the Commission on 1st March 2021 and the supplier was paid in full on 19th July 2021.

The following were observed:

- The tablets were supplied before the contract was signed.

- A review of the commercial evaluation form and procurement committee minutes dated 2nd June 2020 revealed that Blue Lithium Communications Limited was not the second best evaluated bidder as stated in the award decision but was the fourth (4th). The second best evaluated bidder had a bid price of K599,550 resulting in a loss of K491,615, thereby making the award to Blue Lithium Communications Ltd questionable.

xviii. Contract for Supply and Delivery of Broadband Global Area Network Prepaid Data and Voice Units for Satellite Phones – Lack of Disposal Details for Vouchers

On 8th July 2020, ECZ engaged Telplus Communications Limited for supply and delivery of 500 units of satellite phones and 200 units of airtime at a contract sum of K8,120,000 VAT inclusive. The satellite phones were delivered on 3rd November 2020 and paid for on 4th December 2020.

Further, on 3rd August 2021, ECZ engaged Telplus Communications Limited for supply and delivery of 500 voucher prepaid data units for the Explorer 510 Broadband Global Area Network (BGANs) and 200 voucher prepaid voice units for satellite phones at a contract price of K6,134,429 VAT inclusive. See the table 15 below.

Table 15: Procurement of Satellite Phones and Prepaid Units

First Procurement			
Description	**Qty**	**Unit Price K**	**Total Cost K**
500 Voucher Prepaid units for the Exploer 510 BGAN (Data)	50	16,449.65	822,483
200 Voucher Prepaid units for SAT phone	804	5,554.50	4,465,818
Sub-Total			**5,288,301**
VAT 16%			846,128
Total			**6,134,429**
Second Procurement			
Satelite Phones	500	11,200.00	5,600,000
Airtime valid for 12 months	500	2,800.00	1,400,000
Sub-Total			**7,000,000**
VAT 16%			1,120,000
Total			**8,120,000**

The vouchers were delivered on 10th August 2021 and paid for on 30th August 2021.

However, disposal details for vouchers costing K7,758,429 were not availed for audit. Further, the Commission did not withhold VAT amounting to K1,966,128 from the payments.

xix. Contract for Supply and Delivery of Critical Election Materials - Ningbo Daren Import and Export Co Ltd

At the 2nd Procurement Committee meeting held on 26th February 2021, the Committee approved the application by the Director Electoral Operations to cancel five (5) initially awarded contracts for supply and delivery of critical election materials and award Ningbo Wisdom Election to enable the requirements be supplied under one contract for convenience of contract management. In addition, the Director Electoral Operations was granted authority to negotiate the price for tamper proof envelopes as outlined in table 16 below.

Table 16: List of Suppliers Awarded Contracts

No.	Description	Quantity	Initial Supplier	Contract Amount US$	Ningbo Contract Sum K
1	Polling Booths Sets	12,650	HK Smart Dragon Co. Limited	202,273.50	123,970
2	"Official" Marks (Self Inking Stamps)	20,000	Shenzhen Colove Technology Co. Ltd	21,000.00	17,200
3	"Rejected" Stamps (Self Inking Stamp)	12,650	Shenzhen Colove Technology Co. Ltd	9,108.00	10,879
4	Indelible Ink Markers	80,000	Enthatak Ltd	77,770.72	43,200
5	Tamper Proof Envelops	1,013,000	Enthatak Ltd	57,211.16	121,560
	Total			**367,363.38**	**316,809**

On the proforma invoice dated 28th March 2021, it was indicated that Ningbo Daren Import and Export Co. Ltd and ECZ agreed to the terms and conditions outline in table 17 below.

Table 17: Revised Critical Materials Cost

No.	Description	Quantity	Unit Price US$	Total Amount US$
1	Polling Booths Sets	37,950	6.80	258,060
2	"Official" Marks (Self Inking Stamps)	20,000	0.86	17,200
3	"Rejected" Stamps (Self Inking Stamp)	12,650	0.86	10,879
4	Indelible Ink Markers	80,000	0.54	43,200
5	Tamper Proof Envelops	1,013,000	0.12	121,560
Total				**450,899.00**

- Shipment :30 Days after deposit
- Payment: 25% TT in advance, 75% T/T before shipment
- Delivery from China to Zambia by air

As at 30th May 2021, the supplier had been paid in full.

However, management did not provide the signed contract and minutes of the negotiations as provided for under Public procurement Regulation No. 76(5) to show that the Director Electoral Operations negotiated the price for tamper proof envelops.

xx. Contract for Supply and Delivery of Face Masks, Hand Sanitisers and Size D Batteries - Walkerville Enterprises Limited

On 28th June 2021, Electoral Commission of Zambia engaged Walkerville Enterprises Limited for the supply and delivery of 28,600 boxes of face masks, 33,750 hand sanitisers and 228,800 size D batteries at a contract sum of US$166,115.85 with a delivery period of four (4) weeks.

On 7th September 2021, Walkerville Enterprises Limited supplied the ordered 28,600 boxes of face masks and were paid an amount of US$48,906 (K1,287,892) on 19th September 2021.

The following were observed:

- **Questionable Contract Price**

  A review of the commercial evaluation report revealed that although the contract was denominated in United States Dollar currency, the bids for face masks and hand sanitizers were quoted in Zambian Kwacha while the batteries were quoted in United States Dollar. A comparison of the exchange rates used on the transactions revealed some discrepancies in that an exchange rate of K22.70 was used for the batteries while an exchange rate of K24.24 was used for the face masks and hand sanitizers resulting in a variance of US$7,978.70 in the contract price. See table 18 below.

Table 18: Bid and Contract Prices Analysis

No.	Description	Quantity	Unit Cost ZMW	Total Bid Cost ZMW	Total Bid Cost USD	Applicable Exchange Rate
1	Face Masks (Box of 50)	28,600	45.03	1,287,858.00	53,130.42	
2	Hand Sanitizer 500ml	33,750	46.31	1,562,962.50	64,479.83	
Total Bid Price				**2,850,820.50**	**117,610.25**	**24.24**
No.	**Description**	**Quantity**	**Unit Cost US$**			
3	DR20 1.5 V Batteries	228,800	0.212	1,101,077.12	48,505.60	22.70
Contract Sum					**166,115.85**	

Further, the invoice reflected a cost of US$1.71 for each box of fifty (50) face masks indicative of an exchange rate of K26.33 to US$1 in relation to the bid price. No documentation was availed to show how the contract sum was arrived at and the authority to convert the bid price into US$.

- **Donation of Face Masks**

  During a physical inspection carried out on 29th December 2021 at Silverest warehouse, it was observed that 2,002,515 face masks were in stock instead of 1,430,000 procured from Walkerville Enterprises Limited. An inquiry on the matter revealed that the Commission received a donation of 2,000,000 face masks from the Disaster Management and Mitigation Unit on 26th June 2021.

  As such, it was questionable why the Commission signed the contract on 28th June 2021, two (2) days after receiving the donated face masks which were more than the requirement.

xxi. Contract for the Provision of Branding Services at the Electoral Commission of Zambia - Sign Wave Printing Limited

On 21st July 2021, ECZ issued a Local Purchase Order to Sign Wave Printing Limited for provision of branding services for the Presidential Results Centre for the 2021 general elections at a sum of K3,777,216 VAT inclusive. Subsequently, on 13th December 2021, ECZ signed a contract with Sign Wave Printing Limited for a period of thirty (30) days.

The scope of works included the following:

- Management of the logistical and organizational aspects of the event, from identification of venue branding points, monitoring progress and making sure that all requirements at the venue were in place and sitting arrangements for accredited delegates,
- Developing event feedback surveys,
- Develop a basic brand guide to be used at the center,

- Strategy development and execution, concepts/creatives for collateral and signage, and
- Production and installation of signage and other collateral.

In August 2021, Signwave Printing Limited was paid amounts totaling K2,194,101.

The following were observed:

- The contract was signed after payments were made.
- The Commission did not withhold VAT of K302,635 from the payments made.

xxii. Procurement of Motor Vehicles above the Entitlement

During the period under review, the ECZ procured forty one (41) motor vehicles costing K38,475,173 which included five (5) for Commissioners and six (6) for Management.

According to the guidelines for Plant, Vehicle and Equipment, the entitlement of the motor vehicles for Commissioners, Chief Electoral Officer and Directors or Head of Departments were categorized as shown in table 19 below.

Table 19: Engine Capacity Entitlement for Vehicles

Position	Type of Vehicle	Engine Capacity	Remarks
Chairpersons of Commissions	Sub-urban Vehicle (SUV) inline type	3.0 D (163/120	High range
Chief Executive Officers	Sub-urban Vehicle (SUV) inline type	3.0 D (163/120	High range
Directors/head of departments		2.4 - 2.9	

The Commission procured the following vehicles as listed in table 20 below.

Table 20: Vehicle Engine Capacity Procured

Position	Type of Vehicle	Qty	Engine Capacity	Remarks
Chairpersons of Commissions	VX Landcruiser	1	4.5 D (163/120)	High range
Vice Chairperson	VX Land cruiser	1	4.5 D (163/120)	High range
Members (Commissioners)	GX Land cruiser	3	4.5 D (163/120)	High range
Chief Executive Officers	GX Land cruiser	1	4.5 D (163/120	High range
Directors/Head of departments	TX Prado	5	3.0 D	

Contrary to the guidelines, the Commission procured motor vehicles above the entitlements of the Chairperson for the Commission, Chief Electoral Officer and the Directors/Heads of Departments as per table 33 above.

In response, Management indicated that the vehicles were procured in line with the Electoral Commission Act. No 25 of 2016 (as amended by Act No. 5 of 2019) which mandates the Commission to determine conditions of service for staff.

However, on 16th December 2016, Cabinet Office issued Circular No. 17 of 2016 abolishing the provision of personal-to-holder motor vehicles to officers in public service and state-owned enterprises and the Boards of State-owned enterprises were urged to review the conditions of services in line with the circular in view of the economic and fiscal challenges that the country was facing.

Further, on 14th June 2021, Cabinet issued Circular No.1 of 2021 abolishing the purchase of Personal to Holder Vehicles in Stated Owned Enterprises, Statutory Bodies and Grant Aided Institutions. In this regard, the procurement of personal to holder motor vehicles for Management was irregular.

c. Accounting Irregularities

i. Failure to Obtain Authority to Vary Funds

During the period under review, amounts totalling K269,242 meant for construction of temporal shelters by four (4) local authorities were spent on unrelated activities such as allowances for extra un-uniformed officers, purchase of stationery and hire of conference facilities. See table 21 below.

Table 21: Councils with Unauthorised Variation of Funds

No.	Local Authority	Amount K
1	Kasama Municipal Council	11,900
2	Kasempa Town Council	40,942
3	Masaiti Town Council	146,000
4	Livingstone City Council	70,400
	Total	**269,242**

However, there was no authority from ECZ to vary the funds.

ii. Unretired Imprest

Financial Regulation No 104 (1) of 2020 stipulates that special and accountable imprests should be retired immediately the purpose for which they are issued has been fulfilled.

Contrary to the regulation, accountable imprests in amounts totalling K130,111 involving four (4) transactions drawn during the period under review had not been retired as at 30th September 2022.

iii. Unaccounted for Stores

Section 45 (5) (a) and (b) of the Public Finance Management Act No. 1 of 2018 requires Controlling Officers to ensure that all public assets and stores under their charge are accounted for.

Contrary to the Act, various stores items and fuel costing K1,908,916 were not accounted for in that they were no receipts and disposal details. See table 22 below.

Table 22: Store Items Unaccounted For

No.	Description	Quantity Ordered	Quantity Received	Quantity Counted	Unaccounted Quantities	Unit Price K	Total K
1	Batteries Size D	200,000	200,000	153,600	46,400	20	904,800
2	Gensets	2,300	2,300	2,237	63	5,207	328,067
3	Satelite phones	500	500	521	(21)	16,240	(341,040)
4	Hardrives	255	255	28	227	1,450	329,150
5	Mega phones	2,500	2,500	1,824	676	696	470,604
6	Jerry Can 20lts	470	470	374	96	390	37,440
7	Voter registration kits	2,900	2,900	2,888	12	6,940	83,277
8	Voter Identification Devices	1,000	1,000	993	7	13,802	96,617
	Total						**1,908,916**

Further, stores items costing K2,331,473 (fuel K2,290,961 and general stores K40,512) at eight (8) Local Authorities were not accounted for due to lack of disposal details. See table 23 below.

Table 23: Councils with Unaccounted for Fuel and Stores

No.	Institute	No of Transactions	Fuel Amount K	Stores Amount K	Total K
1	Livingstone City Council	113	113,732	-	113,732
2	Choma Municipal Council	161	126,165	-	126,165
3	Chinsali Town Council	32	381,662	-	381,662
4	Mongu Municipal Council	125	1,085,972	-	1,085,972
5	Limulunga Town Council	31	146,674	-	146,674
6	Kapiri Mposhi Town Council	72	63,610	-	63,610
7	Chinsali Municipal Council	7	124,826	17,880	142,706
8	Nakonde Town Council	6	248,320	22,632	270,952
	Total	**547**	**2,290,961**	**40,512**	**2,331,473**

iv. Irregular Drawing of Fuel

During the period under review, fuel costing K3,410,965 was irregularly drawn at various stations as shown in table 24 below.

Table 24: Irregular Fuel Drawings

No.	Station	No of Transactions	Amount K	Irregularity
1	Livingstone City Council	43	35,682	Drawn by Unauthorised vehicles
	Livingstone City Council	113	113,732	No disposal details
	Livingstone City Council		28,450	Misapropriated Fuel
2	Choma Municipal Council	5	5,282	Drawn by Unauthorised vehicles
	Choma Municipal Council	161	126,165	No disposal details
3	Mazabuka Municipal Council	14	10,951	Drawn by Unauthorised vehicles
4	Chipata Municipal Council	9	5,011	Drawn by Unauthorised vehicles
5	Limulunga Town Council	32	45,210	Drawn by Unauthorised vehicles
	Limulunga Town Council	31	146,674	No disposal details
6	Senanga Town Council	8	59,122	Drawn by Unauthorised vehicles
7	Mongu Municipal Council	122	122,810	Drawn by Unauthorised vehicles
	Mongu Municipal Council	54	56,757	Drawn by officers (PLGO & DEO) with separate allocation
	Mongu Municipal Council	125	1,085,972	No disposal details
8	Mbala Town Council		81,775	Drawn by Unauthorised vehicles
9	Mungwi Council		40,080	Drawn by Unauthorised vehicles
10	Mpulungu Town Council		2,419	Drawn by Unauthorised vehicles
11	Chinsali Municipal Council	32	428,982	Drawn by Unauthorised vehicles
	Chinsali Town Council	39	506,488	No disposal details
12	Luanshya Town Council	19	153,329	Drawn by Unauthorised vehicles
13	Chibombo Town Council	9	23,211	Drawn by Unauthorised vehicles
14	Nakonde Town Counci	19	20,932	Drawn without indicating drawer details
	Nakonde Town Council	6	248,320	No disposal details
15	Kapiri Mposhi Town Council	72	63,610	No disposal details
Total			**3,410,965**	

d. Staff and Administrative Matters

i. Irregularities in Recruitment of Temporal Staff

During the period under review, ECZ employed 328 temporal staff in various departments on short term contracts for periods ranging from six (6) months to two (2) years. See table 25 below.

Table 25: Temporal Staff

No.	Department	Type of Staff	Number of Staff
1	Finance	Accounts Assistant	2
		Stores Assistant	5
2	Elections	Exception Handlers	41
3	Administration and Election	General Workers	248
4	Procurement	Procurement Assistant	4
5	Corporate Affairs	Social Media	1
		Animator	1
		Media Placement	2
		Graphic designer	1
		Videographer	1
6	Voter Education	Voter Education Assistant	2
7	ICT	Technical Support Supervisor	10
		Geographic Information Systems Officer	10
	Total		**328**

A review of the ECZ Recruitment Policy revealed the following:

- Clause 13.3 (b) (c) of the Recruitment Policy requires that a Shortlisting Committee be constituted and which should prepare a Shortlisting Report to the Commission recommending the applicants to be considered for interviews.

- Clause 13.4 requires that a shortlisting and recruitment report should contain details of the shortlisting and the interviews conducted.

- Clause 13.8 stipulates that all successful candidates, including those for temporary, short term and casual vacancies, should be subjected to vetting by security agencies before they are offered employment.

- Clause 4.1 of the job profile for corporate affairs staff stipulate that the required minimum qualifications should be a diploma.

The following were observed:

- **Failure to Avail Security Vetting Reports**

  There was no evidence that the security agencies vetted 248 general workers that were engaged on six (6) months contracts contrary to Section 13.8 of the recruitment policy.

- **Failure to Engage Staff with Required Minimum Qualifications**

  A comparison of the minimum required qualifications and the qualifications held by staff recruited in the Corporate Affairs Department namely Social Media, Animator, Graphic Designer and Videographer revealed that the recruited staff did not possess the required minimum qualification of a diploma.

- **Questionable Recruitment of a Social Media Officer**

  The Commission at its Ordinary Meeting held on 29th October 2020 resolved that the recommendation to engage a social media Officer for one (1) year be approved following resignation of the incumbent. Consequently, on 23rd November 2020, the Commission engaged a temporal social media Officer for a period of one (1) year with a gross salary of K24,191 per month.

  However, it was observed that the labour requisition for the position was raised on 25th November 2020 two (2) days after the officer was engaged. Further, no documentation was availed to show how the shortlisting and interviewing was undertaken making the recruitment questionable.

ii. Recruitment and Training of Assistant Registration Officers

In a letter dated 28th July 2020, the Commission authorised the Local Authorities to recruit various categories of staff to take part in the voter registration exercise and the guidelines to follow were prescribed. The Commission provided the required numbers for each category of staff to be recruited, the timelines for the recruitment which was to commence on 10th August 2020 and the composition of the recruitment panel.

Assistant Registration Officers were among those to be recruited and the Local Authorities were directed to recruit an extra number of officers to be put on standby in case of any eventualities. The Local Authorities were further directed to submit recruitment reports to the Commission indicating how many staff they had shortlisted, interviewed, trained and finally engaged for each category of voter registration staff.

The following were observed:

- **Questionable Recruitment of Assistant Registration Officers**

  A review of records revealed that the Commission recruited 441 Assistant Registration Officers from headquarters whom they trained at a cost K7,662,584 and deployed to various districts.

  However, there was no correspondence availed to show that Local Authorities who had successfully recruited the required number of Assistant Registration Officers together with extra staff on standby, had shortfalls. Therefore, the recruitment of 441 Assistant Registration Officers centrally by ECZ was questionable.

  Further, management did not advertise the recruitment of 441 Assistant Registration Officers engaged centrally contrary to Section 13.2 of the Recruitment Policy which requires that advertisement for vacant positions and applications for appointment to vacant positions would either be invited by advertising through the media or internally. As such, there was no transparency in the recruitment process.

- **Failure to Avail Shortlisting and Recruitment Report**

  Section 13.4 (d) of the Recruitment Policy stipulates that the Human Resource and Administration Manager should prepare Shortlisting and Recruitment Reports and submit to the Chief Electoral Officer showing details of the shortlisting, interviews and recommendations of the candidate(s) found suitable for the vacant position for the Commission’s approval.

  Contrary to the policy, ECZ did not produce a shortlisting and recruitment report. Therefore, it could not be ascertained whether the guidelines were followed and if the recruited officers were approved by the Commission.

- **Recruitment Beyond the Required Number of Officers**

  Section 13 (1) (c) of the Recruitment Policy requires that no recruitment must commence before the Chief Electoral Officer approves the Labour Requisition Form.

  In this regard, a review of the Labour Requisition Form revealed that 280 extra Assistant Registration Officers were recruited and deployed.

  However, a review of payments revealed that the Commission engaged and paid 441 Assistant Registration Officers, which was 161 more than the approved labour requisition.

  Further, the list of paid officers (441) included twenty one (21) who were not appearing on the recruitment list. In this regard, the payment of K88,000 to the twenty one (21) Assistant Registration Officers was irregular.

- **Sending of Assistant Registration Officers Without Requests from the Districts**

  It was observed that ECZ had sent additional Assistant Registration Officers to various Districts without requests for additional staff from the individual Local Authorities. An inquiry at five (5) selected Local Authorities revealed that they had not requested for thirty eight (38) Assistant Registration Officers which ECZ had sent to their respective districts as shown in table 26 below.

Table 26: Officer Assigned Without Requests from Districts

No.	District	No. of AROs Sent
1	Chipata	8
2	Petauke	11
3	Katete	11
4	Chipangali	4
5	Nyimba	4
	Total	**38**

- **Failure to Avail Deployment List for Lusaka Officers**

  A review of the deployment list revealed that 258 Assistant Registration Officers recruited for Lusaka Province did not indicate which districts the staff had been deployed to. In this regard, the payment of K1,039,500 to the Assistant Registration Officer for Lusaka Province was questionable as it could not be ascertained whether the Officers had reported to their respective stations.

- **Irregular Withdrawal of Cash for Payment of Allowances**

Ministry of Finance Treasury and Finance Management Circular No.1 of 2020 guided Controlling Officers that no cash should be withdrawn for payment of subsistence allowances, fuel refunds and any other allowances as these should be paid directly into the beneficiary's account.

Contrary to the Circular, cash in amounts totalling K5,631,491 was withdrawn to facilitate the payment of allowances to staff at ECZ headquarters and Council Officers. See table 27 below.

Table27: Payment of Cash Allowances

Province	Institution	Amount ZMW
Muchinga	Chinsali Municipal Counc	81,800
	Mpika Town Council	180,600
Lusaka	Headquarters	5,369,091
	Total	**5,631,491**

iii. Lack of Appointment Letters – Itezhi tezhi Town Council

According to the Legal Framework for voter registration of Zambia, Election Officials were supposed to be issued with appointment letters stipulating the terms and conditions of the appointment such as the monthly allowance rates and the number of months they are supposed to be paid monthly allowances.

During the period from March 2019 to August 2021, Itezhi tezhi Town Council paid monthly allowances in amounts totalling K698,350 to officers who were selected to handle election activities. However, no appointment letters were availed for audit to ascertain the months they were expected to be paid and the rates.

7 EVELYN HONE COLLEGE OF APPLIED ARTS AND COMMERCE

7.1 BACKGROUND

a. Establishment

Evelyn Hone College of Applied Arts and Commerce (EHCAAC) was officially opened on 23rd October 1963. The College is a public institution established under the Technical Education, Vocational and Entrepreneurship Training (TEVET) Act No. 13 of 1998.

The core business of the College is to provide training in Technical Education, Vocational and Entrepreneurship training. The College also conducts training and promotes research in Applied Arts and Science.

b. Governance

The College is governed by a Management Board constituted by the Minister under Section 10 (2) of the TEVET Act No. 13 of 1998.The Act provides for the appointment of not more than eleven (11) Board members. The members hold office for a period of three (3) years from the date of appointment and may be re-appointed for a further term of three (3) years.

c. Management

The day to day administration of the College is the responsibility of the Principal who is assisted by the Vice Principal, the Registrar and three (3) managers responsible for; Human Resource and Administration, Finance and Business Development and Corporate Affairs.

All members of staff including management are engaged by the Board on a three (3) year renewable contract basis.

d. Source of Funds

According to Part II Section 9 of the Act, the funds of the Institution consist of such moneys as may:

a. be appropriated by Parliament for the purpose of the management board;

b. be paid to the institution by way of fees, grants or donations;

c. subject to the approval of the Minister responsible for finance, be paid to the college from levy which may be imposed and collected for the purpose of technical education, vocational and entrepreneurship training; and

d. vest in or accrue to the institution.

The College may also:

a. accept moneys by way of grants or donations from any source in Zambia and subject to the approval of the Minister, from any source outside Zambia;

b. raise by way of loans or otherwise, such moneys as it may require for the discharge of its functions; and

c. in accordance with the regulations made under this Act; charge and collect fees for services provided by the management board.

e. Information Communication Technology (ICT) Systems

During the period under review, the College operated four (4) ICT systems namely:-

i. Pastel Evolution System - used for all accounting purposes;

ii. MicroPay - used for payroll processing;

iii. Astria Learning Content Management System – used for E-Learning; and

iv. StudMaster – used for student management information system.

7.2 Audit Findings

An examination of financial and other records maintained at the College for the financial years ended 31st December 2019, 2020 and 2021 revealed the following:

a. Budget, Income and Expenditure

During the financial years ended 31st December 2019, 2020 and 2021, the institution budgeted to receive and generate funds in amounts totaling K389,395,000 out which amounts totaling K316,714,000 were received and generated resulting in a surplus of K72,681,000. See the table 1 below.

Table 5: Budget and Actual Income

Year	Source	Budget (K'000)	Income (K'000)	Variance (K'000)
2019	Full/Part Fees	97,924	110,874	12,950
	Open & Distant Learning	2,667	1,335	(1,332)
	Government Grant	2,700	1,106	(1,594)
	Examination Fees	8,349	2,099	(6,250)
	Other Income	7,000	12,726	5,726
	Sub Total	**118,640**	**128,140**	**9,500**
2020	Full/Part Fees	112,539	97,594	(14,945)
	Open & Distant Learning	3,165	465	(2,700)
	Government Grant	2,657	2,664	7
	Examination Fees	2,700	633	(2,067)
	Other Income	14,594	12,969	(1,625)
	Sub Total	**135,655**	**114,325**	**(21,330)**
2021	Full/Part Fees	112,954	61,403	(51,551)
	Open & Distant Learning	2,240	522	(1,718)
	Government Grant	2,657	2,657	-
	Examination Fees	2,744	692	(2,052)
	Other Income	14,505	8,975	(5,530)
	Sub Total	**135,100**	**74,249**	**(60,851)**
	Grand Total	**389,395**	**316,714**	**(72,681)**

As at 31st December 2021 amounts totaling K275,521,000 had been spent leaving a balance of K41,193,000.

b. Governance Matters - Failure to Prepare Financial Statements

TEVET Act No. 13 of 1998 requires that the management board submits to the Authority the annual report which includes an audited balance sheet, an audited statement of income and expenditure and any other information.

Contrary to the Act, management had not prepared the Financial Statements for the financial years ended 31st December 2019, 2020 and 2021 as at 30th September 2022.

c. Procurement Matters - Irregularities in the Procurement of a Learning Management System

On 26th January 2016, the College entered into a Memorandum of Agreement with Astria Learning, a company based in Florida, United States of America for the provision of a cloud-based Learning Management System (LMS). The main purpose of the agreement was to transform the delivery of learning through use of an E-Learning platform. The platform had nine (9) modules namely; Admissions, E-learning, Finance, Human Resource, Library, Hostel Transport, Inventory and Student Management.

According to the agreement, the College was to pay annual fees of US$35 per student on the e-learning platform.

During the period from 2016 to 2021, the college was invoiced K16,701,603 (US$1,317,200) based on 37,634 students registered on the platform and the whole amount had been paid as at 30th September 2022. See table 2 below.

Table 6: Payments to Astria Learning

Year	Number of Students	Invoiced Amount K	Amount Paid K	Amount Paid US$
2016	7000	2,533,300	2,533,300	245,001.00
2017	7093	2,413,369	2,413,369	248,255.33
2018	7523	2,733,702	2,733,702	263,305.00
2019	8076	3,658,611	3,658,611	282,671.68
2020	6927	4,768,491	4,768,491	242,454.33
2021	1015	594,129	594,129	35,512.80
Total	**37634**	**16,701,603**	**16,701,603**	**1,317,200.14**

The following were also observed:

i. Contrary to the Public Procurement Act No. 12 of 2008 section 4 which requires a procuring entity to obtain the approval of the Zambia Public Procurement Authority (ZPPA) and the Treasury and once the approval is given, to seek the advice of the Attorney-General, before entering into an international procurement agreement, the college entered into an international agreement with Astria Learning without approval from ZPPA, Treasury and the Attorney General.

ii. On 9th December 2021, the college terminated the agreement with Astria Learning citing serious challenges experienced by the college from the time the system was rolled-out in 2016. However, in a letter dated 23rd December 2021Astria Learning contested the termination indicating that the college did not bring to their attention the challenges faced by the college as at 30th September the matter has not been concluded.

d. **Weaknesses in Managing the Business Development and Corporate Affairs Management (BDCAM) Unit - Monk Square Trading Spaces**

During the period under review, the college was renting out its forty-one (41)

trading spaces to vendors at the Monks Square Business Centre within the college premises.

However, as at 30th September 2022, there were no contracts or tenancy agreements availed for audit to ascertain the terms and conditions under which the vendors occupying the shops were operating.

It was further observed that nine (9) vendors had abandoned the shops during the period under review and were owing the college K67,888 in unpaid rentals. Therefore, it could not be ascertained how the college was going to recover the owed amounts in the absence of signed contracts.

e. **Accounting Irregularities**

i. **Payment of Allowances for Activities not Undertaken**

In 2021, the college paid amounts totaling K141,275 to thirty-three (33) lecturers to enable them travel out of station to monitor performance of students who were attached to twenty-six (26) institutions in six (6) provinces for industrial practice purposes.

However, site visits carried out in August 2022, revealed that out of thirty-three (33) lecturers, fourteen (14) lecturers who were paid amounts totalling K46,065 did not travel to eleven (11) institutions to monitor the performance of students.

As at 30th September 2022, no action had been taken such as recovery of the allowances paid.

ii. **Questionable Payment of Repatriation Allowances**

Staff Conditions of Service No. 9.9.1 for Evelyn Hone College states that the Board shall pay an employee repatriation amount at the end of the contract.

However, the Employment Act No. 3 of 2019 section 33 outlines the following circumstances when repatriation allowance is to be paid to an employee:

- on the termination of the contract of service by reason of the inability, refusal or neglect of the employer to comply with all or any of the provisions of such contract;
- on the expiry of such period of service as may be specified in the contract of service;
- on the termination of the contract of service by agreement between the parties unless the contract otherwise provides;
- on the termination of the contract of service by reason of the inability of the employee to comply with the provisions thereof by reason of illness or accident not occasioned through his own fault.

Contrary to the Act, the College paid amounts totaling K867,125 in respect of repatriation allowances to 269 officers whose contracts were renewed and still serving.

iii. Wasteful Expenditure - Penalty Charges

The Public Finance Management Act No. 1 of 2018 section 11(1)(j) states that a Controlling Officer is responsible for preventing irregular or wasteful expenditure and is required to report in writing particulars of that wasteful expenditure to the Secretary to Treasury. Section 2 of the Act defines wasteful expenditure as unnecessary expenditure incurred as a result of undue care and attention.

Contrary to the Act, the college incurred and paid penalties in amounts totalling K16,637 that arose due to delayed settlement of workers compensation bills, registration fees and Examination fees despite the availability of funds.

iv. Questionable Payments of Out of Pocket Allowance

Cabinet Office Circular No. 11 of 2013 defines Out of Pocket Allowance as an allowance paid to an officer to cover additional expense while on duty outside normal station of duty where an overnight stay is involved.

In this regard, the College Conditions of Service provides for payment of Out of Pocket allowance at a rate of 50% of the subsistence allowance.

It was however, observed that amounts totalling K70,417 were paid as Out of Pocket allowances to seventy two (72) officers for attending meetings and workshops that did not require an overnight stay such as launch of Atlas Mara at Pamodzi Hotel, ICT competition award at Mulungushi International Conference Centre, exhibiting at National Institute of Public Administration (NIPA) in Lusaka, attending a meeting at Central Fire Station opposite the College among others.

v. Unaccounted for Stores

Public Stores Regulation No. 16 requires that every stores officer or any other officer having in his charge any public stores or other articles of public property should keep and maintain record of the receipt and issue of such public stores.

Contrary to the regulation, there were no receipt and disposal details in respect of general stores items costing K1,141,490 procured during the period under review.

f. Management of Liabilities – Failure to Settle Outstanding Bills

A review of records revealed that as at 31st December 2021, the College owed Zambia Revenue Authority amounts totalling K131,301,464 in respect of Pay As You Earn some of which was outstanding from as far back as March 2011.

g. Management of Payroll and Staff Related Matters - Irregularities in the Staff Establishment Register

Recruitment Policy No. 2.1 states that the college should operate within an Approved Establishment of the Board.

During the period under review, the board approved 300 positions out of which 315 were filled.

However, the following were observed:

i. Staff Occupying Positions not in the Approved Staff Establishment

Amounts totaling K3,401,569 were paid to fourteen (14) officers who were occupying key positions such as senior hostel attendant, clinical instructor, welder, clerical officer and print laboratory technician which were not in the Approved Staff Establishment.

ii. Excess Staff on Selected Position on Payroll

The college had made an excess recruitment of fifteen (15) personnel on four (4) selected positions without authority from the board. See table 4 below.

Table 4: Excess Staff on Payroll

No.	Position	Establishment No.	Payroll No.	Variance
1	Lecturer 1	107	119	12
2	Lecturer 2	4	5	1
3	Stores Officer	1	2	1
4	Personal Secretary	3	4	1
		115	**130**	**15**

As at 30th September 2022, the situation had not been normalized.

h. Infrastructure Development - Failure to Maintain and Rehabilitate Infrastructure

A physical inspection of the College buildings carried out in September 2022, revealed that the buildings were poorly maintained and some were in a deplorable state.

In particular, the following were observed:

i. Botswana Hostel

- Window panes were broken.
- The roof leaks in certain points.
- The wooden structure supporting the roof has been eaten by termites.
- The hostel walls were dirt and needed to be repainted.

Dilapidated Botswana Hostel

ii. New Health Sciences Block

- Ceiling boards were damaged along the main corridor.
- Cracks on the exterior walls were observed.

Dilapidated Ceiling – New Health Sciences Block

8 THE FOOD RESERVE AGENCY

8.1 BACKGROUND

a. Establishment

The Food Reserve Agency (FRA) was established in 1996 after the enactment of the Food Reserve Act No. 12 of 1995.

The functions of the Agency are to:

- administer the national food reserve,
- establish and operate a market information system for agricultural food commodities and agricultural inputs,
- promote the use of the weighing and grading standards approved under the Weights and Measures Act and the Standards Act for designated commodities,

- establish and conduct a programme under which storage facilities owned by the Government may be leased or sold,
- establish a programme under which traders and processors shall register and report, for statistical purposes, information on the stocks of agricultural commodities handled or held by them,
- assess storage requirements for marketing a designated commodity and plan for their establishment as needed, and
- undertake such other functions as the Minister may assign to the Agency.

b. Governance

The Agency Part 1 of the Schedule of the Food Reserve Agency Act Paragraph 2 (1) provides for the composition of the Board of the Agency as follows:

- a senior official from the Ministry responsible for:
  - Agriculture,
  - Commerce,/ and
  - Finance.
- a representative of:
  - small scale farmers,
  - commercial farmers,
  - persons engaged in the processing of agriculture commodities, and
  - the Bankers Association of Zambia,
- one (1) person associated with transportation and haulage of agriculture commodities, and
- two (2) other persons from the private sector.

The Chairperson and Vice Chairperson are elected by the Agency from amongst the members. Members of the Board hold office for a period of three (3) years from the date of appointment and are eligible for reappointment for a further term of three (3) years.

c. Management

The Executive Director, who is the Chief Executive Officer of the Agency is responsible for the day-to-day affairs of the Agency.

The Executive Director is assisted by the Agency Secretary, Manager Finance, Property Manager, Food Reserve and Marketing Manager, and Audit and Risk Manager.

d. Sources of Funds

According to the Part II Section 10 of the Act, the sources of funds for the Agency consist of such monies as may:

- be appropriated by the National Assembly for the purposes of administering the National Food Reserve Agency,
- be paid to the Agency by way of grants and donations, and
- vest in or accrue to the Agency.

The Agency may also:

- accept money by way of grants and donations,
- raise by way of loans and otherwise from any sources in Zambia and subject to the approval of the Minister, from any source outside Zambia, such money as it may require for the discharge of its functions,
- charge and collect fees in respect of programmes, publications, seminars, consultancy and other services provided by the Agency

8.2 Audit Findings

An examination of financial and other records maintained at food reserve Agency (FRA) for the financial year ended 31st December 2019-2021 reviewed the following;

a. Budget, Funding and Expenditure

In the Estimate of Revenue and Expenditure for financial years ended 31st December 2019 to 2021 a total provision of K2,080,100,000 was made to cater for various activities against which amounts totalling K3,703,401,862 were released. As at 31st December 2021, amounts totalling K3,656,693,542 had been spent. See table 1 below.

Table 1: Budget Funding and Expenditure

No.	Budget K	Funding K	Under/over funding K	Expenditure K
2019	752,000,000	444,333,332	(307,666,668)	422,536,634
2020	735,300,000	1,616,397,133	881,097,133	1,315,261,366
2021	592,800,000	1,642,671,397	1,049,871,397	1,918,895,542
	2,080,100,000	**3,703,401,862**		**3,656,693,542**

In particular, it was observed that during the financial years ended 31st December 2020 and 2021, the Agency was over funded amounts totalling K1, 930,968,530 (K881,097,133 and K1,049,871,397 in 2020 and 2021 respectively).

However, there was no supplementary budget availed to cater for the additional amounts released to the Agency.

b. Failure to Collect Revenue from Government Institutions:

During the period from 2019 to 2021 the Agency sold 281,710.88 metric tonnes (MT) of maize to Ministry of General Education (MOGE) and the Disaster Mitigation Management Unit (DMMU) as shown in table 2 below.

Table 2: Maize sales to Government Institutions

Institution	MT	AMOUNT K	PAYMENTS TODATE K	OUTSTANDING AMOUNT K
DMMU	214,851	398,926,019	-	398,926,019
MOGE	66,860	129,333,094	11,814,742	117,518,352
Total	**281,711**	**528,259,113**	**11,814,742**	**516,444,371**

However, the Institutions owed the Agency amounts totalling K516,444,371 which had been outstanding for periods ranging between six (6) months and five (5) years.

c. Operational Matters

During the period under review, the Agency purchased a total of 1,339,618.60 Metric Tonnes (Mt) costing K3,669,494,820. See table 3 below.

Table 3: Maize Purchases and Sales

		MAIZE PURCHASES			MAIZE SALES	
Year	Opening Bal (MT)	MT	Amount K	Total Stock	MT	Amount K
2019	448,419.00	86,510.00	190,322,220	534,929.00	305,141.83	626,184,518
2020	218,543.00	350,191.50	770,421,300	568,734.50	173,705.28	524,837,350
2021	375,879.00	947,777.55	2,708,751,300	1,323,656.55	58,696.00	141,238,501
TOTAL	**1,042,841.00**	**1,384,479.05**	**3,669,494,820**	**2,427,320.05**	**537,543.11**	**1,292,260,369**

In addition, the Agency recorded maize sales of 537,543.11 metric tonnes (mt) in amounts totalling K1,292,260,368.58 during the period under review as shown in table 3 above.

The following were observed:

i. Procurement of National Food Strategic Reserves

A review of records carried out in December 2021 revealed that the Agency recorded negative variances on maize purchases of 114,740 and 649,808 metric tonnes in 2019 and 2020 respectively. However, in 2021, the Agency procured more maize than was planned by 402,917.10mt. See table 4 below.

Table 4: Tonnage of Maize Gazetted and Procured

Year	Gazetted	Actual Qty Procured	Variance	
	Maize(Mt)	Maize(Mt)	Under	Over
2019	201,250	86,510.10	114,739.90	
2020	1,000,000	350,191.50	649,808.50	
2021	500,000	902,917.10		(402,917.10)
		1,339,618.70	**764,548.40**	**(402,917.10)**

ii. Failure to Uplift Issued Loading Orders

In 2019 and 2020, the Agency planned and issued loading orders to various transporters to haul 534,586 MT of maize from Agency's depots to sheds for storage.

However, as at 31st May 2022, a total of 285,956.03MT had not been transported twenty-four (24) months after the orders were issued. Consequently, this may lead to failure to secure national strategic reserves and maize may go to waste. See table 5 below.

Table 5: Unexecuted Loading Orders

YEAR	LOADING Orders issued MT	Quantity Uplifted (MT)	Quantity not Uplifted (MT)
2019	232,968.00	123,017.00	109,951.00
2020	301,618.00	125,612.97	176,005.03
Total	**534,586.00**	**248,629.97**	**285,956.03**

d. Infrastructure Development

i. Contract with Advanced African Solutions (ADAS)

On 18th July 2013, the Food Reserve Agency (FRA) entered into an agreement with Advanced African Solutions LLC for the rehabilitation and over-roofing of 32 existing hard stands and the construction of 66 new hard stands with over-roofing at a contract price of US$70,588,491.

The following were observed.

- **Failure to Provide Justification for Change in Contract Terms**

  In a letter dated 13th November 2014, the Executive Director – FRA sought the authority of the Secretary to Treasury to re-assign (novate) the contract from ADAS LLC to ADAS Mauritius and also increase the contract price from US$70,558,4 91 to US$73,000,000. On 12th May 2015, the Secretary to Treasury granted a 'no objection'. However, the justification for changing the contractor and contract price were not availed for audit.

- **Questionable Change in Financing**

  In 2018, the Permanent Secretary – Ministry of Agriculture, sought the guidance of the ZPPA and Attorney General regarding the change of financing for the project from a Loan which was supposed to be sourced by the contractor to Government funding of which the Attorney General granted approval of the contract for execution in a minute dated 15th March 2018, subject to availability of funds.

  Consequently, on 12th April 2018, the Food Reserve Agency entered into a revised agreement with Advanced African Solutions (Mauritius) Ltd for the design, rehabilitation and building of certain grain storage facilities in Zambia at a contract sum of US$73,000,000 of which the contract price was to be paid out of Treasury funds. There was no justification availed for audit as to why the financing was changed.

- **Failure to Obtain Approval by the Council of Ministers**

  Section 19(ii) of the Public Private Partnership Act No 14 of 2009 states that the Technical Committee shall consider the Project Proposal and the proposed agreement submitted under subsection (i) and submit the feasibility study, the project proposal and the proposed agreement to the Council of ministers for approval.

  On 20th November 2012, the Agency submitted its evaluation report and recommendation through the Ministry of Agriculture and Livestock to the Council of Ministers for consideration and approval.

  However, there was no evidence to suggest that it was approved by the Council, thereby making the signing of the agreement irregular.

  - **Questionable Payments**

    In paragraph 15(d) of the Report of the Auditor General on the accounts of the Republic for the financial year ended 31st December 2020 mention was made on the contract with Advanced African Solutions (ADAS) of US$73,000,000 for the design, building and rehabilitation of ninety-eight (98) grain storage sheds in which the Government had incurred penalty sum of US$52,000,000 on the advance payment.

    A review of the situation in June 2022 revealed amounts totaling US$61,369,675 were due to the contractor (US$52,000,000 in penalties and US$9,369,675 certified works). However, the contractor had been paid US$71,328,271 resulting in a questionable payment of US$9,958,595.

- **Status of Project**

  A review of a project status report from the Ministry of Infrastructure, Housing and Urban Development dated 18th August 2022, revealed that the overall progress of works as at 31st July 2022, was at 42% completion.

ii. Various Infrastructure Development

The Agency undertook rehabilitation and construction of various projects in various parts of the country. See table 6 below.

Table 6: Summary of the Status on three (3) Rehabilitation and Construction Projects.

No.	Contractor	Expenditure Details	Period Delayed	% Completion	Status/Remarks
1	**In – house -**	Rehabilitation of Ablution Block - Kasempa Main depot .			i. Amounts totalling K102,942 had been spent on plumbing and other items. However; ii. The tiles that had been fixed were broken and poorly fitted iii. The toilet pans had been fitted, water had not been connected. iv. The taps in the shower room were leaking. v. The shower room door had not been fitted vi. The room had not been painted vii. Electrical fittings were incomplete  *Incomplete shower room*
2	**Mach Tech Limited**	Construction of an Office	Six (6) Years	Terminated	i. Contract date : 24^{th} August 2015

		Block, Ablution Block and guard House at Kapiri Mposhi main Depot in Central Province at a contract sum of K1,449,202.43 VAT Inclusive			ii. The contractor had been paid amounts totalling K594,299 representing 41% of the contract sum iii. Uncompleted ceiling iv. Unpainted walls v. Electricals not done vi. Plumbing not done vii. Part of the roof that had been completed was damaged viii. As of December 2021, the Agency had not issued the Final account to the contractor  *Partly damaged roof*

<table>
<tr><td>3</td><td>JMB Investments Limited</td><td>Rehabilitation of seven (7) Sheds (EEC,DMC and 5 CIDA Sheds) at Monze Main Depot in Monze District at a contract sum of K1,691,920.32 VAT Inclusive</td><td>One (1) Year</td><td>Terminated</td><td>c. Contract date: Nov 2017
d. Contract sum – K1,691,920.32
e. Contract period – 180 working days
f. Certified works-K1,133,167.67
g. The contractor had been paid a total amount of K631,485.07 leaving a balance of K501,682.60 outstanding.
h. A physical inspection carried out in December 2021 revealed that the construction of a dwarf wall, flooring, replacement and painting of the roof, renovation and painting of structure steel works to the DMC Shed was completed. However, the following works were still outstanding:
i. Plumbing and engineering installations
j. Wall finishing, painting and electrical fittings and installations.
k. Rehabilitation works at the EEC Shade and the five (5) CIDA Sheds.

Unfinished DMC shed - Monze</td></tr>
</table>

9 HEALTH PROFESSIONS COUNCIL OF ZAMBIA

9.1 BACKGROUND

a. Establishment

The Health Professions Council of Zambia (HPCZ) is a regulatory body established under the Health Professions Act No. 24 of 2009 of the Laws of Zambia.

The mandate of the Council is to register and regulate all health practitioners (except nurses) and facilities both public and private and training institutions for health sciences.

b. Governance - Council

The Council is governed by a Board comprising seventeen (17) members who are appointed by the Minister responsible for Health on three (3) year renewable terms.

The Council consists of the following part-time members:

i. The President of the General Nursing Council of Zambia;

ii. The Permanent Secretary of the Ministry responsible for Health;

iii. The Dean of the School of Medicine;

iv. The Director of the University Teaching Hospital;

v. A representative of the Defence Forces Medical Services;

vi. A representative from the Ministry responsible for Science and Technology;

vii. Two members of the public who have distinguished themselves in the service of the public;

viii. A representative of the Pharmaceutical Regulatory Authority;

ix. A representative of the Attorney General;

x. A representative of the Zambia Medical Association;

xi. A representative of the Faculty of General Practitioners;

xii. A representative of the Church's Health Association of Zambia;

xiii. A dental surgeon from the Dental Association of Zambia;

xiv. A representative of the Pharmaceutical Society of Zambia and;

xv. A representative of any four other Health Professions nominated by the chairperson of the Health Professional Body of that health profession.

c. Management

The operations of the Council is the responsibility of the Registrar who is the Chief Executive Officer and is assisted by four (4) Directors responsible for Registration, Inspectorate, Finance, Planning and Corporate Services.

d. Source of Funds

Part II Section 10(1) of Health Professions Act No. 24 of 2009 provides that the funds of the Council shall consist of such moneys as may;

- be appropriated by Parliament;
- be paid to the Council by way of fees, levy, grants or donations; or
- vest in or accrue to the Council.

Further, the Council may accept moneys by way of grants or donation from any source in Zambia and, subject to the approval of the minister, from any source outside Zambia.

9.2 Audit Findings

An examination of financial and other records maintained at HPCZ headquarters in Lusaka and three (3) regional offices namely Livingstone, Kasama and Ndola for the financial years ended 31st December 2019, 2020 and 2021 revealed the following:

a. Budget, Income and Expenditure

During the period under review, the Health Professions Council of Zambia made budget provisions totalling K214,881,045 to cater for its operations against which amounts totalling K158,668,530 were received resulting in under collection of K56,212,515. See table 1 below**.**

Table 1: Budget and Income

Years	Budget K	Income K	Variance K
2021	85,168,334	57,647,706	27,520,628
2020	71,627,015	54,748,723	16,878,292
2019	58,085,696	46,272,101	11,813,595
Total	**214,881,045**	**158,668,530**	**56,212,515**

As at 31st December 2021, a total of K140,285,779 had been spent leaving a balance of K18,382,751.

b. Operational Matters

i. Failure to Monitor Health Facilities

Section 47(1) of the Health Professions Council Act No. 24 of 2009 stipulates that the council shall appoint inspectors to ensure compliance with the Act. Further, section 40 stipulates that, a licensed health facility shall display a copy of the licence in prominent place at the health facility.

Contrary to the Act, it was observed that the Council did not carry out monitoring activities in health facilities consequently physical inspections conducted in August 2022 on ten (10) health facilities comprising of seven (7) public owned facilities and three (3) private owned facilities revealed that all the seven (7) public owned health facilities did not display licences.

Further, the health facilities did not avail the licences. See table 2 below.

Table 2: Failure to Avail and Display Licences

No.	Name	Province	District	Ownership
1	Kabwe General Hospital	Central	Kabwe	Public
2	Mansa General Hospital	Luapula	Mansa	Public
3	Kasama General Hospital	Luapula	Kasama	Public
4	Serenje District Hospital	Central	Serenje	Public
5	Kapiri Mposhi District Hospital	Central	Kapiri Mposhi	Public
6	Mansa Central Clinic	Luapula	Mansa	Public
7	Natuseko Health Centre	Central	Kabwe	Public

ii. Failure to Register Health Facilities

In line with the Health Professions Act No. 24 of 2009, the Council's principal responsibilities included registering health practitioners and regulating their professional conduct, licensing public and private health facilities, accrediting services and approving health related training programs.

A review of the Council's Monitoring and Evaluation Report of 2021 revealed that there were 3,266 health facilities in the country out of which 2,480 were registered leaving 786 health facilities not registered.

iii. Failure to Renew Licences

Section 36 (1) and (2) of the Health Professions Act No. 24 of 2009 stipulates that a person shall not operate a health facility without a licence issued in accordance with the provisions of this Act. A person who contravenes this subsection commits an offence and is liable, upon conviction, to a fine not exceeding five hundred thousand penalty units or to imprisonment for a term not exceeding five years, or to both.

Furthermore, Section 38 (3) stipulates that a licence issued under this Act shall be renewed annually in the prescribed manner and form and upon payment of the prescribed fee.

Contrary to the Act, 2,421 health facilities had not renewed their licences during the period under review.

c. Staff Matters - Failure to Fill Vacant Positions

A review of the staff establishment revealed that the Council had a total of 116 authorised positions out of which eighty two (82) positions were filled leaving a balance of thirty four (34) positions vacant. Included in the vacant positions were key positions such as the Legal Officer, Inspectors, Registration Officers and Internal Auditor.

d. Accounting and Other Irregularities

i. Irregular Payment of Salary Advances

Clause 12.2.2 of the HPCZ Terms and Conditions of Service regarding salary advances requires that an officer settles earlier salary advances before obtaining another one unless under a special circumstance which the officer should present for approval.

Contrary to Terms and Conditions of Service, twenty two (22) officers obtained salary advances in amounts totalling K1,724,400 before settling earlier ones and no justifications or approvals were availed for audit verification.

ii. Inadequately Supported Payments

The Public Finance Management Regulation No. 55(a) of 2020 requires a signatory to ensure that original documents such as invoices, salary sheets and claim forms are attached to the payment voucher prior to signing.

Contrary to the regulation, fifty five (55) payments in amounts totalling K702,729 were not supported with documents such as memos, minutes and acquittal sheets.

iii. Unaccounted for Stores and Fuel

Public Stores Regulation No. 16 requires that every stores officer or any other officer having in his charge any public stores or other articles of public property must keep and maintain record of the receipt and issues of such public stores.

Contrary to the regulation, stores costing K2,588,895 (General stores - K2,473,404 and fuel - K115,491) procured by the council during the period under review were not accounted for in that there were no receipt and disposal details such as goods received vouchers, goods issue vouchers and fuel coupons availed for audit.

e. Administrative Matters - Weaknesses in the Management of Assets

i. Unaccounted for Assets

During the period under review, the council procured assets such as fridges, office tables, chairs, laptops and desktop computers costing K238,112. See table 3 below.

Table 3: Unaccounted for Assets

No.	Name of Hub	No. of Transactions	Amount K
1	Livingstone	21	163,616
2	Kasama	15	74,496
	Total	**36**	**238,112**

However, a physical verification of assets conducted at the stations in September 2022 revealed that the assets were not in existence and could not be accounted for.

ii. Failure to Inscribe Government Assets

Public Stores Regulation No. 154 stipulates that all furniture and equipment belonging to the Government should be clearly marked with distinguishing letters of GRZ in an inconspicuous part of the asset to identify it as a Government property,

Contrary to the regulation, various assets such as printers, laptops, cabinets and office furniture costing K469,795 procured in the period under review had no identification marks.

iii. Lack of Title Deed

Section 41(4) of the Public Finance Management Act No. 1 of 2018 provides that a Controlling Officer shall ensure that all public properties under the Controlling Officer's charge are secured with title deeds.

A review of the assets register for the HPCZ revealed that the Council purchased a plot in Kasama at a cost of K32,700 in April 2018. However, the Council had not secured the title deed for the plot as at 30th September 2022.

10 THE JUDICIARY

10.1 Background

a. Establishment

The Judiciary of Zambia was established under Part XIII of the Constitution of the Republic of Zambia (Amendment) Act No. 2 of 2016. The Judiciary was established to:

i. interpret the Constitution and the Laws of Zambia;

ii. administer justice through resolving disputes between individuals and between state and individuals;

iii. promote the rule of law and contribute to the maintenance of order in society;

iv. safeguard the Constitution and uphold democratic principles; and

v. protect human rights of individuals and groups.

b. Governance

The Judiciary is overseen by the Judicial Service Commission comprising eight (8) Commissioners as follows:

ii. A judge nominated by the Chief Justice;

iii. The Attorney-General, with the Solicitor-General as the alternate;

iv. The Permanent Secretary responsible for public service management;

v. A magistrate nominated by the Chief Justice;

vi. A representative of the Law Association of Zambia nominated by that Association;

vii. The Dean of a Law School of a public higher education institution, nominated by the Minister responsible for justice; and

viii. One (1) member appointed by the Republican President.

Members of the Commission are appointed on a renewable terms of five (5) years. The Chairperson is appointed by the Republican President.

c. Management

The operations of the Judiciary is the responsibility of the Chief Administrator who is appointed by the Republican President upon recommendation by the Judicial Service Commission. The Chief Administrator is assisted by Director Human Resource and Administration (HRA) and Chief Registrar. The Chief Administrator is the Controlling Officer of the Judiciary and reports to the Chief Justice.

d. Sources of Funds

According to Part III Section 17 (1) of the Judicial Administration Act No. 23 of 2016, the funds of the Judiciary shall consist of such moneys as may;

i. be appropriated by Parliament for purposes of the Judiciary;

ii. be paid to the Judiciary by way of court fees, grants, gifts, donations or bequests; and or

iii. vest in or accrue to the Judiciary from investments, fees or levies administered by the Judiciary.

10.2 Audit findings

An examination of financial and other records for the financial year ended 31st December 2021 maintained at the Judiciary Headquarters and selected stations revealed the following.

a. Budget and Income

In the Estimates of Revenue and Expenditure for the financial year 1st January to 31st December 2021, a provision of K580,546,993 was made to cater for the operations of the Judiciary out of which K539,350,698 was released resulting in an underfunding of K41,196,295.

As at 31st December 2021, amounts totalling K535,348,043 had been spent leaving a balance of K4,002,655.

b. Operational Matters

i. Delay in Delivery of Justice

Section 118(2) of the Constitution of Zambia (Amendment) Act No. 2 of 2016 requires courts, in exercising their judicial authority, to be guided by principles that ensure justice is done to all without discrimination, delay and undue regard to procedural technicalities among other values.

Contrary to the constitution, there were 2,757 court cases at various stages which had delayed to be concluded for periods ranging from one (1) to nineteen (19) years. Some of the cases commenced as far back as 2003. See table 1 below.

Table 7: Delayed Court Cases

No.	Case Type	Pending Cases by Year	High Court-General Listing	Years of pending to date
1	Civil Cases	2003 to 2013	50	9 to 19
		2014 to 2019	1,094	3 to 6
		2020 to 2021	1,514	1 to 2
2	Criminal Cases	2020 to 2021	99	1 to 2
	Total		**2,757**	

ii. Inadequate Court Rooms and Judges Chambers

In Paragraph 5 of the Auditor General's Report on Parastatal Bodies and Other Statutory Institutions for the year ended 31st December 2018, mention was made on the Inadequate Court Rooms and Judges Chambers countrywide.

In her response, the Controlling Officer submitted that the Judiciary had been engaging the Secretary to the Cabinet and the Secretary to the Treasury over its infrastructure challenges. The Controlling Officer further stated that the Judiciary intended to construct court buildings in each of the ten (10) provincial headquarters and had since acquired plots for the construction of court buildings and Judges' residences.

In their report for the Fifth Session of the Twelfth National Assembly, the Committee on Parastatal Bodies and Other Statutory Institutions strongly urged the Secretary to the Cabinet and the Secretary to the Treasury to take measures to address the matter regarding the inadequacy of the court rooms and judges' chambers as a matter of extreme urgency.

However, a review of the situation conducted in July 2022, revealed that during the period under review, the Judiciary continued experiencing shortages of court rooms and office space.

In particular, a visit to the headquarters and ten (10) provincial centers revealed that out of the expected 142 office space and 72 court rooms countrywide, the institutions had only a total of 38 office space and 21 court rooms, resulting in a deficit of 104 and 51 office spaces and court rooms respectively. See table 2 below.

Table 2: Inadequate Office Space and Court Rooms

No.	Details	Office Space			Court Rooms			Total Deficit
		No. Required	Actual No.	Deficit	No. Required	Actual No.	Deficit	
1	Supreme Court	11	5	6	2	2	0	6
2	Constitutional Court	13	0	13	2	0	2	15
3	Court of Appeal	19	3	16	6	1	5	21
4	High Court (Headquarters)	60	16	44	33	13	20	64
5	Provincial High Courts	39	14	25	29	5	24	49
	Total	**142**	**38**	**104**	**72**	**21**	**51**	**155**

iii. Unaccounted for Exhibits - Muchinga Province

The Public Finance Management (General) Regulation No. 174(1) of 2020 stipulates that a Ministry, Province and Government Agency shall establish and maintain a separate register of Government articles other than cash, receipt forms and other accountable documents deposited in a safe.

In addition, regulation No. 174(2) requires an office holder, other than the office holder in charge of the safe key, who deposits or withdraws an article in a safe to sign the register at the time of depositing or withdrawing the article from the safe.

Contrary to the regulations, thirty eight (38) exhibits such as assorted guns, ivory and ammunition cartilages at Nakonde Subordinate Court were unaccounted for in that they were not found in the exhibit room where they were designated to be kept. In addition, as at 30th September 2022, there were no handover certificates to indicate that the exhibits were handed over to the responsible institutions.

c. Procurement Matters

i. Failure to Withhold Value Added Tax (VAT)

The Ministry of Finance through Treasury and Management Circular No. 6 of 2017 instructed all institutions which were appointed to act as tax agents to withhold and remit Value Added Tax (VAT) effective 1stJune 2017.

Contrary to the circular, during the period under review the Judiciary made payments in amounts totalling K9,798,194 to eight (8) suppliers for the procurement and supply of various goods and services without withholding VAT in amounts totalling K1,351,475. See table 3 below.

Table 3: VAT not withheld

No.	Station	Name of Supplier	Amount Paid K	VAT not Withheld K	Details
1	Headquarters	Inwit Systems Ltd	428,248	59,069	Procurement of Desktop Computers
2	Headquarters	Toyota Zambia, Southern Cross Zambia, Unstolic, Vehicle Centre Zambia Ltd, Higer Bus Zambia Ltd, Nissan Zambia and Auction Zambia Ltd	9,239,946	1,274,475	Service of Motor Vehicles
	Ndola Office	Toyota Zambia	130,000	17,931	Service of Motor Vehicles
		Total	**9,798,194**	**1,351,475**	

ii. Questionable Transportation of Household Goods using Hired Transport

In December 2018, the Judiciary procured a ten (10) ton containerised Mitsubishi Fuso Truck at a cost of US$108,500. The purpose of the vehicle was to facilitate movement of household goods for transferred judicial staff.

However, a scrutiny of records revealed that in March and September 2021, the Judiciary spent a total amount of K127,233 VAT inclusive to pay two (2) transporters namely Stuttaford (K26,506) and Intercontinental Relations (K100,727) to facilitate transportation of household goods for three (3) Judges to their designated stations of duty.

The rationale of spending an amount of K127,233 for the transportation of goods using hired private transporters when the judiciary had acquired a ten (10) ton truck for the same purpose was questionable.

d. Weaknesses in Asset Management - Wasteful Expenditure - Failure to Utilise the Container

In June 2019, the Judiciary procured a 40-foot container for use at Ndola High Court as a store room for files and other documents at a cost of K43,100.

However, a physical inspection carried out in June 2022 revealed that although the full amount had been paid by September 2022, the container was not in use two (2) years after being delivered by the supplier.

e. Infrastructure Development

i. Abandoned Project – Luangwa Court Building

On 31st December 2012, the Judiciary engaged Yashab Contractors Co. Ltd of Lusaka to construct Luangwa Urban Local Court office block in Luangwa district at a contract sum of K1,215,288 with a completion period of twenty (20) weeks commencing on 31st December 2012 and ending on 31st May 2013.

The scope of works included the following:

i. Construction of sub and superstructures,

ii. Carpentry, joinery and iron mongery,

iii. Roofing,

iv. Metal work and glazing

v. Plumbing installation, electrical installation

vi. Floor and wall finishing, painting and decorating, external works,

vii. Construction of boundary wall fence and external water reticulation

As at 30th September 2022, the contractor had been amounts totalling K217,957.

However, a physical inspection carried out in September 2022 revealed that the contractor was not on site while the building was at ring beam level with the rest of the works still outstanding, nine (9) years four (4) months after the expected completion date. See pictures below.

Abandoned Court Building

Interior view of abandoned Court Building

Due to the non-completion of the project, the Court was currently renting a building for its court operations and incurred rental costs of K403,200.

ii. Poor Maintenance of Properties

A physical inspection of various properties carried out in September 2022 revealed that the buildings were poorly maintained and most were dilapidated. See table 4 below.

Table 4: Poor Maintenance of Properties

No.	Province	District	Name of Court/Infrastructure	Status
1	Western Province	Shangombo	Staff House	Dilapidated
			Shangombo Sub-Court Building	Uninstalled Water Reticulation
		Nalolo	Nalolo Local Court Building	Dilapidated
2	Northern Province	Mungwi	Mungwi Local Court Building	Dilapidated
3	Luapula Province	Mwansabombwe	Kazembe Local Court Building	Dilapidated
			Kazembe Local Court Staff House	Dilapidated
		Mwense	Mwense Local Court Building	Dilapidated
		Samfya	Njipi Local Court	Inadequate Furniture
		Mansa	Mansa Local Court	Dilapidated
4	Southern Province	Sinazongwe	Sianzovu Local Court	Dilapidated
			Mweemba Local Court	Dilapidated
			Staff House	Dilapidated
		Pemba	Moyo Local Court	Dilapidated
		Choma	Macha Local Court	Dilapidated
			Staff House	Dilapidated
			Choma Sub-court Building	Dilapidated
5	Lusaka Province	Lusaka	Zingalume Local Court	Dilapidated
6	Central Province	Kabwe	Kabwe Sub-court Building	Dilapidated
		Kapiri Mposhi	Kapiri Mposhi Sub-court Building	Dilapidated
		Itezhi tezhi	Itezhi tezhi Sub-court Building	Lack of Court Room
		Mumbwa	Mumbwa Sub-court Building - Holding Cell	Dilapidated

11 MUKUBA UNIVERSITY

11.1Background

a. Establishment

Mukuba University was established in 2013 following the issuance of Statutory Instrument No. 108 of 2013 which upgraded Copperbelt Secondary Teachers College to a Public University under the Higher Education Act No. 4 of 2013.

The functions of the University are among others to:

i. provide higher education;

ii. create conditions for learners to acquire qualifications and pursue excellence and

iii. promote the full realisation of the potential of learners;

iv. create conditions for lifelong learning;

v. prepare learners and academics and strengthen the effect of academic learning and

vi. scientific research to enhance social and economic development; and

vii. conduct research necessary and responsive to national needs.

b. Governance

The University is governed by a Council comprising seventeen (17) part time members appointed by the Minister of Higher Education as follows:

i. The Vice Chancellor;

ii. The Deputy Vice Chancellor;

iii. One member of staff of a local authority in whose area the higher education institution is located, who shall be nominated by the Local Authority;

iv. Two members of the academic staff of the higher education institution who are members of the Senate, who shall be nominated by the Senate;

v. One member who is associated with higher education institution outside the Republic;

vi. One member who is associated with other higher education institution within the Republic;

vii. One member who is a student of the higher education institution, who shall be nominated by the students of the higher education institution in accordance with such election procedure as the students' union may determine;

viii. One person who is a member of the non-academic staff of the higher education institution, who shall be nominated by the non-academic staff of the higher education institution in accordance with such election procedures as the non-academic staff may determine;

ix. One member of the academic staff of the higher education institution, elected by the academic staff of the higher education institution in accordance with such election procedure as the academic staff may determine;

x. One member who is a graduate of the higher education institution and who is not a member of staff of that higher education institution;

xi. Three members representing trade, commerce and the professions, not being employees or students of the higher education institution, public officers or members of Parliament, who shall be nominated by a recognized business or professional association or organisation in accordance with such procedure as the business or professional association may determine;

xii. One member of the National Assembly nominated by the Speaker; and

xiii. One representative each from the Ministries responsible for higher education and finance.

The Chairperson and Vice Chairperson are elected by the members of the Council from amongst themselves.

A member of Council holds office for a period of three (3) years and is eligible for reappointment for another term of three (3) years.

c. Management

The operations of the University is the responsibility of the Vice Chancellor who is appointed by the Minister on the advice of the Council and is the academic, financial and administrative head of the University. In discharging his/her responsibilities, the Vice Chancellor is assisted by the Deputy Vice Chancellor, Registrar, Librarian and the Bursar.

d. Sources of Funds

The sources of funds for the university consist of such monies as may:

i. be appropriated by Parliament;

ii. be paid to the public higher education institution by way of fees, subscriptions,

iii. contributions, grants or donations;

iv. otherwise vest in or accrue to the public higher education institution. Further, the university may with the approval of the Minister:

v. accept monies by way of grants or donations from any source in or outside Zambia; and

vi. borrow by way of loans or otherwise such sums as it may require for meeting its obligations and discharging its functions after obtaining prior consent of the Minister of Finance.

e. Information and Communication Technology Systems

During the period under review, the University operated four (4) Information and Communication Technology (ICT) Systems namely:

i. Sage Accounting Package

The system was used for processing accounting transactions and generation of financial statements.

ii. Aruti Payroll and Human Resource System

The system was used for payroll and human resource management such as leave computation and maintenance of staff listing.

iii. Edurole

The system was used for processing of all transactions relating to student accounts.

iv. Moodle

The system was used for students’ e - learning.

11.2Audit Findings

An examination of financial and other records maintained at the University for the financial years ended 31st December 2019, 2020 and 2021 revealed the following:

a. Budget and Income

In the Estimates of Revenue and Expenditure for the period under review, a total provision of K46,620,071 was made to cater for operations of the University against which amounts totalling K45,288,305 were released resulting in an underfunding of K1,331,766.

In addition, the University budgeted to collect revenue in amounts totalling K74,738,000 from internally generated funds such as tuition and accommodation fees and other sources against which amounts totalling K72,815,617 were collected resulting in an under collection of K3,254,148. See table 1 below.

Table 8 : Budgets and Income

No.	Income	2021		2020		2019		Total		
		Budget K	Actual K	Budget K	Actual K	Budget K	Actual K	Budget K	Actual K	Variance K
1	**Government Funding**	14,652,000	15,984,173	15,984,071	15,984,071	15,984,000	13,320,062	**46,620,071**	**45,288,306**	**1,331,765**
	Sub Total	**14,652,000**	**15,984,173**	**15,984,071**	**15,984,071**	**15,984,000**	**13,320,062**	**46,620,071**	**45,288,306**	**1,331,765**
	Internally Generated									
1	Tuition and accomodation	16,515,000	28,529,433	26,546,000	23,246,144	22,889,000	15,445,043	65,950,000	67,220,620	(1,270,620)
2	Application forms	913,000	806,000	1,348,000	566,000	892,000	662,000	3,153,000	2,034,000	1,119,000
3	Other Income	584,000	802,730	2,376,000	2,300,312	2,675,000	457,955	5,635,000	3,560,997	2,074,003
	Sub Total	**18,012,000**	**30,138,163**	**30,270,000**	**26,112,456**	**26,456,000**	**16,564,998**	**74,738,000**	**72,815,617**	**1,922,383**
	Total	**32,664,000**	**46,122,336**	**46,254,071**	**42,096,527**	**42,440,000**	**29,885,060**	**121,358,071**	**118,103,923**	**3,254,148**

As at 31st December 2021, amounts totalling K114,882,000 had been spent leaving a balance of K3,221,923.

b. Governance – Operating Without a Council

Section 24 of the Higher Education Act No.4 of 2013 Part V states “that there shall be established at a higher education institution a Council for the higher education institution". Section 25 further states, "that the Council shall be responsible for the governance, control and administration of higher education institutions, and shall at all times act in the best interest of the institution."

In this regard, on 5th July 2017, the government through the Ministry of Higher Education appointed the Copperbelt University Council to assist in the governance, control and administration of Mukuba University in order to speed up the transformation process of the University for a three (3) year period ending 4th July 2020.

After the tenure of the Copperbelt University Council expired, the Minister appointed a Caretaker Council on 29th April 2021 comprising of nine (9) members for a six (6) months period ending November 2021.

However, as at 30th September 2022, the University had no Council in place following the expiry of the tenure for the Caretaker Council in November 2021.

c. Information and Communication Technology

i. Lack of Information Technology Strategic (IT) Plan

CoBIT APO02.01 stipulates that the organisation should provide a holistic view of the current business and IT environment, the future direction, and the initiatives required to migrate to the desired future environment.

However, the University did not have an approved IT Strategic Plan. This implies that IT investment in applications and infrastructure were being done without alignment to the University's overall goals and objectives.

ii. Lack of an Off-Site Storage Facility for Back-ups

CoBIT DS 4.9 Offsite Backup Storage requires an organisation to Store offsite all critical backup media, documentation and other IT resources necessary for IT recovery and business continuity plans.

However, during the period under review, the University did not have an off-site location for storage of backups. As such, external hard drives on which backup of student records, human resource and accounting data on all the ICT platforms were stored within the same building.

iii. Lack of Business Continuity and Disaster Recovery Plan

The Public Service Information Communication Technology Standards Business Continuity and Disaster Recovery Plan guideline No. 2.1 of 2019 requires all public institutions to prepare Business Continuity and Disaster Recovery Plans for approval by responsible officers. The plan will include requirements for disaster management including mitigation, preparedness and response and recovery measures.

Contrary to the guideline, there was no Business Continuity and Disaster Recovery Plan at the University. Therefore, if adverse conditions occurred such as a fire or significant damage to its infrastructure, it is unlikely that the University would be able to resume normal operations within a reasonable time period.

d. Accounting Irregularities

i. Failure to Prepare Annual Reports

Section 12 of the Higher Education Act No.4 of 2013 provides for submission of the annual report to the Minister not later than six (6) months after the expiry of the financial year which should include an audited statement of comprehensive income, statement of financial position and any other information as the minister may require.

Contrary to the Act, the University had not prepared the Annual Reports for the financial years ended 31st December 2019, 2020 and 2021 as at 30th September 2022.

ii. **Failure to Collect Revenue**

A review of records relating to revenue conducted in September 2022 revealed that revenue in amounts totalling K196,689 had not been collected. See table 2 below.

Table 2: Uncollected Revenue

No.	Revenue Type	Source of Revenue	Amount K
1	Communication Tower rentals	HIS Zambia Limited	155,136
2	Canteen rentals	Versatile Foods Limited	41,553
	Total		**196,689**

Further, the university failed to collect amounts totalling K801,112 in respect of tuition and other fees from 223 students during the period under review. Some of the debt had been outstanding as far back as 2013.

As at 30th September 2022, the position had not changed.

iii. **Failure to Maintain a General Revenue Cash Book**

Public Finance Management (General) Regulations No. 133(1) of 2020 stipulates that an office holder who collects revenue shall keep a General Revenue Cash Book in Accounts Form VI set out in the Schedule which should be updated daily or immediately revenue is received or collected.

Contrary to the regulation, the University did not maintain a daily revenue cash book during the period under review.

iv. **Failure to Maintain expenditure Ledgers**

Public Finance Management (General) Regulations No. 63 of 2020 states that a public body shall maintain a commitment and expenditure ledger with details of commitments and expenditure for each expenditure head, sub-head or department.

Contrary to the regulations, the university did not maintain expenditure ledgers during the period under review.

v. Failure to Prepare Bank Reconciliations

The Public Finance Management (General) Regulations, No. 146 (3) of 2020 stipulates that an accounting authority of a local authority or state owned enterprise shall ensure that a bank account is reconciled not later than the fifteenth (15th) day after the end of each month.

Contrary to the regulation, the University did not perform bank reconciliations for the Operations and Capital Accounts during the period under review.

e. Administrative Matters

i. Failure to Recover Funds - Purchase of Staff Laptops

A review of minutes of a management dated 3rd February 2020 and other related records revealed that in 2018, the University procured sixteen (16) laptops for sixteen (16) lecturers at a total cost of K153,000 with a view to recover the cost from the officers.

However, as at 30th September 2022, over four (4) years after procurement, the University had not recovered the cost of the laptops from the officers, two (2) of whom had since resigned.

ii. Wasteful Expenditure - Penalty Charges

Section 11(1)(j) of the Public Finance Management Act No. 1 of 2018 stipulates that a Controlling Officer is responsible for preventing irregular or wasteful expenditure and is required to report in writing particulars of that wasteful expenditure to the Secretary to Treasury.

Contrary to the Act, the University incurred wasteful expenditure in the form of penalties in amounts totalling K61,655 due to delayed settlement of National Pension Scheme Authority (NAPSA) contribution.

f. Staff Matters

i. Failure to Fill Vacant Positions

A review of the Staff Establishment and Staff returns revealed that the University had a total establishment of 205 approved positions out of which ninety (90) were filled leaving 115 vacant as at 31st December 2021. The vacant positions included key positions such as Dean of Students, Executive Deans and Management Accountant.

As at 30th September 2022, the positions had not been filled.

ii. Casualisation of Employees

Section 7(2) of the Employment Act No. 3 of 2019 provides that a body corporate that engages a casual employee for a job that is permanent in nature commits an offence and is liable upon conviction.

Contrary to the Act, the University employed five (5) casual workers for jobs such as cleaners and messengers. The workers were employed on a casual basis for periods ranging from seven (7) to thirty one (31) months and had been paid wages in amounts totalling K664,080 as 31st December 2021.

As at 30th September 2022, the situation had not been normalised.

iii. Asset Management - Failure to Secure Title Deeds

Section 41(4) of the Public Finance Management Act No. 1 of 2018 requires Controlling Officers to ensure that all public properties under their charge are secured with title deeds.

Contrary to the Act, as at 30th September 2022, the University had not secured title deeds for two (2) parcels of land valued at K38,240,000 on which the University's main campus in Kitwe and a farm in Mushindamo District are located.

g. Infrastructure Management and Projects

i. Failure to Meet Water Demand - University Water Reticulation System

On 18th August 2020, the University engaged Tulumbe Works and Consultancy to do a comprehensive borehole analysis at a contract amount of K80,000 and the whole amount was paid.

A review of the Consultant's report on water reticulation system issued in October 2020 revealed that the University had an estimated water demand of 653,713 litres per day (human water demand of 560,000 litres for an estimated total population of 2,000 people) and (pasture and vegetables water demand of 93,713 litres per day).

The University had twelve (12) water boreholes with a water yield of 665,280 litres per day.

A physical inspection carried out in August 2022 revealed that out of twelve (12) boreholes, six (6) were non-functional resulting in failure to meet daily water demand per day by 247,633 litres.

It was further observed that the University had only a storage capacity of 121,500 litres which could sustain the daily water demand for only five (5) hours instead of twenty-four (24) hours. As at 30th September 2022, the status had not changed.

ii. Wasteful Expenditure – Unutilised Solar Panels and Pumps

On 11th October 2019, the institution paid an amount of K176,545 to CAMCO Equipment Limited for the supply and installation of 12 x 280 watts solar panels and three (3) solar pumps. The solar panels were to supply power to the pumps (four panels per pump).

However, a physical inspection carried out in August 2022, revealed that although the solar panels were installed, they were not connected to the pumps.

iii. Unreimbursed Funds

On 27th April 2009, the Ministry of Education engaged Hua Jiang Investment Ltd to construct two (2) four storey hostel blocks, one (1) lecture theatre, two (2) storey classroom blocks (1 x 5 classroom blocks) and one (1) 2 storey library/resource centre at an initial contract sum of K55,877,690 which was later revised to K74,028,884 and the whole amount was paid. The contract duration was 130 weeks and was expected to be completed on 31st December 2012.

During the period under review, amounts totalling K974,172 were spent by Mukuba University in order to operationalise the project. See table 3 below.

Table 3: Unreimbursed Funds

No.	Date	Description	Amount Spent K	Details
1	25.03.2019	Power Connection	470,600	Connection of power to the newly constructed library, lecture rooms and hostels
2	02.04.2019	Procurement of materials	224,622	Painting of the library, landscaping, installing feeder pillars and laying of pavers
3		Defects	278,950	¤ Replacing ceiling panels in the Kitchen; ¤ Replacing the kitchen sink waste pipe; and, ¤ Replacing the cooker control unit.
		Total	**974,172**	

A review of the management minutes dated 25th July 2019 and inquiries made revealed that the funds spent by the University were to be refunded by the Ministry upon completion of the works.

However, as at 30th September 2022, the amounts had not been reimbursed.

iv. Poor Maintenance of Buildings

A physical inspection of selected buildings carried out in August 2022 revealed that there was no regular maintenance of properties.

In particular, the following were observed:

- **Library**
  - Part of the ceiling boards were stained and damaged as a result of leaking roof. See pictures below.

Stained and damaged ceiling boards

   - Thirty-six (36) indoor air-conditioning units and eight (8) outdoor units which were fitted were not functioning as at 30th September 2022.

- **Lecture Theatre**
   - The front walls and pillars were stained as a result of leakages due to the gutter which had collapsed.
   - Sixteen (16) indoor air conditioning units and three (3) outdoor units were not working.

12 MULUNGUSHI UNIVERSITY

12.1 Background

a. Establishment

Mulungushi University was established in January 2008 following the upgrading of the National College for Management and Development Studies to a Public University. The University is governed under the Higher Education Act No. 4 of 2013 whose principal functions are to:

i. provide higher education;

ii. create conditions for learners to acquire qualifications and pursue excellence and promote the full realization of the potential of learners;

iii. create conditions for lifelong learning;

iv. prepare learners and academics and strengthen the effect of academic learning and scientific research to enhance social and economic development, and

v. conduct research necessary and responsive to national needs.

b. Governance

The University is governed by a Council comprising seventeen (17) part time members appointed by the Minister responsible for Higher Education as follows:

i the Vice-Chancellor, who should be an ex-officio member;

ii the Deputy Vice-Chancellor who should be an ex-officio member;

iii one (1) member of staff of a local authority in whose area the higher education institution is located, who should be nominated by the local authority;

iv two (2) members of the academic staff of the higher education institution who are members of Senate, who should be nominated by Senate among others; and

v The Chairperson and Vice Chairperson are elected by the members of the Council from amongst themselves. A member of Council holds office for a period of three (3) years and is eligible for reappointment for another term of three (3) years.

c. Management

The operations of the University is the responsibility of the Vice Chancellor who provides policy guidance on the implementation of policies set by the Council. The Vice Chancellor is appointed by the Minister on the advice of the Council and is the academic, financial and administrative Head of the University.

In discharging his/her responsibilities, the Vice Chancellor is assisted by the Deputy Vice Chancellor, Registrar, Librarian and the Bursar.

d. Source of Funds

The funds of the University consist of such moneys as may:

i. be appropriated by Parliament;

ii. be paid to the University by way of fees, subscriptions, contributions, grants or donations, including:

- tuition, lodging, boarding fees and other charges;
- income from University auxiliary enterprises and investments;
- endowments, gifts, trusts and bequests; and
- donor funds and grants.

iii. otherwise vest in, or accrue to, the University.

12.2 Audit Findings

An examination of financial and other records maintained at the University for the financial years ended 31st December 2020 and 2021 revealed the following:

a. Budget and Income

In the Estimates of Revenue and Expenditure for the period under review, a total provision of K62,267,716 was made to cater for operations of the University against which amounts totalling K59,653,868 were released resulting in an underfunding of K2,613,848.

In addition, the University budgeted to collect amounts totalling K400,487,000 from internally generated funds such as tuition and accommodation fees and other sources against which amounts totalling K332,240,134 were collected resulting in an under collection of K68,246,866. See table 1 below.

Table 1: Budget and Income

		2021		2020		Total		
No.	**Income**	**Budget K**	**Actual K**	**Budget K**	**Actual K**	**Budget K**	**Actual K**	**Variance K**
	Government Funding							
1	Government Grant	28,633,858	28,633,857	28,633,858	31,020,011	57,267,716	59,653,868	2,386,152
2	Other grants	-	-	5,000,000	-	5,000,000	-	(5,000,000)
3	Infrastructure funding	-	-	-	-	-	-	-
	Sub Total	**28,633,858**	**28,633,857**	**33,633,858**	**31,020,011**	62,267,716	59,653,868	**(2,613,848)**
	Internally Generated							
1	Tuition and Boarding	161,889,000	162,829,647	145,771,000	136,630,776	307,660,000	299,460,423	(8,199,577)
2	Other Income	47451000	16,516,798	45,376,000	16,262,913	92,827,000	32,779,711	(60,047,289)
	Sub Total	**209,340,000**	**179,346,445**	**191,147,000**	**152,893,689**	**400,487,000**	**332,240,134**	**(68,246,866)**
	Total	**237,973,858**	**207,980,302**	**224,780,858**	**183,913,700**	**462,754,716**	**391,894,002**	**(70,860,714)**

b. Governance

i. Irregular Appointment of Council Member

Clause (c) of the Second Schedule Part 1 (i) of the Higher Education Act No. 4 of 2013 provides that the Minister responsible for Higher Education should appoint, one (1) member of staff of a local authority in whose area the higher education institution is located, who should be nominated by the local authority to be a member of the University Council.

Contrary to the Act, it was observed that while the University is located in Kapiri-Mposhi district, one (1) member from Kabwe Municipal Council was appointed to the University Council instead of Kapiri - Mposhi Council.

ii. Failure to Fill Vacant Position of Vice Chancellor

The operations of the University is the responsibility of the Vice Chancellor who provides policy guidance on the implementation of policies set by the council. The Vice Chancellor is appointed by the Minister on the advice of the Council. In August 2021, the contract for the Vice Chancellor expired.

However, as at 30th September 2022, the position of Vice Chancellor remained vacant.

c. Financial Analysis

i. Statement of Comprehensive Income

The Statements of Comprehensive Income of the University for the financial years ended 31st December 2020 and 2021 was as shown in table 2 below.

Table 2: Statement of Comprehensive Income

Details	2021 K	2020 K
Income		
Revenue	162,829,647	136,630,776
Government Grants	31,501,424	35,429,187
Cost of Sales	-	-
Other Income	16,516,798	16,262,913
Total Income	**210,847,869**	**188,322,876**
Expenditure		
Cost of Training	(14,977,644)	(11,725,317)
Administrative Expenses	(204,208,157)	(202,734,750)
Finance Costs	-	-
Expected Credit Losses	(619,876)	(30,120)
Total Expenditure	**(219,805,677)**	**(214,490,187)**
Deficit for the year	**(8,957,808)**	**(26,167,311)**

Source: Financial statements for the years ended 31st December 2020 and 2021

During the period under review, the University's total income increased by 12% from K188,322,876 in 2020 to K210,847,869 in 2021 while total expenditure increased by 2.5% from K214,490,187 in 2020 to K219,805,677 in 2021.

Although there was an increase in income, the University still recorded a loss of K8,957,808 in 2021.

ii. Statement of Financial Position - Current Ratio Below Threshold

The Statement of Financial Position for the University as at 31st December 2020 and 2021 was as shown in the table 3 below.

Table 3: Statement of Financial Position

Details	2021 K	2020 K
Non Current Assets		
Property Plant and Equipment	320,509,674	320,671,997
Biological Assets	1,211,536	1,232,406
Total Non Current Assets	**321,721,210**	**321,904,403**
Current Assets		
Inventory	2,024,269	2,451,341
Students and Other Receivables	36,880,118	45,635,449
Cash and Cash Equivalents	65,984,292	45,691,493
Total Current Assets	**104,888,679**	**93,778,283**
Total Assets	**426,609,889**	**415,682,686**
Equity and Liabilities		
Equity		
Revaluation Reserves	76,687,905	77,514,315
Accumulated Gains and Losses	81,367,652	(27,244,227)
Total Equity	**158,055,557**	**50,270,088**
Non Current Liablities		
Provisions	27,174,953	19,856,055
Deferred Income	169,830,048	172,488,104
Bank Loans	6,777,903	10,277,227
Total Non Current Liabnilities	**203,782,904**	**202,621,386**
Current Liabilities		
Trade and Other Payables	30,512,218	129,597,498
Provisions	8,633,890	15,968,796
Finance Lease Liability	-	-
Contract Liabilities	25,625,320	17,224,918
Total Current Liabilities	**64,771,428**	**162,791,212**
Total Liabilities	**426,609,889**	**415,682,686**

Source: financial statements for the years ended 31st December 2020 and 2021

A current ratio measures the ability of the institution to cover current liabilities or obligations with the current assets and is calculated by dividing current assets with current liabilities and the recommended ratio is 2:1.

A review of the institution's current ratios for the period under review revealed that although the current ratio had improved from 0.58:1 in 2020 to 1.62:1 in 2021, it was below the recommended threshold of 2:1. See table 4 below.

Table 4: Current Ratio

Year	2021	2020
Current Assets (K)	104,888,679	93,778,283
Current Liabilities (K)	64,771,429	162,791,212
Ratio	**1.62:1**	**0.58:1**

d. Operational Matters - Delays in Accreditation of Academic Programmes

Section 7(i) of the Higher Education Regulation 2016 requires higher education institutions to apply for the accreditation of learning programmes from the Higher Education Authority. In addition, Section 7(ii) and (iii) requires the authority within 30 days of receipt of an application, to approve or reject the application and inform the applicant whether the application for accreditation has been accepted or rejected.

The University had a total of 107 academic programmes comprising sixty six (66) undergraduate and forty one (41) postgraduate programmes for the 2020/2021 and 2021/2022 academic years.

A review of documentation revealed that during the period from 2017 to 2021, the University had applied to the Higher Education Authority for assessment and accreditation of eighty five (85) programmes.

However, as at 30th September 2022 only twenty seven (27) programmes were accredited leaving fifty eight (58) learning programmes not accredited. See table 5 below.

Table 5: Unaccredited Programmes

No.	Name of School	Undergraduate	Post Graduate	Doctorate	Total No. of Unaccredited Programmes
1	Business	9	6	0	15
2	Agriculture and Natural Resources	0	1	1	2
3	Science Engineering and Technology	10	4	3	17
4	Education	8	6	0	14
5	Medicine Health Sciences	1	5	0	6
6	Social and Sciences	4	0	0	4
	Total	**32**	**22**	**4**	**58**

e. Procurement - Circumvention of Tender Procedures

Section 57(1)(a-d), Part VI of the Procurement Act No. 8 of 2020, provides that a procuring entity shall plan its procurement in a rational manner and in particular shall avoid splitting of procurement to defeat the use of appropriate procurement methods, make use of rates or running contracts wherever appropriate to provide an efficient, cost effective and flexible means to procure goods, works or services that are required continuously or repeatedly over a set period of time and integrate its expenditure programme with the procurement plan.

Contrary to the Act, amounts totalling K770,135 paid to five (5) suppliers were split into twenty three (23) payments as the amounts involved were beyond the threshold of the Vice Chancellor of K50,000 thereby circumventing the tender process.

f. Accounting Irregularities

i. Unsupported Payments

Public Finance Management (General) regulation No. 46 (1) of 2020 provides that a payment voucher relating to purchases should be supported by a purchase order, the supplier's invoice and proof of delivery or performance.

Contrary to the Regulation, thirty seven (37) payments in amounts totalling K390,781 made during the period under review were not supported with relevant documents such as goods received vouchers and goods delivery notes. See table 6 below.

Table 6: Unsupported Payments

No.	Institution	No of Transactions	Amount K
1	Main Compus	10	305,870
2	SoMHS - (Livingstone Campus)	27	84,911
	Total	**37**	**390,781**

ii. Irregular Use of Accountable Imprest

Public Finance Management (General) Regulation No. 94 (3) of 2020 provides that accountable imprest be issued as payment to facilitate the purchase of goods and services whose value cannot be ascertained at the time of payment for which the imprest holder is required to submit receipts after the purchase of those goods and services.

Contrary to the regulation, accountable imprest in amounts totalling K100,308 was issued to twelve (12) officers to procure goods and services whose values could be ascertained and procured directly from suppliers at the School of Medicine and Health Sciences.

iii. Irregular Payment of Lunch Allowances

Mulungushi University Terms and Conditions of Service guides that an employee on official duties out of station for at least six (6) hours or if lunch finds such an employee out of station should be paid an allowance of K250 to cover lunch and incidentals. In addition, Paragraph 9 of Cabinet Office Circular Minute of 2015 referenced CO.101/4/531 provides that a work station should mean a place of work within a district boundary.

Contrary to the Conditions of Service and Circular, amounts totalling K69,950 were paid as lunch allowances to five (5) officers for activities carried out within the station of duty. See table 7 below.

Table 7: Irregular Lunch Allowances

No.	Institution	No of Transactions	Amount K
1	Main Compas	2	23,340
2	SoMHS	16	46,610
	Total	**18**	**69,950**

iv. Unaccounted for Stores – Main Campus

Public Stores Regulation No. 16 states that, "Every stores officer or any other officer having in his charge any public stores or other articles of public property must keep and maintain records of the receipt and issue of such public stores."

Contrary to the Regulation, there were no receipt and disposal details in respect of various stores items at Main Campus costing K6,287,443 procured during the period under review. See table 8 below.

Table 8: Stores without receipt and disposal

No.	Stores	No. of Transactions	Amount K
1	General Stores	61	4,009,139
2	Food Rations	54	2,278,304
	Total	**115**	**6,287,443**

v. Failure to Remit Statutory Obligations

Contrary to Income Tax Act Chapter 323 of the Laws of Zambia and National Pension Scheme (Amendment) Act No. 7 of 2015, amounts totalling K16,244,373 deducted from employees and due to Zambia Revenue Authority (K11,520,219) and National Pension Scheme Authority (K4,724,155) had not been remitted to the respective Institutions as at 31st December 2021.

As at 30th September 2022, the obligations had not been settled. See table 9 below.

Table 9: Unremitted Statutory Contributions

No.	Details	Amount K
1	Pay As You Earn	11,520,219
2	NAPSA	4,724,155
	Total	**16,244,373**

13 THE NATIONAL HERITAGE CONSERVATION COMMISSION

13.1 Background

a. Establishment

The National Heritage Conservation Commission (NHCC) is a statutory body established under the National Heritage Conservation Commission Act No. 23 of 1989.

The mandate of the Commission is to conserve the historical natural and cultural heritage of Zambia.

b. Governance

The National Heritage Conservation Commission Act provides for the establishment of the Commission comprising the following members:

- a Chairman;
- the Permanent Secretary in the Ministry responsible for Heritage who shall be an ex-officio member; and

- not less than seven (7) but not more than ten (10) other members who shall be persons with experience in matters related to the functions of the Commission.

The Chairman and the other members, except for the ex-officio, are appointed by the Minister for a term of not more than three (3) years and are eligible for re-appointment upon expiry of their term of office.

c. Management

The Commission, with the approval of the Minister, appoints the Executive Director to manage the day to day operations of the Institution. The Executive Director is assisted by Directors in charge of Northern, East Central, North West, South West and Conservation Services.

d. Source of Funds

According to the NHCC Act, the source of the funds of the Commission consist of such moneys as may:

- be appropriated by Parliament for the purpose of the Commission;
- be paid to the Commission by way of fees, levy, grants or donations;
- subject to the approval of the Minister responsible for Tourism be paid to the Commission by way of grants or donations from any source within and outside Zambia; and
- vest in or accrue to the Commission.

13.2 Audit Findings

An examination of accounting and other records for the financial years ended 31st December 2019, 2020 and 2021 revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial years 1st January to 31st December 2019, 2020 and 2021, provisions totalling K40,357,028 were made to cater for various activities against which amounts totalling K39,237,991 were released resulting in an underfunding of K1,119,037. See table 1 below.

Table 9 : Budget and Funding

Year	Authorised Provisions K	Actual Released K	Under Funding K
2019	13,500,120	13,500,120	-
2020	13,428,454	13,428,454	-
2021	13,428,454	12,309,417	1,119,037
Total	**40,357,028**	**39,237,991**	**1,119,037**

The Commission also collected revenue from entry fees and rentals in amounts totalling K31,549,813 against a budget of K52,231,731 resulting in a deficit of K20,681,918. See table 2 below.

Table 10 : Revenue Collected

No	Details	2019		2020		2021		Total Budget	Total Actual	Variance
		Budget K	Actual K	Budget K	Actual K	Budget K	Actual K	K	K	K
1	Entry Fees	18,139,610	17,793,774	3,935,221	4,312,629	18,941,000	4,611,936	41,015,831	26,718,339	14,297,492
2	Filming Fees	90,000	49,486	22,000	24,333	60,000	59,926	172,000	133,745	38,255
4	Rafting Fees	400,000	454,800	201,390	43,240	200,000	-	801,390	498,040	303,350
5	Lodging Fees	5000	13,650	600	950	3,500	3,550	9,100	18,150	(9,050)
6	Research Permit	70,000	39,539	90,133	90,133	130,000	-	290,133	129,672	160,461
7	Export Permit Fees	50,000	-	50,000	-	40,000	-	140,000	-	140,000
8	Consultancy Fees	130,000	26,800	216,000	67,669	162,000	35,890	508,000	130,359	377,641
9	Tender Fees	10,000	3,050	10,000	-	8,000	-	28,000	3,050	24,950
10	Library Fees	5,000	628	1,000	400	2,000	-	8,000	1,028	6,972
11	Lease of Sites/Objects	2,044,000	380,090	1,033,526	331,813	2,504,054	291,488	5,581,580	1,003,391	4,578,189
12	Disposal of PPE	30,000	602,933	400,000	-	1,500,000	1,183,853	1,930,000	1,786,786	143,214
13	Rent Receivable	639,000	17,882	326,629	451,107	606,229	479,239	1,571,858	948,228	623,630
14	Interest Receivable		24,950	12,201	8,320	28,000	22,544	40,201	55,814	(15,613)
15	Toilet fee	40,000	40,272	10,638	14,410	85,000	22,956	135,638	77,638	58,000
16	Other Income	-	24,950	-	20,623	-	-	-	45,573	(45,573)
	Total	**21,652,610**	**19,472,804**	**6,309,338**	**5,365,627**	**24,269,783**	**6,711,382**	**52,231,731**	**31,549,813**	**20,681,918**

Other sources of funds received by the Commission were Tourism Development Funds (TDF) and donor funds in amounts totalling K4,205,431 in respect of projects and other activities bringing the total funds available to K74,993,235.

As at 31st December 2021 a total amount of K74,070,507 had been spent leaving a balance of K922,728.

b. Governance Matters - Lack of Board of Directors

Sections 5(1) (a), (b) and (c) and 5(2), (3) and (4) of the National Heritage Conservation Commission Act of 1989 require the NHCC to have a board in place.

Contrary to the Act, the NHCC operated without the board of directors for a period of three (3) years starting 7th September 2019.

As at 30th September 2022, the board had not been appointed.

c. Operational Matters

i. Failure to Prepare Annual Reports

Sections 24 and 25 of the National Heritage Conservation Commission Act of 1989, require the Commission to prepare and submit to the Minister of Tourism annual report which should include an audited statement of comprehensive income, statement of financial position and any other information as the minister may require.

Contrary to the Act, as at 30th September 2022, the Commission had not prepared annual reports for the financial years ended 31st December 2019, 2020 and 2021.

ii. Zambezi Source Tourism Development Project (TDP) - Delayed Completion of the Project - Phase III

In 2018, the North West Regional Office implemented a project called Zambezi Source Biodiversity and Livelihood Support which was an alternative income generating activity in Ikelenge District – North Western Province. The project was expected to be implemented in three (3) phases at a total estimated cost of K2,645,400. See table 3 below.

Table 11: Phases of Project Implementation

Phase No.	Expected Start Date	Expected Completion Date	Estimated Cost K
I	Oct-18	Jul-19	500,000
II	Jul-18	Oct-19	463,200
III	Oct-19	Sep-21	1,682,200
	Total		**2,645,400**

In this regard, during the period from 28th August 2018 to 14th October 2019 amounts totalling K2,649,400 were disbursed by the Ministry to the project. A review of records revealed that although phase I and II had been completed, phase III of the project had delayed for over twelve (12) months after the expected completion date and the project had since stalled.

iii. **Infrastructure Development - Tourism Concession Agreement – Mumbuluma Falls**

On 9th January 2019, NHCC entered into a Tourism Concession Agreement (TCA) with Headers and Toppers Investment Limited for the purposes of carrying out tourism business activities for an initial term of twenty-five (25) years on and around the site of Mumbuluma Falls in Mansa District, Luapula Province.

Clause 5(1) of the concession agreement stipulated that the concessionaire would at his own expense execute the works within two (2) years of coming into force of the agreement construct a lodge that would include chalets and camp, sporting, conferencing and in-out door eating facilities.

In addition, Clause 9 required the concessionaires to pay concession fees of K11,000 per month translating to K132,000 per annum.

However, as at 30th September 2022, twenty (20) months after the expiry of the grace period of two (2) years, no works had been done at the site and no concession fees had been paid.

iv. **Tourism Concession Agreement – Kalambo Falls**

On 24th November 2016, NHCC entered into a Tourism Concession Agreement (TCA) with Lake Chila Lodge Management for the purposes of carrying out tourism business activities for an initial term of twenty-five (25) years on and around Kalambo Falls in Mbala District, Northern Province.

Clause 1(i) to (iii) of the concession agreement required the concessionaire at his own expense to execute works within two (2) years of coming into force of the agreement as set out below;

- Construct a lodge with at least five chalet/ rooms, restaurants, conference room, office room, tuck shop, bar, ablution block, walk away and swimming pool, camp site and staff accommodation,
- Present all proposed developments to the grantor for approval before project implementation, and
- Consult the grantor before the proposed developmental plans are submitted for approval from the relevant authorities.

Further, clause 9 required the concessionaires to pay concession fees of K3,000 per month or K36,000 per annum during the entire period of the agreement.

However, the following were observed:

- The concessionaire had outstanding concession fees in amounts totalling K103,836 as at 30th September 2022 which had been outstanding for a period of five (5) years.
- Clause 9 (i) under variable charges, required Lake Chila Lodge to pay variable charges of 2% of total revenue collected. However, as at 30th September 2022, NHCC had not collected the variable charges.

v. Infrastructure – Management of Heritage Sites

A review of records and physical inspection carried out in May and June 2022 at selected heritage sites revealed that they were weaknesses in management of infrastructure.

In particular, the following were observed:

- **Failure to Conserve Heritage Sites**

  The NHCC Act Section 8 (2) d. Part II requires that the Commission maintains a national register of all national monuments and ancient heritage which it had acquired or which had been brought to its notice. The register is the official list of Zambia's heritage worthy of conservation. The heritage listed in the register includes sites, buildings, structures and immovable objects.

A review of the register revealed that there were 4,034 heritage sites in the country

However, as at 30th September 2022, a total of twenty-one (21) sites, some of which were brought to the attention of the Commission from as far back as 1978, listed in the register had not been verified by the Commission as heritage sites.

In addition, a total of 136 heritage sites in ten (10) provinces were not protected by the Commission in that they were either not barricaded nor did they have sign posts making them susceptible to destruction and vandalism.

Consequently, as at 30th September 2022, ten (10) heritage sites in ten (10) districts had been destroyed and vandalised.

Further, NHCC Act Part V Sections 29 and 30 requires heritage sites to be surveyed and mapped.

Contrary to the Act, eight (8) sites which were declared as national monuments during the period 2019 to 2021 had not been surveyed and mapped as at 30th September 2022.

- **Encroachment of Heritage Sites - Libala Limestone National Monument – Lusaka**

The Libala Limestone National Monument is an area measuring 3.6 hectares in extent of karst topology. It is representative of the major rock formation and type that underlie most parts of Lusaka. The area is a heritage site which was gazetted as a National Monument in 2009 under statutory instrument No. 50 of 2009. The site is important for its unique limestone rock formations which are a result of solution weathering.

A physical inspection carried out at the site in June 2022 revealed that the site had been encroached by individuals who had built structures such as a bar, a car wash and a church. In addition, the site was being used by traders who were trading in building materials such as building and river sand, crushed stones without concession agreements to trade in the area. See pictures below.

A car wash and another building built

on heritage land

d. Procurement of Goods and Services - Irregular awarding of Trading Space without Board Approval - Multham Butchery

Section 41 (7)(8) of the Public Finance Management Act No. 1 of 2018 requires a controlling officer not to pledge or otherwise encumber any public asset of a head of expenditure without the authorisation of the Minister or not to place a public asset on lease without the authorisation of the Secretary to the Treasury.

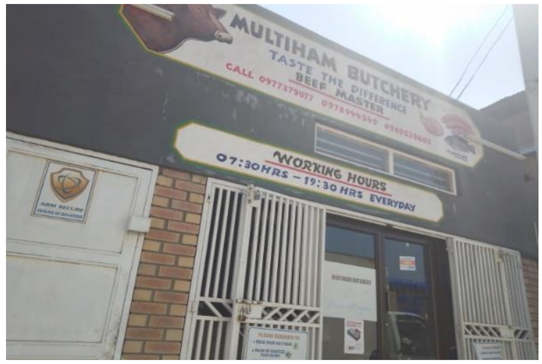
Contrary to the Act, on 21st June 2018, NHCC acting through the Administrative Assistant in Livingstone awarded a heritage trading site to the proprietor of Multham Butchery in Livingstone to build a butcher shop on plot No. 2188, which is an institutional premise belonging to the NHCC on which the office building is located, without approval from either the board, Minister or Secretary to the Treasury

As at 30th September 2022, the proprietor had constructed the butchery and spent amounts totalling K172,600 on the works which commenced in October 2018 and ended in July 2019.

However, the following were also observed:

i. There was no contract signed between NHCC and butchery proprietor before the construction works commenced; and

ii. The proprietor of Multham Butchery operated without a lease agreement and had not remitted any rental income from the time the structure was constructed.



Butchery at NHCC office premises

e. Accounting Irregularities

i Failure to Collect Rental Income

The NHCC Financial Regulation No. 102 of 2018, requires outstanding debtor's accounts with late or delinquent payment activity to be handled in a timely and effective manner by ensuring appropriate action is taken to guarantee maximum collections.

Contrary to the Regulation, as at 31st July 2022, the NHCC failed to collect rental income in amounts totalling K569,532 from thirty nine (39) tenants who were in arrears for periods ranging from four (4) to forty two (42) months. See table 4 below.

Table 12 : Uncollected Rental Income

No	Station	No. of Tenants	Amount K
1	Northern	17	291,996
2	South West	18	225,032
3	North West	4	52,504
	Total	**39**	**569,532**

Included in the outstanding rental income was an amount of K50,094 in respect of twelve (12) tenants who had vacated NHCC properties without settling rentals.

ii Failure to Recover Damages

In 2016, Santchile Tours Limited of Livingstone sued the Commission for terminating a business tenancy agreement which was signed with the Commission in 2015.

On 3rd May 2019, judgment was passed in favour of the Commission and the Court ordered the company to pay the Commission a sum of K192,000 as damages.

However, as at 31st July 2022, three (3) years after the judgement, the company had not settled the damages and there was no evidence that Commission had made follow-ups.

f. Management of Assets

i. Failure to Secure Title Deeds

Section 41(4) of the Public Finance Management Act No. 1 of 2018 requires Controlling Officers to ensure that all public properties under their charge are secured with title deeds.

Contrary to the Act, as at 31st July 2022, the Commission had not secured title deeds for three (3) parcels of land whose value could not be ascertained. See table 5 below.

Table 13: Lack of Title Deeds

No	Details
1	Stand No. 727 Airport Road-Residential House, Livingstone
2	Stand No. 12 Farm No. 609 10th street, Chudleigh, East Central region
3	Plot No.406 Lunzuwa Road - Northern Region

ii. Management of Sale of Boarded Assets - Failure to Submit Board of Survey Report

During the period under review, the NHCC embarked on the exercise to dispose of Boarded Assets which took place in Mulobezi on 14th July 2021 and amounts totalling K1,113,000 were realised and deposited directly into NHCC Revolving Account.

In a minute dated 24thJanuary 2020, the Secretary to the Treasury requested management of NHCC to show proof that the assets were procured from their own resources for the institution to retain the proceeds from the auction sale.

Section 44 (6) of the Public Finance Management Act No. 1 of 2018 requires that a State Owned Enterprise should submit to the Secretary to the Treasury a disposal of assets report within thirty days after conclusion of the disposal process.

Contrary to the Act, the Commission had not produced and submitted any report on the activity as at 30th September 2022, thirteen (13) months after the required submission date.

Table 6: Boarded Items

B.O.S NO.	ITEM	REG. NO.	LOCATION IN SITE	RESERVE VALUE K	RECEIPT NO.	AMOUNT SOLD K	REVENUE LOSS K
DC/NHCC/MUL/05/20	Vent Pipe	NHCC 128	NORTHERN REGION	8,000	3561	5,000	(3,000)
DC/NHCC/MUL/22/20	Flat Wagon-Short Rails	NHCC 26	WESTERN REGION	18,000	3567	10,000	(8,000)
Total				**26,000**		**15,000**	**(11,000)**

g. Management of Liabilities

i Failure to Remit Statutory Contributions

During the period under review, amounts totalling K73,764,576 were deducted as Pay As Your Earn, NAPSA and Pension contributions among others from the employees' emoluments.

However, the amounts had not been remitted to Zambia Revenue Authority (K57,578,199), National Pension Scheme Authority (K8,789,872), Zambia State Insurance Company (K7,206,976) and National Health Insurance Scheme (K189,528) as at 30th September 2022.

14 NATIONAL PENSION SCHEME AUTHORITY

14.1 Background

a. Establishment

The National Pension Scheme Authority (NAPSA) is established under the National Pension Scheme Act No. 40 of 1996 and the Authority's functions are as follows:

i Implement policies relating to the National Pension Scheme in accordance with the Act; and

ii Control and administer the Scheme.

Further, the Authority controls and manages, on custodial basis, the assets and liabilities of members who contributed to the defined contribution plan previously established under the defunct Zambia National Provident Fund (ZNPF) Act.

b. Governance

The National Pension Scheme Act No. 40 of 1996 provides for the establishment of the members of the Authority comprising the following:

i. Two representatives from such associations of employees as the Minister designates;

ii. Two representatives from such associations of employers as the Minister designates;

iii. A representative and an alternate member from the ministry responsible for finance;

iv. A representative and an alternate member from the ministry responsible for social security;

v. A representative of the Bankers Association of Zambia;

vi. A representative of the Bank of Zambia;

vii. A representative of the Pension Managers Association.

The members are appointed by the Minister on renewable terms of three (3) years. The Chairperson of the Authority is appointed by the Minister while the Vice Chairperson is elected from amongst the members.

c. Management

The Director-General is responsible for the operations of the Authority and is assisted by seven (7) directors responsible for Contributions and Benefits, Investments, Projects, Information Technology, Human Resources and Administration, Strategy, Finance, and the Authority Secretary.

d. Sources of Funds

The National Pension Scheme Act No. 40 of 1996 states that, "The funds of the Authority shall consist of such moneys as may:

- be paid to the Authority by way of contributions, fees, levy, grants or donations; or
- vest in or accrue to the Authority."

Further, the Act provides that the Authority may:

- Accept moneys by way of grants or donations from any source;
- Raise by way of loans or otherwise, such moneys as it may require for the discharge of its functions; or
- Charge and collect fees for services provided by the Authority.

e. Information and Communication Technology Systems

During the period under review, NAPSA operated the following Information and Communication Technology (ICT) Systems:

- **Enterprise Resource Planning System**

  This is a system that was used for financial, treasury, property, projects, employee self-service and payroll management among others.

- **Pension Management**

  The system was used to administer contributions from members and administration of benefits to pensioners.

- **eNAPSA**

  eNAPSA is a customer facing platform (web based application) for managing the submission of returns and registration of employers and members.

- **Document Management System**

  The system was used for electronic administration of the claim files for the members.

- **Siebel System**

  The system was used for pension administration.

14.2 Audit Findings

An examination and review of information systems, accounting and other records maintained at NAPSA headquarters and selected stations for the period under review revealed the following.

a. Management - Irregular Payment of Housing Allowance

A review of the correspondence between Public Service Management Division (PSMD) and the Authority on harmonisation of salaries revealed that on 19th November 2015, PSMD wrote to the Authority indicating among other things the following:

i. The harmonised salaries for management were all inclusive; that is basic salary included housing and fuel allowances which were calculated at 30% of the monthly basic salary; and

ii. That the harmonised salary for the Chief Executive Officer, included housing and fuel allowances calculated at 28% and 30% of the basic salary respectively.

In this regard, it was observed that the Director General's salary was calculated at K146,000 per month for his contract running from 5th April 2016 to 4th April 2019, after amalgamating the allowances as detailed in table 1 below.

Table 1: Harmonised Salary - DG

Folio	Type of Pay	Amount K
1	Basic Pay	85,000
2	Fuel	5,500
3	Servant Allowance	8,000
4	Education Allowance	7,500
5	Housing Allowance	30,000
6	Utilities	10,000
	Total	**146,000**

Further, Directors had their salaries reviewed on 6th May 2016 following the rationalisation and harmonisation of conditions of service as part of the Government Integrated Competitive Total Remuneration Strategy (ICTRS) implementation in the public service. The Directors were awarded all-inclusive basic salaries adjusted at 12% as shown in table 2 below.

Table 2: Harmonised Salary - Directors

Folio	Position	Old Salary Before ICTRS K	New Salary After ICTRS K
1	Director Finance	65,284.22	73,118.33
2	Director HRA	65,284.22	73,118.33
3	Director Investments	72,288.14	80,962.72
4	Authority Secretary	72,288.14	80,962.72
5	Director IT	72,288.14	80,962.72

It was however observed that on 4th June 2020, the Authority awarded housing allowance at 13% of the all-inclusive basic salary effective 13th May 2020 which already had a provision for housing allowance.

In this regard, amounts totalling K2,999,728 were paid as housing allowance between 13th May 2020 and 31st December 2021 which was irregular.

b. Budget and Income

During the financial years ended 31st December 2020 and 2021, NAPSA budgeted to collect and generate income amounting to K13,891,430,650 from member contributions and investments against which amounts totalling K24,925,971,749 were collected and generated resulting in a positive variance of K11,034,541,099. See table 3 below.

Table 3: Budget vs. Income

Income Type	2021		2020		Total		
	Budget K	Actual K	Budget K	Actual K	Budget K	Actual K	Variance K
Contributions Receivable	3,007,460,368	5,200,881,575	2,382,620,457	4,078,526,334	5,390,080,825	9,279,407,909	(3,889,327,084)
Investments	4,495,208,597	7,863,319,584	4,006,141,228	7,783,244,256	8,501,349,825	15,646,563,840	(7,145,214,015)
Total	**7,502,668,965**	**13,064,201,159**	**6,388,761,685**	**11,861,770,590**	**13,891,430,650**	**24,925,971,749**	**(11,034,541,099)**

c. Financial Analysis

The financial performance of the Authority was as shown in tables 4 and 5 below.

Table 4: Statement of Changes in Net Assets Available for the Year Ended 31st December 2020

	2021 K	2020 K
Net Assets at the beginning of the year	40,595,909,132	31,695,790,944
Member Service Operations:		
Contributions from members	5,200,881,575	4,078,526,334
Pension claims and withdrawals	(453,687,969)	(424,142,955)
Normal retirement pensions	(479,923,380)	(410,278,233)
ZNPF claims	(394,184,974)	(458,863,459)
Funeral grants	(25,021,112)	(20,673,118)
	3,848,064,140	**2,764,568,569**
Investment Operations:		
Investment income	7,863,319,584	7,783,244,256
Change in market value of investments	4,813,376,560	389,003,986
Loss on sale of housing inventory	(29,000)	
Impairment loss on loans and advances	(563,151,558)	(795,416,747)
Impairment recovery on stocks and bonds	(3,600,000)	(10,800,000)
Impairment loss on term deposits	5,243,313	-
Impairment loss on housing inventory	(3,269,954)	(1,184,470)
Handling fees	(33,924,205)	(29,051,797)
Bad debts provision	(29,961,061)	(2,463,334)
Net exchange gains / losses	(1,068,354,041)	334,868,648
Tax expense	(528,570,851)	(516,176,483)
	10,451,078,787	**7,152,024,059**
Management expenses:		
Employee benefit expenses	(426,618,708)	(393,686,331)
Administrative expenses	(230,965,413)	(196,625,834)
Depreciation expense	(41,438,771)	(63,546,705)
Gain /(loss) on disposal of equipment	577,881	1,384,430
	(698,445,011)	**(652,474,440)**
Increase in net assets	**13,600,697,916**	**9,264,118,188**
Net assets available at end of the year	**54,560,607,048**	**40,959,909,132**

Source: NAPSA Annual Report for 2020 and 2021

Table 5: Statement of Net Assets Available for Benefits as at 31st December 2020

	2021 K	2020 K
Members Interest		
Members fund	54,560,607,048	40,959,909,132
Represented By:		
Assets		
Investments		
Government securities	24,655,285,459	18,247,969,749
Other securities	10,357,452,010	6,763,421,561
Equity investments	4,055,428,892	3,078,863,724
Loans and advances	7,433,920,298	6,560,075,124
Housing inventory	66,249,396	138,753,801
Investment properties	6,228,560,023	5,530,397,735
	52,796,896,078	**40,319,481,694**
Other Assets		
Bank and cash balances	915,152,473	822,340,943
Employee receivables	7,534,176	5,398,653
Other receivables	491,409,467	353,342,444
Consumable stores	3,129,992	3,615,617
Contributions receivables	707,212,615	452,145,190
Property and equipment	262,635,274	114,896,198
	2,387,073,997	**1,751,739,045**
Total Assets	**55,183,970,075**	**42,071,220,739**
Liabilities		
Income tax liabilities	(114,688,997)	(98,178,588)
Provisions for claims payable	(25,654,536)	(32,151,600)
Other payables and accrued expenses	(472,686,638)	(971,988,697)
Deferred Liabilities	(10,332,856)	(8,992,722)
Total Liabilities	**(623,363,027)**	**(1,111,311,607)**
Net Assets Available for benefits	**54,560,607,048**	**40,959,909,132**

Source: NAPSA Annual Report 2021

A review of the financial statements revealed the following:

- The provision for bad debts increased by K27,497,727 from K2,463,334 in 2020 to K29,961,061 in 2021 due to failure to collect rental income.

- In 2021, there was a net exchange loss of K1,068,354,041 compared to a net exchange gain of K334,868,648 in 2020. This arose from translation of monetary assets and liabilities quoted in foreign currencies and US Dollar denominated bank accounts balances for the Authority.

- The contributions receivables increased by K255,067,425 from K452,145,190 in 2020 to K707,212,615 in 2021 due to non-collection of contributions from members.

- Other receivables increased by K138,067,023 from K353,342,444 in 2020 to K491,409,467 in 2021. This was attributed to non-collection of rentals, outstanding Value Added Tax (VAT) refunds and dividends among others.

d. Operational Matters - Review of Implementation of 2018 – 2021 Strategic Plan - Failure to Achieve Strategic Objectives

In December 2017, the NAPSA Board approved the three (3) year Strategic Plan (SP) covering 2018 to 2021. The Authority formulated strategic initiatives that were designed to provide the required capabilities to effectively respond to both local and global circumstances likely to influence its business. To achieve this, the Authority formulated five (5) strategic pillars and sixteen (16) corporate strategic objectives.

However, a review of the strategic plan revealed that some strategic objectives were not achieved as at 31st December 2021. See table 6 below.

Table 6 Strategic Plan Objectives Not Achieved

Strategic Objective (Pillar) No1: Financial Sustainability				
Directorate Objective(s)	**Authority Action**	**KPI**	**Year**	**Achievement Status**
Reduce Operating Expenses by ensuring that the Authority operates within the recommended actuarial cap	▪ Concept paper for ownership framework of NAPSA Offices under Admin ▪ Construction of New NAPSA HQ by 2021 ▪ Monitor Cost effectiveness of using Property Managers ▪ Facilitate Actuarial Valuation in order to manage Scheme Risk	▪ Completion of new NAPSA headquarters and shifting. ▪ Appointment of external fund managers and custodians	2018 - 2021	▪ Not achieved as NAPSA had not constructed the new headquarters as the land earmarked for the construction was under dispute ▪ Not achieved as no external fund managers and custodians were appointed
Increase Collections	▪ Extended Coverage ▪ Increase uptake of e-NAPSA ▪ Automate monitoring of Inspector's work with modern systems such as ticketing platforms ▪ Introduce online payments	▪ Contribution Growth ▪ Introduction of ticketing platforms	2018 - 2021	▪ Not achieved as the system to automate monitoring of inspectors had not been implemented.

Increase Compliance to 80%	▪ Countrywide mop ups ▪ Increase prosecution to enforce compliance	▪ Shortened Inspection cycles for Employers ▪ Number of prosecutions made against offenders.	2018 - 2021	▪ Not achieved as the system to automate monitoring of inspectors had not been implemented.
Strategic Objective (Pillar) No 2: Engage and Educate Customers				
Directorate Objective(s)	**Authority Action**	**KPI**	**Year**	**Achievement Status**
Increase Satisfaction of Members and other Stakeholders to 85%	▪ Stakeholder engagement ▪ ERP integration with banks, Strategic alliances ▪ Facilitate closure of ZNPF	▪ Payment of benefits within 30 days of receipt of claim. ▪ Conclude with pay-outs under ZNPF by end of 2021	2018 - 2021	▪ Not achieved as the payment trends at end of the strategic period averaged below the annual average and overall targets. ▪ Not achieved as the pay-outs under ZNPF were stopped because the legislation pertaining to the closure of ZNPF had not been approved

Educate potential employers/members	▪ Sensitization programs ▪ Establish satellite information and registration communications	▪ Number of web-based educational programmes and update conducted. ▪ Number of programs conducted to educate in schools, colleges and places of higher learning.		▪ Not achieved as neither web-based educational programmes were updated nor conducted ▪ Not achieved as no programmes were conducted in schools, colleges and places of higher learning.
Strategic Objective (Pillar) No 3 : Modernize Operations				
Directorate Objective(s)	**Authority Action**	**KPI**	**Year**	**Achievement Status**
Explore and Implement New Technology Applications to improve Efficiency	▪ Promote and support training of IT and other staff, both externally and in-house. ▪ Stabilise the eNAPSA platform and Optimise the usage ▪ Start the implementation of Biometric registration with few selected areas ▪ Use of online banking platform, full operationalization of NIS	▪ Actualisation of biometric registration		▪ Not achieved as no biometric registrations were done.

Benefits paid within the services charter timelines	▪ Benefits Process Review and attitude change ▪ Form an interdisciplinary team to study and advise on benefits payments cycle and workflows ▪ Fully decentralise benefits processing ▪ Streamline benefit payment process by signing Service Level Agreements	▪ Benefits payments processed in no more than 30 days		▪ Not achieved as the payment trends at the end of the strategic plan period averaged below the annual average and overall targets.

e. Contributions - Irregularities in the Membership Database

i. Shared National Identity Numbers

An NRC is a national identity which identifies nationals uniquely by a number and this is essential for identification of members of the Authority. An analysis of the members' master database revealed that 83,343 members shared 39,730 NRC Numbers on the database.

ii. Duplicate Membership

A member at NAPSA is identified using the Social Security Number which is system sequentially generated. An analysis of the member master database conducted in June 2022 revealed that 1,655 members had more than one record on the system ranging from two (2) to six (6) records.

In this regard, the members had multiple social security numbers as a consequence of duplicate records. As such, the integrity of the data was impaired.

f. Weaknesses in Contributions - Failure to Remit NAPSA Contributions by Employers

Section 15 (1) of the National Pensions Scheme Act No. 40 of 1996 provides that a contributing employer should pay contributions to the Authority at the end of each month.

The Authority was owed amounts totalling K26,670,072,237 as at 31st May 2022 in unpaid contributions and accumulated penalties by employers. See table 9 below.

Table 9: Failure to Remit NAPSA Contributions by Employers

No.	Sector	Sum of Principal K	Sum of Penalty on Unpaid K	Sum of Penalty on Paid Contributions K	Total K
1	Accommodation and food service activities	26,958,082.83	178,843,327.69	124,823,233.23	330,624,643.75
2	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	4,711,591.16	18,063,751.83	11,098,662.08	33,874,005.07
3	Administrative and support service activities	15,541,991.82	89,239,908.02	94,873,551.83	199,655,451.67
4	Agriculture, forestry and fishing	39,706,734.03	230,295,722.45	140,787,875.21	410,790,331.69
5	Arts, entertainment and recreation	1,841,571.36	7,859,357.30	9,200,839.57	18,901,768.23
6	Unclassified	2,157,916.06	6,469,967.70	1,079,031.31	9,706,915.07
7	Central Government	374,297,302.36	831,904,927.83	7,769,034,560.58	8,975,236,790.77
8	Construction	46,316,371.30	247,614,084.27	178,846,719.84	472,777,175.41
9	Education	51,220,881.36	451,105,181.82	2,235,248,834.70	2,737,574,897.88
10	Electricity, gas, steam and air conditioning supply	3,698,484.62	90,281,113.66	4,634,269.51	98,613,867.79
11	Financial and insurance activities	21,852,792.68	197,448,384.94	44,618,680.38	263,919,858.00
12	Human health and social work activities	45,472,297.56	442,532,142.45	111,272,909.45	599,277,349.46
13	Information and communication	10,911,228.30	48,632,037.32	268,317,476.05	327,860,741.67
14	Manufacturing	43,285,895.09	197,275,247.67	764,370,440.75	1,004,931,583.51
15	Mining and quarrying	87,300,713.87	632,142,441.25	565,083,791.13	1,284,526,946.25
16	Other service activities	3,778,920.20	20,618,398.79	20,500,966.36	44,898,285.35
17	Professional, scientific and technical activities	122,972,468.38	1,259,360,209.14	578,599,941.74	1,960,932,619.26
18	Public administration and defence; compulsory social security	194,841,961.94	1,369,513,567.32	1,559,940,091.09	3,124,295,620.35
19	Real estate activities	1,831,368.04	7,080,622.31	2,603,101.52	11,515,091.87
	TOTAL	**1,330,819,093.62**	**8,625,568,690.31**	**16,713,684,453.20**	**26,670,072,237.13**

g. Investments - Real Estates

i Failure to Collect Current Rentals on Commercial and Residential Properties

During the financial year ended 31st December 2021, the Authority issued invoices for rentals in amounts totalling K105,529,032 while the opening balance on outstanding rentals stood at K171,473,994 bringing the total amounts outstanding to K277,003,027.

However, NAPSA collected amounts totalling K102,525,279 as rental income leaving a balance of K174,477,747.

Further, the following were observed:

- Included in the uncollected rentals were amounts totalling K10,680,162 in respect of thirty one (31) former tenants that the Authority was unable to locate and as such, could not enforce the court consent judgements. Some of the debts were outstanding from as far back as 2017.

- In 2021, amounts totalling K105,529,032 were supposed to be collected by the Authority. However, there was no income realised from five (5) properties namely Provident House - Kafue, Rhodian Court - Ndola, Profund Flats - Ndola, Kingstone Building - Ndola and Provident House - Petauke.

ii Livingstone Area Office

- **Outstanding Rentals**

  A review of the rental debtor schedule and rental age analysis report at the Livingstone Area Office revealed that the Authority was owed K5,483,579 in unpaid rentals by 372 tenants. Included in the amount, was K4,023,162 which had been outstanding for periods exceeding twelve (12) months.

- **Absentee Tenants in Investment Properties**

  A review of the occupancy schedules for the Mosi-O-Tunya investment building revealed that the Authority had not collected rentals amounting to K396,498 owed by twenty (20) tenants who had vacated their rooms for periods ranging from six (6) to over twelve (12) months as at 31st December 2021.

iii Mongu Area Office-Outstanding Rentals

A review of the rental debtor schedule and the rental age analysis report at the Mongu Area Office revealed that the Authority was owed K700,320 in unpaid rentals by 134 tenants. Included in the amount was K215,516 which had been outstanding for periods exceeding twelve (12) months.

iv ECL Mall - Kitwe

A review of records revealed that ECL Mall had uncollected rental income amounting to K2,439,673 as at 31st December 2021, some of which had been outstanding from as far back as 2019. As at 31st March 2022, the outstanding amount was K4,076,486.

- **Low Trading Occupancy**

  As at 31st December 2021, the Mall had a total occupancy rate of 58% out of the available 95 shops. The low occupancy was attributed to the delay in signing tenants agreements to operate the cinema and gymnasium which had discouraged top brands from renting at the food parlour at the mall. Consequently, the occupancy rate of the mall was below the target of 85% set by NAPSA.

- **Low Office Occupancy**

  During the period under review, the mall had an office block with a total of 37 spaces of which fourteen (14) were occupied representing a 37.8 % occupancy capacity while 21 were vacant.

v Failure to Meet Return of Investment Target - Real Estates

According to the Investment Market and Portfolio Report for the quarter and the Annual Investment Report for the year ended 31st December 2021, the Authority had set a minimum rate of return on investment (ROI) of 8% from real estate.

A review of records revealed that the Authority had real net performing estates' assets in amounts totalling K3,912,241,534 and K4,084,740,635 as at 31st December 2020 and 2021 out of which income totalling K90,062,279 and K102,876,427 respectively had been realised representing a ROI of 2.2% for 2020 and 1.0% for 2021.

In this regard, the ROI for both years were below the 8% target. See table 10 below.

Table 10: Real Estates Targets

Property Type	2021 Amount K	2021 Composition	2021 Income K	2021 ROI	2020 Amount K	2020 Composition	2020 Income K	2020 ROI	Bench Mark
Commercial	5,369,242,273	82%	102,876,427	1%	3,417,939,674	57%	90,062,279	3.0%	7%
Residential for Lease	-	0%	-	0%	85,481,839	6%	-	0.0%	6%
Residential for Sell	1,010,863,090	15%	-	0%	819,272,579	4%	-	0.0%	6%
Undeveloped Land	174,477,747	3%	-	0%	173,780,674	3%	-	0.0%	0%
Residential for Lease	-	0%	-	0%	-	1%	-	1.0%	
Total	**6,554,583,110**	**100%**	**102,876,427**	**1.0%**	**4,496,474,766**	**71%**	**90,062,279**	**2.2%**	**8%**
Less: SHDC Loan Impairment	-		-						
Less : Properties under Development and Bare Lands (ECL, Meanwood land and Records Centre)	2,469,842,475				1,481,233,232				
Net Performing Assets	**4,084,740,635**				**3,015,241,534**				

vi Failure to Execute Court Judgements

During the period under review, the Courts ruled in favour of the Authority on a number of legal matters concerning defaulting tenants. A scrutiny of the status report of tenants appearing under the legal category revealed that the Authority was unable to execute court judgements for forty three (43) former tenant cases which commenced between 2017 and 2019 in amounts totalling K4,252,090.

vii Undeveloped Land

During the period under review, the Authority owned nineteen (19) parcels of land with a value of K1,010,548,528 in various locations in the country which had not been developed some from as far back as 2018. See table 11 below.

Table 11: Undeveloped Land

No.	Town	Date Acquired	Source	Value K
1	Mbala Land	13.12.2018	Debt Swap	747,000.00
2	Mpika Lands	13.12.2018	Debt Swap	15,521,536.22
3	Choma Land	13.12.2018	Debt Swap	3,000,000.00
4	Sesheke Land	13.12.2018	Debt Swap	210,000.00
5	Kazungula Land	13.12.2018	Debt Swap	662,383.37
6	Kalulushi Land	13.12.2018	Debt Swap	1,258,500.00
7	Solwezi Land	13.12.2018	Debt Swap	7,816,500.00
8	Lundazi Land	13.12.2018	Debt Swap	425,618.86
9	Mufulira Land	13.12.2018	Debt Swap	2,770,000.00
10	Masaiti Land	13.12.2018	Debt Swap	512,000.00
11	Siavonga Land	13.12.2018	Debt Swap	3,960,000.00
12	Mkushi Land	13.12.2018	Debt Swap	1,500,000.00
13	Mongu Land	13.12.2018	Debt Swap	1,541,000.00
14	Livingstone Land	13.12.2018	Debt Swap	6,958,225.01
15	Makeni Land	13.12.2018	Purchased	141,790,084.96
16	Chitambo Land	13.12.2018	Debt Swap	8,483,099.09
17	Baobab Land	06.02.2020	Purchased	361,945,315.13
18	York Farm Land	16.03.2020	Purchased	290,570,000.00
19	Lilayi Land	25.09.2020	Purchased	160,877,265.37
	Total			**1,010,548,528.01**

The Authority risks losing some pieces of land due to encroachments.

viii Lilayi Land

On the 25th September 2020, Newlands International Limited and National Pension Scheme Authority (NAPSA) entered into a contract for the purchase of 211.942 hectares of the remaining extent of Farm No. 915 Lilayi, Lusaka at a price of K507,593,853.38 (US$27,951,203.38).

The purchase price was inclusive of the Vendor undertaking the following bulk services:

- Electricity, sewer, and water facilities at the point of connection to each and every individual plot to be subdivided;
- All weather gravel roads within the entire land and the specification for said all weather gravel roads would be as follows:
  - The standard 6m x 0.15m using G5 laterite; and

- Camber shaped using a 140 grader watered and compacted using a 12 ton roller compactor to attain minimum strength of 93%;

- All bulk services to be undertaken by the Vendor within twelve (12) months from the date of receipt of the initial deposit on the purchase price.

NAPSA procured the land for development of housing units for outright sell to the public through mortgages by commercial banks and mortgages to be created by the Authority.

However, the following were observed:

- **Valuation Report(s)**

  On 28th January 2020, Newlands International Limited engaged Platinum Consulting to carry out a valuation on the remaining extent of Farm No. 915 Lilayi in Lusaka. In their valuation report dated 30th January 2020, Platinum Consulting indicated that the realistic assessment of the value of the property leasehold as at the date of inspection could be fairly represented in the sum of K432,333,000 (US$29,644,336 - Bank of Zambia mid rate).

  On 9th June 2020, National Pension Scheme Authority engaged Upmarket Property Consultants to undertake a valuation on the remaining extent of Farm No. 915 Lilayi in Lusaka. According to the report by the Consultants dated 9th June 2020, the assessment of the market value for the purchase consideration purposes was estimated to be K275,010,000 (US$15,073,861 - Bank of Zambia mid rate).

  In this regard, the basis of paying K507,593,853.38 (US$27,951,203.38) which was above the valuation by the consultant hired by NAPSA was questionable.

  As 30th June 2022, the Authority had paid amounts totalling K309,691,678.49 (US$15,373,161.86), leaving a balance of K201,880,082.00 (US$12,578,041.52).

- **Failure to Avail a Due Diligence Report**

  Section 73 (1) of the Public Finance Management Act No. 1 of 2018 requires that the Auditor General and an office holder, agent or specialist consultant authorised by the Auditor General, shall in the performance of duties under the Constitution, or any other law, have access to all books, records, returns, reports, other documents and financial management systems, in electronic or any other form, relating to the accounts of public bodies as the Auditor General considers necessary.

  Contrary to the Act, NAPSA did not avail for audit the due diligence report for the investment.

- **Delay to Utilise the Land**

  A physical inspection conducted in May 2022 revealed that the piece of land had not been handed over to NAPSA by the Vendor as works such as constructing gravel roads were still in progress nineteen (19) months after the contract was concluded.

ix Makeni Land - Failure to Utilise the Land

On 15th August 2019, an agreement was entered into between Lamasat International Limited (In Receivership) as the Vendor and National Pension Scheme Authority (NAPSA) as the Purchaser for the purchase of 281.6564 acres of subdivisions 16, 18 and 20 of Subdivision A of Farm No. 396a of Lusaka at a price of US$9,857,974 (US$35,000 per acre).

NAPSA procured the land for development of housing units for outright sell to the public through mortgages by commercial banks and mortgages to be created by the Authority.

However, a physical inspection conducted in May 2022 revealed that the piece of land was still bare, more than two years after the purchase. See pictures below.

Unutilised Land

x Questionable Purchase of Baobab Land

On 20th November 2019, the Board approved the purchase of the Baobab Land from Nyimba Investments Limited (K102,434,650 for 130.491 hectares) at a negotiated price of K785,000 per hectare – including taxes and from Bantu Capital Corporation Zambia Limited (K46,333,448 for 59.0235 hectares) at a negotiated price of K785,000 per hectacre – including taxes bringing the total approved amount for the purchase of the two pieces of land to K148,768,098.

However, on 6th February 2020, Nyimba Investments Limited and National Pension Scheme Authority entered into a contract of sale relating to the 130.491 hectares of subdivisions 1 and 2 of Subdivision B of Farm 4300 Lusaka at a contract sum of K253,125,605.

In addition, on 6th February 2020, Bantu Capital Corporation Zambia Limited and National Pension Scheme Authority entered into a contract of sale relating to the 59.0235 hectares of subdivisions 3-13 of subdivision B of Farm 4300 Lusaka at a contract sum of K89,698,810.

As at 31st December 2021, amounts totalling K342,824,415 had been paid to Nyimba Investments Limited (K253,125,605) and Bantu Capital Corporation Zambia Limited (K89,698,810) which exceeded the approved amount of K148,768,098 by K194,056,315. The purchase of the land at K342,824,415 which was contrary to the board approval of K148,768,098 was therefore questionable.

Further, on 21st January 2020, the Attorney General raised some concerns on the acquisition of the pieces of land and cleared the contracts subject to the observations as stated below.

- “2. I have perused the due diligence report and advisory note on subdivision B of 4300 Lusaka;
- 3. I have noted from the above report that there is ongoing and pending litigation concerning the above stated land by Mr. Van Blerk and Mr. Denny Nyoni from whom the land was compulsorily acquired;
- 4. I have observed that the PACRA records show that some of the land is encumbered and if the facilities have been paid off, the vendors need to ensure that the PACRA records are up to date and reflect the correct position. All mortgages, charges etc must be paid in full and discharged prior to completion of the transaction;
- 5. I have also noted the external legal opinion stating that the proceedings pending leave to appeal to the full bench of the court of Appeal await a date of hearing and further, that the decision of the full bench will determine whether the matter can be taken on further appeal to the Supreme Court. I note further that Clause 23.10 of the contract states that, “the vendor undertakes to indemnify the purchaser in respect of any claim by third parties relating to and in respect of the vendors acquisition of the land the subject of this transaction and also in respect of any costs including but not limited to costs incurred by the purchaser in the defence of any litigation relating to the acquisition.”
- 6. I have also noted that the ZEMA licence has since expired and requires renewal before further development on the land can take place;
- 7. I have reviewed the draft contracts of sale drafted in accordance with the LAZ 2018 general conditions of sale and advise that they are satisfactory and may be executed by the parties subject to the observations above.

However, NAPSA did not avail documentation to show the Attorney General’s observations were addressed. Further, litigation had arisen over ownership of the land by one of the individuals from whom the land was initially compulsorily acquired. As at 31st May 2022, the land remained unutilised. See picture below.

Unutilised Land

xi Society Business Park Building

- **Failure to Implement EIZ's Recommendations**

In Paragraph 11 (g) of the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial Year ended 31st December 2019, mention was made on the construction defects on the re-development of Society House and Central Arcades Project which was constructed at a cost of K1,079,630,811.

Further, management stated that it had complained to the Engineering Institution of Zambia (EIZ) on the contractual structural engineering design, construction and supervision services it had engaged for the development of the Society Business Park Office Block.

In their memorandum to the Committee on Parastatal Bodies, management submitted that the defects had been worked on by the contractor.

A review of the matter in 2022 revealed that on 28th December 2021, the Engineering Institution of Zambia (EIZ) issued a draft report titled 'The EIZ Test Results and Final Report - Society Business Park' which was conducted by Messrs Hopkas Engineering Consultants. The EIZ report revealed the following weaknesses among others in the building:

- Certain columns were also found to have been designed with a lower capacity than required;
- Certain sections of the buildings structural support members were inadequately designed;
- Flat slabs showed a uniform pattern of cracking at mid span as well as top of support elements which had been caused by higher tensile stresses than allowable, resulting in flexural and shear crack on most sections of the slabs; and
- Design inadequancies, errors in detailing and construction workmanship.

In this regard, the EIZ recommendations were stated as follows:

- "The slab at P5 is subjected to both flexural and shear inadequacy, the colum ends at this level and could have higher slab movements as they terminate at this point. Structures under shear distress tend to behave brittle and may not provide any warning signs other than the observed cracks prior to collapse. Therefore, the safety of such strucures can only be gauranteed once repairs and strengthening are carried out;
- First floor slab entrance lobby open area to Pick n Pay may require immediate strengthening as it has shown signs of shear distresses along the perimeter beams;
- Monitoring the behavior of flexural cracks should be carried out in order to asess growth and deflections so that the safety of the building can be gauranteed as its partly in use on first floor parkade;
- Controlled traffic on the current parking areas should be introduced until confirmations are made on the status of crack propagation."

In a letter dated 28th December 2021, EIZ gave NAPSA seven (7) days in which to make comments on the contents of the report.

In response, management stated that they had engaged EIZ to fully understand the findings. However, as at 31st October 2022, the engagement with EIZ had not been concluded and NAPSA had not implemented the recommendations made by EIZ.

- **Failure to Conduct Due Diligence - Purchase of Society House**

  On 2nd April 2020, the National Pension Scheme Authority (NAPSA) Board of Trustees approved the outright purchase of Society House from the Zambia National Building Society (ZNBS) at the negotiated price of K230,000,000. In this regard, on 30th December 2020, a contract was signed between NAPSA and ZNBS for the purchase of the property which was fully paid for by 17th August 2021.

  However, there was no information availed to show that due dilligence and commercial evaluation/benefits of acquisition of the property vs leasing was done by the Authority before and after the purchase of the building to show how the investment was to be recouped and the payback period.

h. Listed Equity - Failure to Declare Dividends

During the period under review, the Authority had investments in sixteen (16) out of the twenty three (23) listed companies on the Lusaka Securities Exchange. The listed equity constituted 4.1% of the Authority's total investment portfolio. See table 12 below.

Table 12: Local Equity Market

NO.	COMPANY	TOTAL NO OF SHARES	PURCHASE COST K	EQUITY SHARE %	MARKET VALUE 12/31/2021 K	MARKET VALUE 12/31/2020 K	CHANGE IN MARKET VALUE K	DIVIDENDS 2020 K	DIVIDEND 2021 K	TOTAL RETURN K	BOARD SEAT
1	AELZ	293,798	1,587,559	10.37%	8,631,785.24	6,022,859.00	2,608,926.24	-	-	2,608,926.24	NO
2	BATZ	6,394,439	35,910,213	2.35	9,271,936.55	11,509,990.20	(2,238,053.65)	-	-	(2,238,053.65)	NO
3	CEC	15,779,333	10,183,065	0.01	41,815,232.45	17,357,266.30	24,457,966.15	6,953,952	-	31,411,918.15	NO
4	LAFARGE	9,499,102	137,196,908	0.09	131,562,562.70	19,663,141.14	111,899,421.56	14,248,653	5,699,461.20	131,847,535.76	NO
5	NATBREW	1,400,000	3,107,550	0.00	12,880,000.00	12,894,000.00	(14,000.00)	-	-	(14,000.00)	NO
6	PAMODZI	4,164,607	675,495	0.04	2,498,764.20	2,582,056.34	(83,292.14)	-	-	(83,292.14)	NO
7	PRIMA-RE	6,422,842	15,814,464	0.01	17,919,729.18	17,983,957.60	(64,228.42)	-	-	(64,228.42)	YES
8	PUMA	49,972,746	25,391,719	1.66	60,467,022.66	39,978,196.80	20,488,825.86	-	-	20,488,825.86	NO
9	REIZ	5,691,431	14,251,991	0.93	7,114,288.75	2,219,658.09	4,894,630.66	-	-	4,894,630.66	YES
10	STANCHART	39,873,967	23,560,204	1.54	47,848,760.65	55,823,554.09	(7,974,793.44)	-	-	(7,974,793.44)	NO
11	ZAFFICO	100,000,000	206,000,000	13.45	195,000,000.00	212,000,000.00	(17,000,000.00)	-	-	(17,000,000.00)	
12	ZAMBEEF	24,797,819	115,927,796	7.57	39,924,488.59	27,277,600.90	12,646,887.69	-	-	12,646,887.69	YES
13	ZAMEFA	3,290,567	11,170,933	0.73	15,728,909.78	15,728,909.78	-	-	-	-	NO
14	ZAMSUGAR	30,788,021	47,845,838	3.12	446,426,299.43	78,509,452.66	367,916,846.77	7,389,125	26,292,969.64	401,598,941.41	NO
15	ZANACO	140,355,061	69,479,957	4.54	266,674,615.58	65,966,878.59	200,707,736.99	-	-	200,707,736.99	NO
16	ZCCM-IH	24,120,043	813,164,570	53.10	916,079,233.14	935,857,668.40	(19,778,435.26)	-	-	(19,778,435.26)	YES
	TOTAL		**1,531,268,262**	**8924.82%**	**2,219,843,628.90**	**1,521,375,189.89**	**698,468,439.01**	**28,591,730**	**31,992,430.84**	**759,052,599.85**	

During the financial years ended 31st December 2020 and 2021, the Authority received dividends in amounts totalling K28,591,730 and K31,992,431 respectively from only three (3) out of the sixteen (16) investee companies.

i. Failure to Declare Dividends - CopperNet Solutions

On an unknown date, Phantom Exchange Limited and National Pensions Scheme Authority made a Share Transfer Agreement where it was agreed that the transferor (Phantom) being the beneficial owner of 168,750,000 ordinary shares in CopperNet Solutions Limited transfer the said shares to the transferee (NAPSA) for a loan guarantee from NAPSA in the sum of K2,362,592 for the purpose of buying shares in the said CopperNet Solutions Limited.

The Authority guaranteed a loan in the sum of K3 million granted to Phantom Exchange Limited by Stanbic Bank Limited. It was agreed that Phantom Exchange Limited would transfer the said shares it held in CopperNet Solutions Limited to NAPSA who would assume ownership of the same in the event that the transferor defaulted on the loan repayments leading to the bank calling on the said Guarantee. Subsequently Phantom defaulted on its loan repayment.

During the 9th Special Meeting of the Board held on 3rd September 2010, it was resolved that an amount of K2,362,592 being the amount due on the guarantee dated 20th March 2008 and issued by NAPSA in favour of Phantom Exchange Limited be paid to Stanbic Bank Limited and treated as a loan due from Phantom Exchange Limited to be repaid by Phantom Exchange Limited with effect from November 2010. The amount was paid by NAPSA to Stanbic Bank on 10th September 2010.

It was resolved that NAPSA accepts a transfer of 25,312,500 shares representing 15% shareholding in CopperNet Solutions Limited (the maximum allowed under the NAPSA investment guidelines) being part of the 168,750,000 shares which were provided as security by Phantom Security Exchange Limited for the guarantee of K3m issued by NAPSA in favour of Phantom, pending NAPSA's decision on how to deal with the balance of 143,437,500 shares.

In 2015, NAPSA sued Phantom Exchange Limited and the Court held that Judgment be entered in favour of the plaintiff in the sum of K2,362,592 to be paid with interest at the average of the short term deposit rate per annum prevailing from the date of the writ to the date of judgment and thereafter interest at bank lending rate as determined by the Bank of Zambia from the date of judgment till final payment. In default of payment, the Court ordered that the defendant should transfer its 45% shareholding in CopperNet Solutions Limited to the plaintiff.

Section 3 (Investment principles) of the National Pension Scheme (Investment) Regulations of 2017 states that,

"(1) The Authority shall, in making and maintaining investments, be guided by the following principles:

i. Capital preservation;

ii. Investment returns and liquidity; and

iii. Asset – liability matching.

(2) The Authority shall ensure that investment funds are managed prudently."

Contrary to the regulations, a review of records for investment in Phantom Exchange Limited revealed there was no evidence that CopperNet Solutions Limited had been paying dividends to NAPSA from the time the shareholding was transferred to the Authority on 23rd September 2015.

j. Failure to Collect Interest

On 24th June 2017, NRFA obtained a loan of K2,126,552,026 from NAPSA. Further, on 24th July 2019, NRFA obtained an additional loan of K1,801,700,000 bring the total loan to K3,928,252,026. The loan was for supervision consultancy, construction and rehabilitation of various toll plazas which included the following:

i. Ndola to Kitwe dual carriageway,

ii. Kitwe to Chingola dual carriageway, and

iii. Chingola to Solwezi single carriageway.

As at 31st August 2021, the Authority had disbursed amounts totalling K3,927,552,026 to NRFA.

Clause 8.3 of the Financing Agreement requires NAPSA (lender) to charge interest on defaults on repayments which NFRA (borrower) is required to pay immediately upon demand.

However, NRFA defaulted in the monthly loan repayments and was charged interest of K87,054,631 between March 2020 and December 2021 which had not been settled as at 31st August 2022.

k. Mosi-oa-Tunya Hotel - Irregular Engagement of Foreign Contractors

On 2nd July 2020, NAPSA signed a Turnkey Contract with Mukuba Property Development Company Limited for the development of a hotel, conference centre and villas at a total contract sum of US$97,339,000 with a delivery period of twenty four (24) months at lot No. 14734/M/A (16.85 hectares) in the Mosi-oa-Tunya National Park.

Section 43 (1) of the National Construction Council (NCC) Act No. 10 of 2020 stipulates that a foreign contractor should participate in a tender for construction works, if the foreign contractor bids for, and undertakes, the construction works as a joint venture with a Zambian contractor in a manner and to the extent as may be prescribed.

Contrary to the Act, Mukuba Property Developers engaged nine (9) foreign contractors that did not have any joint ventures with Zambian local contractors. The sub-contracts were for undertaking various specialised works that included shop-fitting, shower doors and enclosures and ceilings. See table 13 below.

Table 13: Engaged Foreign Based Contractors

No.	Contractor	Country	Contract	Contract Sum US$	Comment
1	Malachite Pools	South Africa	Pools & Water Features	740,514.05	No Local JV Partner
2	H V A C Installations Pty Ltd	South Africa	HVAC Services for Hotel & Central BOH	2,134,925.98	No Local JV Partner
3	DSD Shopfitters	South Africa	Shopfitting to Guestrooms & Corridor	1,639,125.48	No Local JV Partner
4	DSD Shopfitters	South Africa	Shopfitting to Guestrooms & Corridor	787,394.82	No Local JV Partner
5	P C I Carpets	South Africa	Soft Floor Covering	364,628.97	Main Contractor Indicated as JV Partner
6	Mowana Timber Project	South Africa	Specialist Ceiling	82,151.42	Main Contractor Indicated as JV Partner
7	Mowana Timber Project	South Africa	Kids Playground Equipment	60,192.86	Main Contractor Indicated as JV Partner
8	OnCall	South Africa	Tiling & Stoneware	875,554.05	Main Contractor Indicated as JV Partner
9	Alania Building Systems	South Africa	Aluminium Screens & Louvres	912,914.88	Main Contractor Indicated as JV Partner

l. Livingstone Bus Terminus and Livingstone Market

On 14th May 2019, NAPSA signed a financing agreement with the Ministry of Local Government and Livingstone City Council for the construction of Livingstone Intercity Bus Terminus and Ultra-Modern Market. The parties agreed that NAPSA would finance the completion of the construction of Livingstone Bus Terminus, situated at Stand No. 2118 and Ultra-Modern Market, at Stand No. 2067 (the Project) at a sum of K33,800,000.

The parties agreed among others as follows:

- NAPSA would not be under any obligation to extend any financing in excess of the total financing amount;
- In an event of variation of scope of work and/or extension to time for completion, NAPSA would be solely responsible for the incremental amount by paying it from its own funds which would be recoverable from the fees charged during the running and management of the Project;
- NAPSA would create a Special Purpose Vehicle (SPV) for the maintenance, management and operation of the Project after its completion, on its behalf;

- NAPSA would handover maintenance, management and operation of the Project upon recovery of all the funds and interest, as well as any agreed recoverable amounts, in accordance with the terms and conditions of the Agreement.

The parties agreed that the License Period would be fourteen (14) years in which it is expected that NAPSA would have recovered its funds. However, the lease period would be extended beyond the fourteen (14) years in the event that NAPSA would not have recovered the monies due to it within the lease period.

A review of records and a physical inspection conducted in June 2022 on the Project revealed the following:

i. Failure to Operationalise Commissioned Project

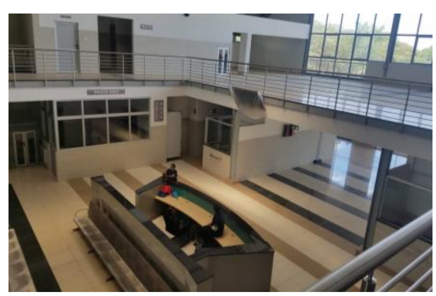
The Livingstone Intercity Bus Terminus and the Market were completed and commissioned on 7th August 2021.

However, as at 31st May 2022, nine (9) months after being commissioned, the facilities had not been operationalised thus depriving NAPSA of a return on its investment and the public of the related services. See pictures below for the two facilities.

Commissioning of the Modern Market

Modern Market Main Building

Livingstone Bus Terminus Main Building



Aerial View of the Station's Main Lounge

ii. Irregular Variation of the Contract (Agreement)

Section 77(1) of the Public Procurement Act No. 8 of 2020 stipulates that an amendment of variation to a contract should not be effected without the approval of the Treasury and the legal advice of the Attorney General.

A review of records revealed that in November 2019, NAPSA discretionary varied the contract to include the development, installation and commissioning of the Bus Terminus and Market Management System (BTMMS) at a total cost of K9,811,832 bringing the contract sum to K43,611,832 which is 29% above the original contract sum of K33,800,000.

However, there was no evidence to show that the variation was submitted to the Attorney General for his legal advice in line with the Act.

m. Asset Management

i. Poor Maintenance of Buildings

A physical inspection of selected properties carried out in May 2022 revealed as shown in table 14 below.

Table 14: Management of Properties

No.	Name of Property	Location	Value of Property K	Observation
1	Mosi-o-Tunya Building	Livingstone	1,080,989,512	One of the two (2) fitted elevator was non-functional since 2021.
2	Mongu Land	Mongu	1,541,000	NAPSA land which was acquired through a debt swap with the Mongu Council was encroached by private individuals.
3	Kingston Building	Ndola	10,228,000	The building was unoccupied as it was dilapidated resulting in NAPSA Ndola office renting office space.

ii. Construction of Housing Units in Solwezi

On 22nd September 2020, National Pension Scheme Authority (NAPSA) engaged GNB Projects Limited for the construction of fifty (50) low cost housing units and bulk services in Solwezi for a contract sum of K47,949,210 with a completion period of twelve (12) months.

The Authority awarded a second contract to GNB Projects Limited on 12th January 2021 to undertake the construction of fifty (50) low cost housing units at a contract sum of K19,855,587.

The terms of the contracts included, the provision of an advance payment guarantee by the contractor which was to be used for the mobilisation of equipment, plant and materials.

However, the contractor failed to commence the construction works due to cash flow challenges as they failed to submit the advance payment guarantee.

On 9th September 2021, the contractor applied for an extension to the contract period citing a number of reasons. The Authority in its response dated 12th October 2021 advised the contractor that the application had been noted as an early warning notice.

On 13th September 2021, NAPSA wrote to the contractor expressing concern over the project's significantly slow progress and that works were considerably behind schedule. The contractor was also notified that the continued non-performance would lead to punitive measure as provided for in the contract.

On 25th November 2021, the Authority terminated the first contract citing the following reasons:

- Failure to adhere to the programme of works;
- Failure to fully mobilise despite the contract period drawing to its expiry;
- Lack of work progress on site; and
- Failure to provide revised programme of works which would outline strategies to recover the lost time.

In the response letter dated 1st December 2021, the contractor dispelled all the four (4) grounds cited in the termination letter and demanded to be paid the full contract sum of K47,4949,207.72 VAT inclusive, plus cost interest on the already spent amounts of money immediately or reverse the termination and pay the contractor the full advance payment failure to which they would proceed with arbitration.

In a response to the contractor dated 18th May 2022, NAPSA rejected the claim and stated that only payments towards contract close out final certificate would be paid. A physical inspection carried out on 19th May 2022 revealed that the contactor was not on site.

As at 31st October 2022, the matter had not been resolved while no payments had been made.

n. Accounting and Other Irregularities - Internal Audit Report – Edgar Chagwa Lungu (ECL) Mall

A review of the Internal Audit report for January 2022 titled Special Review on ECL Mall revealed the following:

i. Misappropriation of Funds

A comparison of the original bank statement, receipts and the Agent's excel bank statement for the period January 2021 to November 2021 revealed discrepancies in that nine (9) entries were manipulated by Property Manager's Agents resulting in differences between the original bank statements and the Agent's excel statement. From the review conducted it was established that the Authority lost a total of K143,625 during the period from August 2021 to November 2021.

As at 30th June 2022, the amount had not been recovered. Further, all deposit slips for the period under review were not availed for audit verification, making it difficult to establish whether the deposits were verified and certified by the appropriate authority.

ii. Loss of Investment Return

The established practice for the Authority is for all funds in the collection accounts to be transferred to the investment premium accounts at predetermined intervals for investment purposes.

A review of bank statements revealed that no transfers had been made to the investment premium account from the time it was opened in April 2020. During the period from April to October 2021, an amount of K23,937,653 had accumulated but was not transferred to the investments premium account resulting in an estimated loss of K1,801,372 that would have been earned using the rate of return on treasury bills. See table 15 below.

Table 15: Loss of Investment Return

Month	Opening balance per bank statement K	Funds available for Investment K	Yield rate net of taxes and handling fees (%)	Days	Yield K
Apr-21	7,009,850.87	7,009,850.87	16.80	273	883,241.21
Jul-21	19,363,597.00	12,353,746.13	13.46	180	822,075.28
Oct-21	23,937,652.74	4,574,055.74	8.40	91	96,055.17
	Total Income Lost	**23,937,652.74**			**1,801,371.66**

o. Staff Matters

i. Payment of Management Procurement Committee (MPC) Allowances

During the period under review, the Authority paid amounts totalling K6,267,960 in respect of sitting allowances for Procurement and Tender Committee meetings and other meetings which was not provided for in the conditions of service. See table 16 below.

Table 16: Sitting Allowances

No.	Details	Amounts K
1	Management Procurement Meetings	1,829,760
2	Tender Committee Meetings	4,037,120
3	Other Meetings	401,080
	Total	**6,267,960**

ii. Questionable Payments – Performance Management System (PMS)

According to the Compensation policy, the Authority uses a Balanced Score Card (BSC) to access the performance of the Authority at Corporate, Directorate, Departmental and Individual level. The BSC is divided into four perspectives namely Financial, Customer, Internal Process and Learning and Growth. The Policy provides that the BSC would be assessed twice in a year at mid and end of the year and provides that unless the corporate score is between three (3) and five (5), there should not be any individual awards.

During the period under review, the Authority paid amounts totalling K27,556,082 to various officers as Performance Management System (PMS). See table 17 below.

Table 17: Questionable Payments - PMS

Year	No. of Officers Paid	Amounts Paid K
2020	524	14,913,486
2021	612	12,642,596
Total		**27,556,082**

However, the Authority did not provide the mid-term and end of the year corporate and individual employee BSC assessments rendering the payments questionable.

iii. Failure to Act on Actuary Recommendations

Section 44 (1) of the National Pension Scheme Act No. 40 of 1996 provides that the Scheme should be valued by an actuary as may be required by the Authority and that in any case at intervals not exceeding three years. According to the Act, the actuary should prepare a report on the state of the Scheme which include the state of any surplus or deficiency in the Scheme and recommend the action to be taken. The actuary should submit the report prepared under subsection (3) to the Authority with a copy to the Minister.

Further, Section 45. (1) of the Act requires that the Authority pay due regard to any recommendations made by the actuary under Section 44 and, in doing so may, notwithstanding anything to the contrary contained in the Act do the following:

- Increase or decrease in the rates of contribution payable in respect of members; or
- Require members to pay such sums as the actuary may determine to cover any deficiency directly attributable to an action of such member; and
- The Authority should report to the Minister its reasons for failing to carry out any recommendations made by the actuary.

Actuarial deficit refers to the difference between future benefits pay out obligations discounted at present value when compared with the current contribution income rates of the pension scheme. When the assets (contributions) are more than the obligations (future benefits) it is referred to as an actuarial surplus while the opposite result is referred to as actuarial deficit.

A review of the Actuarial Reports prepared by the Government Actuary's Department of the United Kingdom for the period ended 31st December 2020 revealed that the National Pension Scheme Authority had an actuarial deficit as shown in table 19 below.

Table 19: Actuarial Deficit Computations

Description	Discounted + 5% K' Billion	Discounted +2.5 % K' Billion	Discounted +0% K' Billion
Value of Scheme Liability	72.4	116.7	215.7
Value of Scheme Assets	41	41	41
Surplus / (Deficit)	(31.40)	(75.70)	(174.70)
Funding Level (Asset as % of Liabilities)	56.6	35.1	19.0

As can be seen from the table above, the Actuary used three (3) different scenarios of 5%, 2.5% and +0% for discounting and in every scenario there were actuarial deficits. In this regard, the Authority may not be able to discharge its obligation of paying pension benefits to its members in the future, given the assets, future liabilities and present contribution rates.

Further, the Actuary made the following recommendations among others:

- NAPSA should recognise that whatever funding method is adopted, the contribution rate would need to be increased in the future on any plausible path for the Scheme's future experience. Although no immediate increase is required, NAPSA should start to plan for how and when such an increase would be implemented; and

- NAPSA should keep the benefits provided by the NPS under regular review to ensure that they remain appropriate and efficiently meet their objectives. NAPSA should also have regard to the long-term cost of the benefits and ensure that the benefits are set at a level that does not undermine the long-term financial sustainability of the Scheme.

However, as at 31st October 2022, Management had not taken action on the Actuarial's recommendations.

iv. Corporate Social Responsibility-NAPSA Stars Football Club

NAPSA Stars Football Club was formed as part of corporate social responsibility of NAPSA. In July 2012, the Club was transformed into a company called NAPSA Stars

Company Limited with 99% shares owned by the National Pension Scheme Authority and 1% owned by the Club Chairman. NAPSA appoints members to the Board to provide oversight on the operations of the company.

The company's management is headed by the Technical Director who is assisted by the Logistics Manager, Head Coach, Club Licensing and Registrations Manager, Administration and Marketing Officer, Accountant, Logistics and Competitions and Public Relations Manager and other support staff.

A review of operations at the club for the financial years ended 31st December 2020 and 2021 revealed the following:

- **Lack of Board Charter**

  A board charter is a policy document that clearly defines the respective roles, responsibilities and authorities of the board of directors (both individually and collectively) and management in setting the direction, the management and control of the organisation. Best practice requires that a board should have a charter in place.

  However, it was observed that NAPSA Stars Board did not have a board charter in place, during the period under review.

- **Unsupported Payment of Board Allowances**

  During the period under review, amounts totalling K369,710 were paid in respect of board allowances. However, there were no attendance registers or board minutes availed to show evidence that the meetings took place.

  Further, there were no written guidelines on the rates paid and as to how many meetings the board should hold in a year.

- **Lack of Strategic Plan**

  A strategic plan defines an organisation's outlook and sets strategies for desired objectives and direction of the entity. A strategic plan also outlines allocation of resources to priority areas. However, during the period under review, NAPSA stars operated without a strategic plan.

- **Board Involvement in Management Roles**

  Good corporate governance practices require the separation of board and management roles, so that there is clear oversight. During the period under review, it was observed that the Board was involved in the financial management of the club in that board members were signatories to the club accounts and were authorising payments.

- **Unsupported Payments**

  The Public Finance Management (General) Regulation No. 72 (1) of 2020 stipulates that a payment voucher with supporting documents, and any other forms which support a charge entered in the accounts, should be filed, secured against loss, and be readily available for audit.

  Contrary to the regulation, 223 payments in amounts totalling K11,351,060, US$71,850 and €12,000 processed by NAPSA Stars Football Club during the period under review were not supported with documentation such as, acquittal sheets, payment vouchers, receipts, quotations, attendance registers and contracts.

  Further, twenty two (22) payment vouchers in amounts totalling K882,769 processed during the period under review in respect of payments to employees and suppliers among others were not availed for audit.

- **Unretired Imprest**

  The Public Finance Management (General) Regulation No. 104 (1) of 2020 stipulates that accountable imprest should be retired immediately the purpose for which it was issued had been fulfilled.

  Contrary to the regulation, accountable imprest in amounts totalling K3,292,885 and US$4,000 issued to various officers for the purchase of various items during the period under review had not been retired as at 31st July 2022 and management had not effected recoveries.

- **Irregular Use of Imprest**

  The Public Finance Management (General) Regulations No. 94 (3) of 2020 states that, "Accountable imprest means imprest that is issued as payment to facilitate the purchase of goods and services whose value cannot be ascertained at the time of payment for which the imprest holder is required to submit receipts after the purchase of those goods and services."

  Contrary to the regulation, the Club irregularly paid amounts totalling K2,602,014 as imprest to cater for payment of daily allowances, air charter, accommodation and plumbing works among others.

- **Irregular Payments of Winning Bonuses**

  During the period under review, amounts totalling K2,115,209 were paid to NAPSA Stars FC players and officials as winning bonuses for both local and international games. However, the approved rate and authority were not availed for audit verification. In this regard, the payment of winning bonuses in the absence of approved rates and authority was irregular.

- **Unapproved Payments**

  During the period under review, amounts totalling K817,138 and US$5,130 were paid for various purposes such as winning, match attendance, airtime and travel allowances. However, it was observed that the payments were not approved by the Technical Director or the appropriate approving authority making it difficult to ascertain whether the payments were genuine.

- **Uncompetitive Procurements**

  Public Procurement Regulation No. 108 (2) of 2011 states that, "A Procurement Unit shall include sufficient bidders in a shortlist of bidders to ensure effective competition, but in any case, shall obtain no less than three (3) quotations."

  Contrary to the regulation, the Club single sourced procurement of various items costing K4,340,919 during the period under review.

- **Unrecovered Advances**

  The Club paid amounts totalling K160,360 in respect of advances. However, there was no evidence availed that these amounts had been recovered from the employees as at 31st July 2022.

- **Unaccounted for Stores**

  Public Stores Regulation No. 16, requires that every stores officer or any other officer having in his charge any public stores or other articles of public property must keep and maintain record of receipt and issue of such public stores.

  Contrary to the regulation, various stores items costing K462,255 procured by the Club were not accounted for in that there were no receipt and disposal details.

- **Unaccounted for Funds**

  On 6th April 2021, the Club Licensing and Registration Manager withdrew a sum of K1,792,000 from club's bank account which he used to procure foreign curreny equivalent to K1,782,592.

  However, the difference between the two (2) amounts, of K9,408 was unaccounted for as at 30th June 2022.

- **Wasteful Expenditure on Separation of Player**

  NAPSA Stars Football Club signed a contract with Mr. Dennis Dauda a football player on 1st October 2020 for a fixed period of three (3) years expiring on 31st October 2023.

  The conditions of the contract included the following:

  - A basic Salary of K17,000 net per month;
  - Match allowances for the league and cup games as follows:
    - K3,750 for a win;
    - K1,250 for an away draw;
  - 2.5 working days paid leave per month;

- Gratuity of 25% of basic salary paid out through the duration of the contract which gratuity should be paid in one lump sum on the expiry of the contract; and
- Pro-rata basis payment of gratuity in case of resignation or contract termination.

A review of documents revealed that on 8th January 2021, three (3) months after the signing of the contract, NAPSA Stars terminated the contract with Mr. Dauda due to non-performance. The club accordingly communicated to Mr. Dauda that his dues would be a total sum of K35,623 being one month salary in lieu of notice, gratuity for the period served based on a pro-rata basis computation and leave pay for the three (3) months he served.

However, the player contended this position and took the matter to FIFA through Footballers and Allied Workers Union of Zambia (FAWUZ) demanding a compensation of K1,024,605 for lost salaries, gratuity, leave days pay, signing fees and winning bonuses for the duration of the three (3) year contract.

Without making their case at FIFA, NAPSA Stars wrote to FIFA and FAWUZ to have a mutual settlement with Mr. Dauda outside of FIFA's involvement. In this regard, NAPSA Stars and Mr. Dauda agreed on a mutual settlement of K483,959 (K519,582 less K35,623).

The inability of NAPSA Stars to adhere to contract terms and subsequent failure to defend its position with FIFA resulted in wasteful expenditure of K483,959.

15 NURSING AND MIDWIFERY COUNCIL OF ZAMBIA

15.1 Background

a. Establishment

The Nursing and Midwifery Council of Zambia (NMCZ) formerly General Nursing Council of Zambia (GNCZ), was established under the Nurses and Midwives Act No. 10 of 2019 following the repeal and replacement of the Nurses and Midwives Act No. 31 of 1997.

The main functions of the Nursing and Midwifery Council of Zambia include the following:

a. Register and regulate nurses and midwives;

b. Issue practising certificates to eligible nurses and midwives;

c. Set and enforce professional standards of nursing and midwifery education, training and practice;

d. Licence nursing and midwifery facilities;

e. Conduct licensure examinations;

f. Conduct competence examinations and award prescribed qualifications in respect of those examinations; and

g. Advise the Minister on matters relating to nursing and midwifery.

b. Governance

According to the provisions of the Nurses and Midwives Act No. 10 of 2019, the Council consists of nine (9) members that are appointed by the Minister of Health as follows:

i. The head of a professional association with the highest number of nurses and midwives as members;

ii. A nurse or midwife in charge of nursing and midwifery services at the Ministry responsible for health;

iii. A representative each of the;

   - Attorney-General,
   - Ministry responsible for Higher Education,
   - Health Professions Council of Zambia, and
   - Churches Health Association of Zambia.

iv. A nurse or midwife from the association representing private nursing and midwifery colleges;

v. A representative from the business community; and

vi. A person who has distinguished oneself in the service of the public.

The Minister appoints the Chairperson of the Council and the members elect one person from among themselves as the Vice-Chairperson. The tenure of office for the Council is three (3) years.

c. Management

The Council appoints a Registrar who is the Chief Executive of the Council and is responsible for operations of the Council. The Registrar is assisted by Directors of Finance, Human Capital and Administration, Education and Training, and Regulation and Compliance. The management team is appointed by the Council on five (5) years renewable contracts.

d. Sources of Funds

The funds of the Council consist of such moneys as may:

- Be appropriated to the Council by Parliament for the purposes of the Council;
- Be paid to the Council by way of fees, grants or donations; and
- Otherwise vest in, or accrue to, the Council.

The Council may, subject to the approval of the Minister:

- Accept monies by way of grants or donations from any source within or outside Zambia; or

- Raise by way of loans or otherwise, monies that the Council may require for the performance of its functions.

15.2 Audit Findings

An examination of financial, accounting and other relevant records for the financial year ended 31st December 2021 carried out at the Nursing and Midwifery Council of Zambia (NMCZ) and selected stations revealed the following:

a. Budget and Income

The Council raised and received amounts totalling K75,395,732 from grants, fees and other income during the period under review against a budget of K65,579,035 resulting in a positive variance of K9,816,697 as shown in table 1 below.

Table 1: Budget and Income

Source	Budget K	Actual K	Variance K
Donor Funds	4,970,883	1,232,459	(3,738,424)
Fees	41,988,500	60,595,545	18,607,045
Other	18,619,652	13,567,728	(5,051,924)
Total	**65,579,035**	**75,395,732**	**9,816,697**

b. Corporate Social Responsibility – Questionable Payment to a Church

On 23rd September 2021, the New Kanyama Gospel Hall (Christian Brethren/CMML) requested for financial assistance towards the purchase of a bus. On 1st October 2021, the Director Human Capital and Administration approved the request and guided that the Director Finance pay K20,000 towards the request as part of corporate social responsibility. In this regard, on 12th August 2021, an amount of K20,000 was paid to the Church.

It was observed that the contribution of K20,000 was sent to the bank account of an individual instead of the Church Account rendering the payment irregular.

In their response, management stated that the instructions to transfer funds into an individual's account came from the church and that there was confirmation that the funds were credited to the church choir account.

However, management did not provide evidence to show that the church had instructed the Council to transfer the funds into an individual's account and that the funds were received by the church.

Further, there was no criteria given or attached to the payment to support the process used in identifying projects under corporate social responsibility.

c. Accounting Irregularities

i. Irregular Provision of Lunch to Members of Staff

During the period under review, the Council paid amounts totalling K351,240 to two (2) restaurants in respect of lunch provided daily during working days to all members of staff. However, this was not provided for in the conditions of service and was therefore, irregular.

ii. Questionable Payment of Sitting Allowances

On 13th June 2013, Cabinet Office issued Circular No. 11 of 2013 titled "Abolishing of Payment of Administrative Allowances to Officers in the Public Service."

Section five (5) of the Circular states that, " In view of the above, all officers shall only be paid allowances in line with the Provisions of the Terms and Conditions of Service of the Public Service except for Committees appointed by His Excellency the President of the Republic of Zambia."

Contrary to the Circular, amounts totalling K881,205 were paid to members of staff for sitting in various administrative committees such as procurement, education and secretariat attending board meetings.

In response management indicated that the Minister of Health approved the payment of allowances. However, the approval by the Minister was not authorised by Cabinet.

d. Procurement Matters

i. Single Sourcing

Section 38 (2) (a) to (d) of the Public Procurement Regulations of 2011 provides guidelines on the procedures to be followed on procurement of goods and services when single sourcing which include getting a "No Objection" from the Zambia Public Procurement Authority (ZPPA).

However, during the period under review, the Council single sourced three (3) companies for the supply of goods and services costing K172,081 without at least three (3) quotations or obtaining a 'No Objection' from the ZPPA.

ii. Irregular Splitting of Procurements

Public Procurement Regulation No. 28 (1) of 2011 stipulates that a procuring entity should aggregate procurement requirements where appropriate, in order to achieve economies of scale. In addition, the Public Procurement Regulation No. 29 (3) of 2011 stipulates that a procuring entity should not divide requirements into lots for the sole purpose of avoiding thresholds or levels of authority.

Further, the Second Schedule (Regulation 8) of the Public Procurement Regulations of 2011 requires that all procurements above K500,000 must be subjected to open bidding.

On 4th November 2021, a Purchase Requisition No. 915 was raised by the Administration Department for printing and delivery of professional conduct and disciplinary code booklets for sale. A request for quotations was issued on 4th November 2021 and responses were obtained on 8th November 2021. On 8th November 2021, a circulation paper was issued to all Procurement Committee members to award the tender to Songera General Dealers at the bid amount of K301,600 VAT exclusive.

Another Purchase Requisition No. 916 dated 5th November 2021 was raised by the Administration Department for printing and delivery of School rules. A request for quotations was sent out on 5th November 2021 and responses were obtained on the same day. On 8th November 2021, a circulation paper was sent out to all procurement committee members to award the tender to Songera General Dealers at a bid amount of K290,000 VAT exclusive.

The two requisitions brought the total value of the procurements to K591,600 which was above K500,000 and was supposed to be subjected to open bidding as per regulation.

e. Staff Matters

i. Sale of Motor Vehicle to the Registrars

- **Irregular Procurement of Personal to Holder Vehicles**

Cabinet Office Circular No. 17 of 2016 abolished the provision of personal-to-holder motor vehicles and household furniture for VIPs in the Public Service. In addition, the Circular states that, "Given the current financial challenges being encountered by Government, it is expected that the Boards of various State Owned Enterprises and Statutory Bodies will take into account the Government decision to reduce expenditure associated with the conditions of service."

On 1st December 2016, the Council appointed the Registrar for a term of three (3) years. In the contract, there was no provision for a personal to holder motor vehicle. However, an addendum to the employment contract was made on 6th June 2017 which included the entitlement to purchase the personal to holder motor vehicle at the end of the contract.

Contrary to the Circular, on 26th January 2018, the Council acquired a motor vehicle at a cost of K1,120,835 for the Registrar as a personal to holder vehicle which was delivered on 30th March 2018.

Further, following the renewal of the Registrar's contract on 12th September 2019 which entitled the officer to a personal to holder motor vehicle and the sale of the motor vehicle to the Registrar in March 2020, the Council procured another personal to holder motor vehicle for the officer in October 2020 at a cost of K2,478,730.

The procurement of personal to holder motor vehicles was irregular as it was against the Circular.

- **Questionable Calculation of Depreciation**

On 27th November 2019, the registrar was offered to buy his personal to holder vehicle by the Council President. On 5th February 2020, the Council wrote to Ministry of Works and Supply to value the vehicle and on 11th February 2020, a report for the inspection, assessment and valuation was done by the Ministry. According to the report's assessment schedule for the motor vehicle, the net book value was calculated as detailed in table 2 below.

Table 2: Motor Vehicle Value Assessment

Year	No. of Months	Cost of Vehicle K	Depreciation (Cost x 20% per Annum) K	Net Book Value K
2017	12	1,120,835	224,167	896,668
2018	12	-	179,334	717,334
2019	12	-	143,467	573,868
2020	2	-	19,129	554,739
2021	-	-	-	-
	Total		566,096	554,739
Offer Price at 25% of NBV				**138,685**

According to the above assessment, the vehicle was offered for sale to the Registrar at a price of K138,685. However, the following were noted.

- The vehicle was procured in January 2018 and delivered on 30th March 2018, therefore the depreciation for 2017 was not supposed to be charged.
- The vehicle was offered for sale to the Registrar on 27th November 2019 by the Council President and was disposed of in March 2020. Taking into account the observations, the vehicle was supposed to have net book value of K736,762 as at 28th February 2020. See table 3 below.

Table 3: Calculation for Depreciation and Net Book Value

Year	No. of Months	Cost of Vehicle K	Depreciation (Cost x 20% per Annum) K	Net Book Value K
2018	9	1,120,835	168,125	952,710
2019	12	-	190,542	762,168
2020	2	-	25,406	736,762
2021	-	-	-	736,762
2022	-	-	-	-
	Total		384,073	736,762
Offer Price at 25% of NBV				**184,191**

In this regard, the vehicle was supposed to be sold at K184,191 and not K138,685. Therefore, the vehicle was undervalued by K45,506.

16 PUBLIC SERVICE PENSIONS FUND

16.1 Background

a. Establishment

The Public Service Pensions Fund (PSPF) was established by the Public Service Pension Act No. 35 of 1996.

The functions of PSPF which is a funded defined benefit pension scheme include provision of retirement pensions and mortgages under the home ownership scheme to its members.

b. Governance - Board of Directors

PSPF is governed by a Board of Directors comprising thirteen (13) members as detailed below:

- Two (2) members appointed by the President;
- A representative from the Ministry of Labour and Social Security;
- A representative of the Public Service Management Division;
- A representative of Ministry of Finance and National Planning;
- A representative of the Attorney General's Office;

- A representative of the Association representing retired pensionable public employees;
- A representative of the Defence Forces;
- A representative of the Security Services;
- A representative of the Chambers of Commerce;
- A representative of the National Union of Teachers;
- A representative of the Civil Servants Union of Zambia; and
- A representative of the Lusaka Stock Exchange.

The President appoints the Chairperson of the Board from among the Directors. Directors may serve for a three (3) year term and may retire upon serving two terms unless they continue serving by virtue of their employment / position in employment.

c. Management

The operations of PSPF is the responsibility of the Chief Executive Officer who is appointed by the Board and is assisted by the managers responsible for Finance, Operations and Investments.

d. Information and Communication Technology Systems

During the period under review, PSPF operated the following Information and Communication Technology (ICT) systems:

i. Microsoft Dynamics Navision

This is an Enterprise Resource Planning (ERP) Solution which is used to manage various aspects of the Fund's operations such as:

- Financial Management – Accumulation and analysis of financial data for optimal financial planning and forecasting and reporting,
- Human Resource Management – Management of payroll and human resource functions,

- Pension Management – Pension data management, contribution processing, benefits processing, investment management and
- Loans Management – Management of member mortgage and microfinance loans.

ii. **VicDocs Enterprise**

This system was used by the benefits and contributions directorate for management of documents.

e. Sources of Funds

The sources of funds for PSPF comprise such sums of money as may;

i. Be appropriated by Parliament.

ii. be payable to the Fund from time to time from moneys appropriated by Parliament,

iii. be received from contributions made by permanently employed civil servants and corresponding contributions from the employer (Government),

iv. accrue from investment activities carried out by the Fund, and

v. accrue to or vest in the Fund from time to time, whether in the course of the exercise of its function or otherwise.

16.2Audit Findings

An examination of financial and other records maintained at PSPF for the financial years ended 31st December 2020 and 2021 revealed the following:

a. Budget and Income

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2020 to 2021, a total budget provision of K2,128,005,832 was made to cover grants and dismantling of arrears (financing gap) against which amounts totalling K3,229,886,574 including supplementary of K1,000,000,000 were released resulting in an over funding of K1,101,880,742 as detailed in Table 1 below.

Table 14: Budget and Income

Year	Budget K	Actual K	Variance K
2020	1,060,550,212	1,163,052,659	(102,502,447)
2021	1,067,455,620	2,066,833,915	(999,378,295)
Total	**2,128,005,832**	**3,229,886,574**	**(1,101,880,742)**

In addition, during the period under review, the PSPF received and generated amounts totalling K2,740,368,304, See table 2 below:

Table 15: Source of Income

Source	2021 K	2020 K	Total K
Contributions Receivable -Employer	506,962,342	456,163,897	963,126,239
Contributions Receivable -Employee	628,504,374	473,525,587	1,102,029,961
Net Income from Investing Activities	630,260,928	22,492,852	652,753,780
Other Income	14,992,995	7,465,329	22,458,324
Total	**1,780,720,639**	**959,647,665**	**2,740,368,304**

b. Analysis of Financial Statements - Inadequate Dependency Ratio

The dependency ratio measures how sustainable the PSPF is by comparing the number of pensioners against the number of contributing members to the Fund. The ideal industry standard Dependency Ratio for the Fund to operate and meet its benefit obligations to pensioners is one (1) pensioner to be supported by at least five (5) contributing members (1:5).

In Paragraph 14 of the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial Year Ended 31st December 2019, mention was made that the number of contributing members increased from 93,323 in 2017 to 94,671 in 2018 and reduced to 93,551 in 2019; while that of the pensioners increased from 56,547 in 2017 to 58,363 and then reduced to 54,004 in 2019.

A review of the situation in 2022 revealed that the number of contributing members increased from 91,152 in 2020 to 96,161 in 2021. While that of the pensioners increased from 57,741 in 2020 to 59,512 in 2021. See table 3 below.

Table 3: PSPF Membership

Details	2021	2020
PSPF Membership		
Contributing Members	96,161.00	91,152
Pensioners	59,512.00	57,741
Total Membership	**155,673.00**	**148,893**
Dependence Ratio (Contributor/Pensioner)	**1:1.62**	**1:1.58**

As can be seen in table 3 above, the dependency ratio for the period 2020 and 2021 were 1:1.58 and 1:1.62 respectively, which were below the acceptable ideal industry standard Dependency Ratio of 1:5.

c. Operational Matters

i. Deteriorating Actuarial Position

A review of the Actuarial Report for the year ended 31st December 2020, revealed that the position of the Fund has deteriorated from a deficit of K46,176,000,000 as at 31st December 2017 to an actuarial deficit of K52,466,000,000 as at 31st December 2020. The actuarial present value of promised retirement benefits is as shown in table 4 below.

Table 4: Actuarial Present Value

	2020 K	2017 K
Accrued Liabilities		
Value of accrued Liabilities as at 31st December	54,004,000,000	47,393,000,000
Assets		
Value placed on Fund assets as at 31 December	1,538,000,000	1,217,000,000
Acturial Shortfall		
Excess of accrued liabilities over assets	**52,466,000,000**	**46,176,000,000**

ii. Failure to Recover Outstanding Loans

Section 1.0 (ii) of the PSPF Micro Finance Lending Manual provides that all advances under the category of "Personal Loans" or refinancing under the Home Ownership Scheme should have a tenure of six (6) months for advances and a maximum of sixty (60) months for personal loans.

During the period under the review the Fund issued microfinance loans in amounts totalling K264,125,354. However, a review of outstanding loans for the period ended 31st December 2021, revealed that PSPF failed to recover loans from 462 clients in amounts totalling K24,406,861.85 which had been overdue for periods ranging from four (4) months to sixty eighty (68) months.

iii. Management of Investment Properties - Failure to Secure Title Deeds for the Fund

Section 41(4) of the Public Finance Management Act No.1 of 2018 stipulates that a Controlling Officer shall ensure that all public properties under the Controlling Officer's charge are secured with title deeds.

Contrary to the Act, as at 31st October 2022, PSPF had not secured title deeds for two (2) parcels of land in Mongu and Solwezi. See table 5 below.

Table 5 - Land without Title Deeds

No.	Leasehold Buildings Description	2021 Valuation Value K
F3240	Mongu Land	120,000
F3521	Solwezi Land L/40527/M	625,000
	Grand Total	**745,000**

d. Staff Matters – Issuance of Unsecured Loans

Section 2.1.1.4 of the PSPF Conditions of Service requires that the Fund should retain the title until the full amount of the loan issued is recovered.

During the period under review the Fund had issued house loans in amounts totalling K3,607,987 (K2,827,135 – House Loan and K780,852 - Empowerment House Loans) to eight (8) employees without evidence of the properties being secured in line with the conditions of service.

17 THE TANZANIA ZAMBIA RAILWAY AUTHORITY

17.1 Background

a. Establishment

The Tanzania Zambia Railway Authority was established under the Tanzania Zambia Railway Act of 1975, amended and replaced by the TAZARA Act of 1995. It is jointly owned by the Government of the United Republic of Tanzania and the Government of the Republic of Zambia on equal share holding basis. The Authority has its headquarters in Dar-es-Salaam, Tanzania and two (2) regional offices one based in Mpika (Zambia) and the other one in Dar-es-Salaam, Tanzania. The Authority began its commercial operations in July 1976. The railway runs from Dar-es- Salaam Port in Tanzania to Kapiri Mposhi in Zambia covering 1,860km with 975 km in Tanzania and 885km in Zambia.

The General duties and functions of the Authority include the following:

i To provide, on sound commercial principles of operation, a secure, efficient and safe system of public transport of passengers and goods by rail between and within Zambia and Tanzania;

ii To carry passengers and goods by rail; and

iii To operate road - rail services.

b. Governance

The governance structure, as provided by the TAZARA Act, comprises a Council of Ministers, Board of Directors and Management. The Council sits once a year to discuss the Board of Directors resolutions and recommendations referred to it.

The Board of Directors consists of six (6) members as follows:

i The Permanent Secretary in the Ministry responsible for Transport in Zambia;

ii The Principal Secretary in the Ministry responsible for Transport in Tanzania;

iii Two members with experience in either transport, commerce, industry or finance appointed by the Minister responsible for Transport in Zambia; and iv Two members with experience in transport, commerce, industry or finance appointed by the Minister responsible for Transport in Tanzania.

Members of the Board hold office for a term of not more than three (3) years.

c. Management

The operations of the Authority is the responsibility of the Managing Director who is assisted by the Deputy Managing Director, Chief Civil Engineer, Chief Mechanical Engineer, eight managers in charge of safety, traffic, planning and corporate affairs, marketing, human resource and two (2) Regional General Managers, one based in Mpika (Zambia) and the other in Dar-es-Salaam (Tanzania), Head Information Technology and Head Public Relations.

d. Sources of Funds

The funds of the Authority consist of such moneys as may be:

i. Appropriated by the two (2) member country Parliaments for the purposes of the Authority;

ii. Paid to the Authority by way of services rendered;

iii. Paid to the Authority by way of grants or donations; and

iv. Vest in or accrue to the Authority.

17.2 Audit Findings

An examination of financial and other records for the financial years ended 30th June 2019 to 30th June 2021 maintained at TAZARA Headquarters in Dar es Salaam, Lusaka and Mpika offices revealed the following.

a. Budget and Income

During the financial years ended 30th June 2019 to 2021, the Authority budgeted to raise income totalling K2,961,516,633 from freight, passenger, rentals and other income against which amounts totalling K1,905,004,709 were generated resulting in a negative variance of K1,056,511,924. The income generated represented 64% of the total budget. See table 1 below.

Table 1: Budget and Income

Station	2019		2020		2021		Total		Variance
	Budget K	Actual K	Budget K	Actual K	Budget K	Actual K	Budget K	Actual K	K
Head Office	392,375,088	75,815,065	578,430,511	346,000,000	709,542,026	161,629,885	1,680,347,625	583,444,950	1,096,902,675
Tanzania	162,959,968	208,064,170	162,869,253	417,000,000	325,386,585	428,510,805	651,215,806	1,053,574,976	(402,359,170)
Zambia	181,902,809	95,124,960	268,249,753	-	179,800,640	172,859,823	629,953,202	267,984,783	361,968,419
Total	**737,237,865**	**379,004,195**	**1,009,549,517**	**763,000,000**	**1,214,729,251**	**763,000,513**	**2,961,516,633**	**1,905,004,709**	**1,056,511,924**

b. Over Expenditure without Board Approval

Section 3.7.3 of the Financial Policies and Regulations requires that in the case the Authority requires to spend on any item not provided for in the budget, or to overspend, management should submit to the Board of Directors for its approval of a supplementary budget detailing such expenditure.

Contrary to the requirements, the Authority spent amounts totalling K276,202,450 in excess of the budget without approval.

c. Financial Analysis - Statement of Comprehensive Income for the Financial Years Ended 30th June 2019, 2020 and 2021

During the period under review, the Authority recorded profits of K43 million and K7 million in 2019 and 2021 respectively and had a break-even in 2020. This was mainly attributed to Government grants of K218 million in 2021, K98 million in 2020 and K99 million in 2019. See tables 2 and 3 below.

Table 2: Statement of Comprehensive Income for the Financial Years Ended 30th June 2019, 2020 and 2021

Details	2021 K' Million	2020 K' Million	2019 K' Million
Turnover	346	230	182
Direct Costs	(407)	(336)	(285)
Gross Margin	**(61)**	**(106)**	**(103)**
Other Income	417	231	197
Other Operating Income	**356**	**125**	**94**
Administrative Expenses	(250)	(118)	(80)
Operating loss / Income	106	7	14
Finance Income / cost exchange difference on borrowing	(99)	(7)	29
Profit / (loss) for the Year	**7**	**-**	**43**
Total Income	**763**	**461**	**379**
Total Costs	**(756)**	**(461)**	**(336)**

Table 3: Statement of Financial Position for the Financial Years Ended 30th June 2019 - 2021

	2021 K' Million	2020 K' Million	2019 K' Million
Assets			
Non Current Asets			
Property, Plant & Equipment	9,093	7,684	4,927
Current Assets			
Cash at Bank & in Hand	42	18	14
Accounts Receivable	331	285	182
Inventories	164	135	88
Capital Work in Progress	14	14	69
Total Current Assets	**551**	**452**	**353**
Total Assets	**9,644**	**8,136**	**5,280**
Equity & Liabilities			
Equity			
Share Capital	1,539	1,247	772
Capital Grants	-	-	-
Other Reserves	8,422	7,101	4,570
Accumulated Losses	(4,471)	(3,584)	(2,132)
	5,490	**4,764**	**3,210**
Liabilities			
Non Current Liabilities			
Borrowings	2,359	1,837	1,133
Retirement Benefit Obligations	81	77	63
Total Non Current Liabilities	**2,440**	**1,914**	**1,196**
Current Liabilities			
Accounts Payable	1,714	1,458	874
Total Liabilities	**4,154**	**3,372**	**2,070**
Total Equity & Liabilities	**9,644**	**8,136**	**5,280**

The liquidity position provides information about the company's ability to meet its short-term financial obligations. An analysis of the financial statements for the period under review revealed the following:

i. Poor Working Capital

Working capital is the difference between current assets and current liabilities. It measures whether an entity has enough short-term assets to meet operational needs.

The working capital of the Authority had deteriorated from negative K521 million in 2019 to negative K1,163 million in 2021. See table 4 below.

Table 4: Poor Working Capital

	2021 K' Million	2020 K' Million	2019 K' Million
Current Assets			
Cash at Bank & in Hand	42	18	14
Accounts Receivable	331	285	182
Inventories	164	135	88
Capital Work in Progress	14	14	69
Total Current Assets	**551**	**452**	**353**
Current Liabilities			
Accounts Payable	1,714	1,458	874
Working Capital	**(1,163)**	**(1,006)**	**(521)**

Consequently, the Authority paid staff salaries mainly from government grants and failed to meet its statutory obligations which had increased from K435 million in 2019 to K801 million in 2021.

ii. Accumulated Losses

The Authority had accumulated losses of K4,471 million as at 30th June 2021 which had increased from K2,132 million in 2019. The recurrent losses incurred by the Authority may result in the accumulated deficit depleting the equity base.

d. Operational Matters

i. Inadequate Locomotives & Coaches

As at 31st July 2022, TAZARA had thirty eight (38) serviceable locomotives out of which twelve (12) were operational against management's target of nineteen (19) locomotives.

In addition, the Authority had a fleet of 144 coaches out of which only fifty four (54) were operational for use during the period under review. This was mainly attributed to lack of capitalisation. This affected the ability of the Authority to operate as planned. See table 5 below.

Table 5: Locomotives Coaches

No.	Details	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020
1	Total Servicable Locomotives	32	22	32	38	38
2	Daily Target	19	19	19	19	19
3	Average Locomotive Available Per Day	12	12	12	10	10
4	Locomotive reliability	6,945 km	5,985 km	8,100 km	6,237 km	6,512 km
5	Total Holding Fleet of Coaches	144	137	144	144	144
6	Coaches available for use	59	49	60	61	54

In particular, during the period from 2019 to 2021, the Authority budgeted to transport 950,001 tonnes of goods. However, the Authority managed to transport 576,126 tonnes resulting in a variance of 373,875 as shown in the table 6 below.

Table 6: Freight Traffic

Year	Export		Import		Local -Tanzania		Local - Zambia		Total			Actual Collection (%)
	Budget (Tonnes)	Actual (Tonnes)	Budget (Tonnes)	Actual (Tonnes)	Budget (Tonnes)	Actual (Tonnes)	Budget (Tonnes)	Actual (Tonnes)	Buget (Tonnes)	Actual (Tonnes)	Variance (Tonnes)	
2019	120,000	68,253	76,000	86,240	29,000	21,106	25,000	564	250,000	176,163	73,837	70%
2020	106,000	86,366	169,000	66,055	7,000	27,283	18,000	2,598	300,000	182,302	117,698	61%
2021	132,000	90,496	225,994	73,893	28,007	40,016	14,000	13,256	400,001	217,661	182,340	54%
	Total								**950,001**	**576,126**	**373,875**	61%

As can be seen in the table above, the actual achievements in respect of freight traffic ranged from 54% to 70% while the overall actual freight traffic was at 61%.

ii. Failure to Meet Production Targets

- **Mununga Quarry - Mpika**

During the financial year ended 30th June 2020/2021, Mununga Quarry in Mpika had a production target of 27,528MT of quarry products against which a total of 3,225MT was produced which was 12% of the target. The low production at Mununga Quarry was attributed to old machinery which often broke down. The low productivity at Mununga Quarry was affecting the repair of the track, since ballast and other quarry materials had to be sourced from Tanzania for utilization in Zambia. See pictures below.

Broken down Equipment

In contrast, the quarry in Mbeya, Tanzania, produced 85,337MT of quarry products against the planned output of 64,664MT, which was 32% above target. The improved production at the quarry was attributed to new machinery.

- **Concrete Sleeper Plant at Kongoro Quarry - Mbeya**

  The Authority has a Concrete Sleeper Plant at Kongoro Quarry in Mbeya which has a capacity to produce 60,000 Reinforced Concrete Sleepers (RCS) per annum and during the financial year ended 30th June 2021, the Authority gave the plant a production target of 24,960 RCS.

  However, the plant produced 6,240 RCS which was 25% of the target. An inquiry with management revealed that the production was hampered by insufficient funds to acquire necessary production inputs such as cement and bolt spikes.

iii. Wasteful Expenditure on Avoidable Accidents

In the financial year 2020/2021, a total of 240 accidents were recorded compared to 173 in 2019/2020 which was an increase of 39%. Out of the 240, thirty four (34) serious accidents were recorded compared to eighteen (18) in 2019/2020 financial year.

A review of records revealed that the major causes of accidents in the year under review were track defects, load shifting of cargo and rolling stock defects and human error resulting in the Authority spending amounts totalling K6,334,654 in repairs.

Consequently, the Authority had mainline closure duration of 2,154 hours and 14 minutes in the financial year 2020/2021 as compared to 1,252 hours and 14 minutes in the previous financial year (2019/2020). In particular, on 13th May 2021, an accident occurred on the Chambeshi Bridge involving a freight train which resulted in the closure of the main line from May 2021 to June 2022 with an estimated loss of revenue of K85,420,510.

e. Procurement Matters

i. Lack of Contracts

Section 2.5.0 of the TAZARA Procurement and Supplies Manual states that "All contracts for procurement of goods, works, non- consultancy and consultancy services, shall be in writing and approved by the relevant Authorities."

Contrary to the above provision, the Authority paid amounts totalling K66,488,809 to two (2) companies engaged by Head Office for the provision of security and internet charges (Twiga Security – K257,605 and Simba Net Ltd – K66,231,205) without entering into any formal contracts.

ii. Uncompetitive Procurements

Section 6.2.1.4 of the Procurement and Supplies Manual defines International and National Shopping as; "A procurement method based on comparing price quotations obtained from several suppliers to ensure competitive prices."

Contrary to the above provisions, various goods in amounts totalling K171,995 (Head Office - K84,695 and Lusaka Area Office - K87,300) were procured without obtaining three (3) quotations.

f. Accounting Irregularities

i. Unaccounted for Stores

The TAZARA Procurement and Supplies Manual (Regulations, Policies, Instructions and Procedures) November 2011 Section 9.6.1 states that, "The Goods Received Note is a document evidencing the receipt of goods, and it forms the authority for certifying payment. Receiving personnel shall ensure that these documents are correctly prepared. Special care shall be exercised in cases where the invoices are accepted at a place different from unit to which goods were delivered, for instance fuel delivered by railway tank wagons."

Further, Section 11.6.2.1 of the TAZARA Procurement and Supplies Manual states that, "Materials and supplies shall only be issued against a properly completed Materials Requisition and Issue Note which shall be authorised by a designated and authorized officer."

Contrary to the above provisions, various stores items costing K911,162 procured at three (3) stations were not accounted for in that there were no receipt and disposal details. See table 7 below.

Table 7: Unaccounted for Stores

No.	Station	General Stores K
1	Zambia Cost Profit Centre - Mpika	559,027
2	TAZARA Training Centre	54,540
3	Lusaka Area Office	297,596
	Total	**911,162**

ii. Failure to Collect Rentals

Chapter 5.6.1(v) of the TAZARA Financial Regulations stipulates that customers to whom services had been rendered on credit must settle their bills within a period of thirty (30) days. The regulation further stipulates that any account that remains overdue for more than ten (10) days after trade period should be followed up by phone, letter and physically until payment is received.

However, the Authority failed to collect rental income in amounts totalling K3,761,471 at Zambia Cost Profit (K2,420,898) and TAZARA Training (K1,340,573) Centres as at 28th February 2022 which had been outstanding for periods ranging from one (1) to five (5) years.

g. Administrative Matters

i. Failure to Secure Title Deeds

Section 41(4) of the Public Finance Management Act No.1 of 2018 stipulates that a Controlling Officer should ensure that all public properties under the Controlling Officer's charge are secured with title deeds.

However, a review of the fixed assets register revealed that the Authority had forty one (41) properties along the line of rail without Title Deeds out of which five (5) in Serenje, Mkushi, Chandaweyaya, Kasama and Nakonde had been encroached on.

ii. Cutting and Sawing of Overgrown Eucalyptus and Pine Trees - Questionable Engagement

In November 2020, TAZARA - ZCPC issued a notice inviting the general public to undertake the cutting and sawing of overgrown eucalyptus and pine trees from New Kapiri Mposhi to Nakonde stations.

The applicants/contractors were evaluated on using the following criteria:

i. The mode of payment on sharing terms;

ii. Tax registration by Zambia Revenue Authority (ZRA);

iii. Patents and Companies Registration Agency (PACRA) certificate; and

iv. Machine type.

In this regard, six (6) applications were received from the public out of which three were shortlisted.

However, the Authority contracted an individual who did not meet the criteria as he was not registered for tax with ZRA, did not have a PACRA certificate of registration and did not propose the sharing ratio rendering the engagement questionable.

iii. TAZARA Construction Unit

TAZARA Construction Unit is a Civil and Building Construction Unit wholly owned by TAZARA which offers civil engineering services to TAZARA and External Customers.

Over the years, the Unit has undertaken the following works among others:

- Construction and rehabilitation of sheds, TAZARA Guest houses, station buildings, staff houses and general infrastructure;
- Construction of gantry crane foundation at Kapiri and Kasama Railway stations;
- Construction of Railway sidings;

- Rehabilitation of gravel roads within TAZARA residential compounds and many more;
- Construction and rehabilitation of all-weather bridges, buildings and water tanks.
- Construction of reservoir dams (earth); and
- Block moulding.

However a physical inspection conducted in June 2022 at the Unit revealed that it was not operating at full capacity as a result of the following:

- The earth moving machines which include the front end loader, grader and bulldozer were not operational due to lack of maintenance;
- The block making machine was obsolete;
- There was no concrete mixer; and
- The carpentry shop lacked machinery and hand working tools.

iv. TAZARA and CBU Academic Business Partnership Agreement

On 20th January 2017, the Tanzania-Zambia Railway Authority (TAZARA) and the Copperbelt University signed an Academic Business Partnership Agreement for the establishment of a legal framework for the introduction of university training programmes at TAZARA Training Centre and Mpika Workshops for the purpose of teaching, learning and research.

A review of the agreement at the TAZARA Training School in Mpika revealed the following:

- From November 2018 to April 2022, the total bill for CBU was K1,907,729 out of which K739,245 had been paid leaving a balance of K1,168,484. However, there was no evidence availed to show that management had taken action against CBU.

- CBU had not introduced short intensive courses in areas of need to TAZARA with technical bias such as machining, blasting, foundry, forging (black smith), maintenance and metal fabrication; as provided for in the agreement.
- Two (2) TAZARA employees should be enrolled annually at the CBU-TAZARA Mpika Campus on a 100% tuition waiver. A total of ten (10) employees would be enrolled during the duration of this agreement. As at 31st May 2022, CBU should have trained ten (10) TAZARA staff on 100% waived fees.

However, no one had been trained or enrolled as at 30th June 2022.

h. Staff Matters - Failure to Remit Statutory Obligations

A review of various records revealed that TAZARA had outstanding statutory obligations in amounts totalling K957,260,674 and Tsh150,423,942,385 as at 31st July 2022 in respect of its employees' pension contributions and tax payments in the two respective shareholding countries some of which had been outstanding from as far back as 2004. See table 8 below.

Table 8: Outstanding Statutory Obligations

No.	Statutory Body	Country	Amount Tsh	Translation Rate Tsh	Amount K
1	Tanzania Revenue Authority	Tanzania	42,843,660,225	157.14	272,646,431
2	National Pension Scheme Authority	Zambia	15,839,712,000	157.14	100,800,000
3	National Social Security Fund	Tanzania	57,100,000,000	157.14	363,370,243
4	Zambia State Insurance Corporation	Zambia	34,640,570,160	157.14	220,444,000
5	**Total**		**150,423,942,385**		**957,260,674**

In addition, Section 110 of the Workers' Compensation Act No. 10 of 1999 states that, "Every employer, other than (a) the State; and (c) any employer exempted by the Minister under the provisions of section one hundred and eleven during the period of that exemption; shall be liable to assessment under this part."

Contrary to the Act, amounts totalling K12,030,352 deducted from employees and due to the Workers' Compensation Fund had not been remitted as at 30th June 2022.

18 TROPICAL DISEASES RESEARCH CENTRE

18.1 Background

i. Establishment

Tropical Disease Research Centre (TDRC) is a statutory body established under the TDRC Act No. 31 of 1982.

The principal functions of the Centre include conducting research and training in tropical diseases, developing research methodologies, formulating plans and policies for the Centre, support research programs relating to disease control and primary health care, training scientists in research and liaising with other scientific bodies within and outside Zambia.

ii. Governance

The members of the TDRC board are appointed by the Minister of Health and comprise the following:

- the Director of Medical Services, who is the board Chairman;
- the Permanent Secretary of the Province in which the Centre is located;
- the Secretary-General of the National Council for Scientific Research;
- the Dean of the School of Medicine of the University of Zambia;
- the administrative head of the Central Hospital nearest to the Centre;
- the Director of Veterinary Services;
- a representative of the World Health Organization; and
- two persons appointed by the Minister.

iii. Management

The day to day administration of TDRC is the responsibility of the Director who is the Chief Executive Officer and is appointed by the Board. The Director is assisted by the Deputy Director and Board Secretary who are also appointed by the TDRC Board.

iv. Source of funds

The funds of the Centre consist of such moneys as may:

- be appropriated by Parliament for the purposes of the Centre;
- be paid to the Centre by way of grants or donations; and
- vest in or accrue to the Centre.

18.2 Audit Findings

An examination of accounting and other records maintained at Tropical Diseases Research Centre (TDRC) carried out in May 2022 revealed the following:

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the period under review, a total provision of K21,181,890 was made to cater for operations of the Centre and the whole amount was released.

In addition, the institution had other sources of funds in amounts totaling K65,679,793 received from various sources bringing the total available finds to K86,861,683. See table 1 below.

Table 16: Other Sources of Funds

No.	Source of Income	Amount K
1	Openning Balance	11,925,527
2	Fee Pay Clinic	17,106,904
2	Project Funds	35,628,294
3	TAFS	122,267
4	Other Income	896,801
	Total	**65,679,793**

As at 31st December 2021 amounts totaling K65,387,936 had been spent leaving a balance of K21,473,747.

b. Operational Matters - Failure to Obtain Authority-External Grants

Section 16 (2) (a) of the Tropical Disease Research Centre Act No.31 of 1982 states 'subject to the approval of the Minister the Board shall accept moneys by way of grants or donations from any source outside Zambia'.

Contrary to the Act, management received grants in amounts totalling K31,237,367 from various institutions outside Zambia for various projects such as Aspire, International Centre of Excellence for Malaria Research (ICEMR) and Zambia Population – Based HIV Impact Assessment (ZAMPHIA) among others without the approval of the Minister.

c. Procurement of Goods and Services

i. Supply of Uninterrupted Power Supply (UPS) Units

On 30th October 2021, the Centre engaged and paid K99,734 to Specialised Systems Limited of Lusaka for the supply of two (2) 5000 VA Uninterrupted Power Supply (UPS) units with a delivery period of thirty (30) days from 30th October 2021. It was however observed that on 28th January 2022, the supplier only delivered one (1) UPS leaving the other UPS valued at K49,867 undelivered.

As 30th September 2022, ten (10) months after the expected date of delivery, the UPS had not been delivered and no claim had been made from the supplier.

ii. Supply of A4 Reams of Bond Paper - Undelivered Paper

During the period under review, TDRC paid US$4,000 (US$2,000 on 8th September 2021 and US$2,000 on 10th September 2021), which was an equivalent of K66,960 to Trade Mix Kvazar, a supplier based in Ukraine for the supply and delivery of 4,000 reams of A4 bond paper at a unit price of US$1 (US$4,000/4,000 reams) per ream with a delivery period of twenty eight (28) days from date of payment.

However, the following were observed:

- **Irregular Payment to the Supplier**

  The Public Finance Management Regulation No. 46(1) of 2020 requires a payment voucher relating to purchases to be supported by a supplier's invoice and proof of delivery or performance. In addition, Regulation No. 50. (1) requires a person signing a payment voucher or document to certify the accuracy, authenticity and validity of the payment and that the prices charged are according to contract.

Contrary to the regulation, the Centre irregularly paid an amount of K66,960 to the supplier seven (7) weeks before the contract with the supplier was signed. The contract for the supply of paper was signed on the 30th October 2021 while the payment was made on 8th and 10th September 2021.

Management could not provide justification as to why the payment was made before signing of the contract.

- **Undelivered Paper**

  An examination of records relating to the transaction revealed that Trade Mix Kvazar did not supply the 4000 reams of A4 bond paper.

  As at 30th September 2022, ten (10) months after the expected date of delivery, the Centre had not acted against the supplier.

- **Circumvention of Tender Procedures**

  Section 57 (1) (c) (e) of the Procurement Act No. 8 of 2020 requires a procuring entity to plan its procurement in a rational manner to avoid splitting of procurements to defeat the use of appropriate procurement methods. In addition, the first schedule of the Procurement regulation No. 7 of 2011 set the procurement threshold for a Chief Executive Officer at K50,000 above which procurements should be taken to the procurement committee.

  Contrary to the Act and regulation, procurements for the same items in amounts totalling K363,997 were split into more than one as the amounts involved were above K50,000 being the threshold of the Director during the period under review thereby circumventing the tender process. See table 2 below.

Table 2: Split Payments

No.	Date	Chq No.	Payee	Amount K
1	28.04.2021	TT	Hommies Investment	40,000
	28.04.2021	TT		40,000
			Sub Total	**80,000**
2	27.01.2021	TT	Jesmic Investment Ltd	49,900
	27.01.2021	TT		49,900
			Sub Total	**99,800**
3	26.06.2021	TT	Biogroug	27,009
	26.06.2021	TT		22,111
	26.06.2021	TT		35,343
			Sub Total	**84,463**
4	30.10.2021	TT	Specialised system Ltd	49,867
	30.10.2021	TT		49,867
			Sub Total	**99,734**
			Grand Total	**363,997**

d. Management of Liabilities - Failure to Settle Obligations

As at 30th June 2022, the Centre had outstanding obligations in amounts totalling K41,962,327 in respect of retirement benefits, Pay as You Earn (PAYE) and National Pension Scheme Authority (NAPSA) contributions, some dating as far back at 2012. See table 3 below.

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Table 3: Outstanding Bills

No.	Details	Outstanding Amounts K
1	ZRA PAYE	11,559,139
2	NAPSA	29,970,561
3	Retirement Benefits/ Gratuity	432,627
	Total	**41,962,327**

Out of the total amount of K29,970,561 owed to NAPSA, amounts totalling K22,799,831 were in respect of penalties charged as a result of late submissions of returns.

19 THE UNIVERSITY OF ZAMBIA

19.1 Background

a. Establishment

The University of Zambia (UNZA) was established under the University Act of 1965, which was repealed and replaced by the Higher Education Act No. 4 of 2013 and Higher Education (Amendment) Act No. 23 of 2021.

The principal activities of the University included the following:

- Provide higher education;
- Create conditions for learners to acquire qualifications and pursue excellence and promote the full realisation of the potential of learners;
- Create conditions for lifelong learning;
- Prepare learners and academics and strengthen the effect of academic learning and scientific research so as to enhance social and economic development; and
- Conduct research necessary and responsive to national needs.

b. Governance

i. The University Council

The Higher Education (Amendment) Act No. 4 of 2021 provides for the establishment of the University Council which comprises nine (9) members. The Council is responsible for the governance, control and administration of the University.

The Council consists of the following members appointed by the Minister responsible for Higher Education:

- The Vice Chancellor;
- A member of the Law Association of Zambia;
- A member of the academic staff of the higher education institution who is a member of the Senate, who shall be nominated by the Senate;

- A member who is associated with another higher education institutions within the Republic;
- A member who is a graduate of the higher education institution and who is not a member of staff of that higher education institution;
- A member representing the private sector;
- An accountant with at least five (5) years experience;
- A member from the Ministry of Higher Education; and
- A member from the Ministry of Finance.

The Registrar of the institute is the Secretary of the Council and Members of the Council elect the Chairperson and the Vice Chairperson of the Council from among themselves.

ii. Management

The Vice Chancellor is the Academic, Financial and Administrative Head of the University. The Minister of Higher Education on the advice of the University Council appoints the Vice Chancellor who reports to the Council. The Vice Chancellor is assisted by the Deputy Vice Chancellor, Registrar, Librarian, Bursar and Dean of Students.

c. Sources of Funds

The sources of funds for the University include the following:

- Funds appropriated by Parliament for its purposes;
- Funds received by way of fees, subscription, contribution, grants or donations;
- Otherwise vest in, or accrue to, the public higher education institution;
- The public higher education institution may also accept monies by way of grant or donations from any source in Zambia and, with the approval of the Minister of Higher Education, from any source outside Zambia; and
- The public higher education institution may borrow by way of loan or otherwise with the prior consent of the Minster responsible for finance in consultation with the minister responsible for higher education.

19.2 Audit Findings

A review of accounting and other records for the period under review revealed the following**.**

a. Governance

i. Failure to Appoint a Full Council

In Paragraph 13 of the Report of the Auditor General on Parastatal Bodies and other Statutory Institutions for the financial year ended 31st December 2018, mention was made of the failure to appoint a full Council since 2015.

In their Report for the Fifth Session of the Twelfth (12th) National Assembly, the Committee was concerned that UNZA had been operating without a Council for over four years and urged the Controlling Officer to expeditiously engage the appointing authority to appoint the Council without further delay.

A review of the situation in 2022 revealed that the Council had not been appointed as at 31st July 2022.

A review of records revealed that the University last had a substantive (Full) Council in 2015 whose mandate came to an end on 7th May 2015.

As a result, various weaknesses were observed as shown in table 1 below.

Table 1: Weaknesses and Effects of not having a Council

No.	Weakness Identified	Effect
1.	The current Caretaker Committee does not meet the required composition of the full Council	• Specialised skills required to deal with specific matters may be missing in the Caretaker Committee • The University is denied the chance to tap from various experts as provided for by the Act for its own renewal and growth. • Failure to follow the laid down laws and regulation.
2	Failure to effectively discharge the full mandate of the law due to appointment of Caretaker Committees with specific mandates as opposed to full mandate as provided in the laws.	Areas such as preparation of audited financial statements, deliberation of twenty five (25) internal audit reports for internal controls were not carried out.
3.	Failure to put in place the Audit Committee to deliberate on the Internal Audit Reports	Weakness identified in the internal audit reports not conclusively deliberated upon.
4,	Failure to Put in Place Other Committees of the Council	Failure to implement the corporate governance code that the University has put in place for itself for effective control, management and administration
5	Failure to prepare Financial Statements in line with the provision of the law	No authentic records to show prudent use of financial resources.

ii. Inadequate Caretaker Committee Composition

Section 1(a) to (m) of the Second Schedule of the Higher Education Act No. 4 of 2013 read together with Section 31 of the Higher Education (Amendment) Act No. 23 of 2021 prescribes the members that should be appointed as part of the Council.

However, the Minister opted to appoint the Caretaker Committees which operated without the full complement of Council in the period under review between 2019 and 2021. For example, the current Caretaker Committee that was appointed in April

2022 did not have representation from the following sectors contrary to the provisions of the laws:

- An accountant with at least five (5) years experience,
- Member from Ministry of Finance, and
- A Member of the Academic Staff who is a member of Senate nominated by Senate.

As at the time of audit in July 2022, there was no evidence that the Minister of Higher Education had appointment a full Council.

iii. Failure to Submit Financial Reports

Section 12 Second Schedule of the Higher Education Act No. 4 of 2013 provides for submission of a financial report to the Minister not later than six (6) months after the expiry of the financial year.

Contrary to the Act, the University had not prepared financial reports for the financial years ended 31st December 2019, 2020 and 2021 as at 31st October 2022.

b. Budget and Income

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2019, 2020 and 2021, provisions totalling K658,856,902 were made to cater for the University's operations against which amounts totalling K899,787,236 were released by the Treasury resulting in over funding of K240,930,334. See table 2 below.

Table 2: Budget Vs Actual

	2021 K	2020 K	2019 K	Total for the period K
Government Grants				
Recurrent				
Budgeted	200,285,634	200,285,634	200,285,634	600,856,902
Actual Releases	200,285,209	216,976,102	226,617,401	643,878,712
Over/under Funding	**(425)**	**16,690,468**	**26,331,767**	**43,021,810**
				-
Rehabilitational Grant				-
Budgeted	-	-	-	-
Actual Releases	-	290,600	-	290,600
Over Funding	-	290,600	-	290,600
				-
Debt Dismantling Grant				-
Budgeted	40,000,000	18,000,000	-	58,000,000
Actual	207,550,526	11,462,772	36,604,626	255,617,924
Over/(under) Funding	167,550,526	(6,537,228)	36,604,626	197,617,924
Total Grants Budgeted	**240,285,634**	**218,285,634**	**200,285,634**	**658,856,902**
Total Grants released	**407,835,735**	**228,729,474**	**263,222,027**	**899,787,236**
Over/(under) Funding	**167,550,101**	**10,443,840**	**62,936,393**	**240,930,334**
Tuition and Other Fees				
Tuition Fees	472,816,258	423,554,388	379,031,350	1,275,401,996.00
Research and Consultancy	80,735,763	17,850,167	6,894,700	105,480,630
Other Students Fees	32,180,877	31,209,235	28,708,457	92,098,569
Other Income from ventures	6,284,882	7,824,485	10,322,831	24,432,198
Sub Total	**592,017,780**	**480,438,275**	**424,957,338**	**1,497,413,393**
Income Grand Total	**999,853,515**	**709,167,749**	**688,179,365**	**2,397,200,629**

Source: Budgets and Management Accounts

In addition, the University collected amounts totalling K1,497,413,393 from tuition, research, other student fees and other business ventures bringing the total available funds to K2,397,200,629.

c. Operational Matters

i. Outstanding Debt of the University

A review of records provided by the University of Zambia revealed that the University's total debt stood at K5,299,384,679 as at 31st December 2021 some of which had been outstanding for as far back as December 2011. See table 2 below.

Table 2: Outstanding University Debt

No.	CREDITOR'S NAME	Amount K
1	National Pension Scheme Authority	2,334,540,722
2	Zambia Revenue Authority- PAYE	2,174,653,985
3	National Health Insurance Management Authority	17,300,000
4	Workers Compensation and Control Body	5,287,809
5	Contractors & Suppliers	35,086,886
6	Terminal Benefits	653,400,000
7	Superannuation Fund	79,065,277
	Total	**5,299,334,679**

ii. Failure to Liquidate the Loan Obtained From Ministry of Finance

On 1st April 1993, UNZA obtained a loan from Ministry of Finance in amounts totalling US$2,200,000. The purpose of the loan was for UNZA to acquire land at York Farm and Kashima Farms.

The terms of the loan were as follows:

- The loan tenure was for twelve months (1 year) from 1st April 1993 to 31st March 1994.
- The London Inter Bank Offered rate (LIBOR) prevailing at the time of the loan shall be paid at the last day of each month and interest shall accrue on daily basis on the amount outstanding from the first day of the month.
- If the principal and interest or part thereof shall not be paid on the due date, the borrower shall pay penalty interest from the due date at the rate of 10% per annum over and above the normal interest rate on the total outstanding balance.

A review of the Caretaker Committee minutes dated 28th January 2020 showed that UNZA management wrote to Ministry of Finance requesting that the loan be written off as part of the authority to sale the York Farmland to NAPSA. In a letter dated 28th February 2020, a response was granted to sale the land to NAPSA while the request to write off the loan was rejected by Ministry of Finance.

Further, scrutiny of records at the University showed that the University had defaulted in the repayment tenure of the loan and has not been liquidating the loan. As at 31st December 2021, the loan had increased to US$51,649,437.19 broken down as:

- Principal and interest totalling US$3,829,081.12 and
- Penalties amounting to US$47,917,458.57

iii. Research and Consultancy Projects - Failure to Maintain a Database

On 29th March 2018, the University approved the Consultancy Policy and Regulations. The overall objective of the consultancy regulations was to provide guidance to the University community and other stakeholders in addressing challenges in the consultancy area thereby contributing more effectively to income generation, addressing economic challenges and enhancing the quality of teaching and learning as well as research through enhanced management of the function.

According to Section 2.4 of the 2018 Consultancy Policy and Regulations, one of the specific objectives of the Consultancy Policy and Regulations was to establish an Information Management System - database for information on consultancy activities in order to enhance monitoring and evaluation of consultancy activities as well as consultancy output database.

In addition, Section 3.1.2(ii) of the Consultancy Policy and Regulations stipulates that the University should establish a database for consultancy activities.

Contrary to the regulations, the University had not developed a centralised database for consultancy and research projects as at 30th September 2022.

d. Staff Related Costs

i. Irregular Disposal of Personal to Holder Motor Vehicles

The Contract of Employment Section (c) (i) of the University of Zambia requires that the motor vehicle should be offered to the employee for sale at book value at the end of the contract period if the contract is not renewed or after three (3) years of service, provided such offer is made once only during the service period including subsequent contracts.

A review of personal files and other records revealed that on 30th September 2014 and 27th April 2016, the University sold two (2) motor vehicles registration number ALC 7346 (Ford Ranger) and ALK 2584 (Toyota Hilux) at K13,222 to the Deputy Librarian and the Deputy Registrar respectively.

However, it was observed that on 14th January and 7th February 2022 the University sold two (2) more motor vehicles registration number BAH 4698 (Isuzu) and BAP 603ZM (Nissan Patrol Wagon) costing K300,036 to the Registrar and the Librarian respectively who benefitted for the second time contrary to Section C (i) of the contract of employment that stated that an officer can only benefit once.

ii. Failure to Pay Retirees Terminal Benefits

Article 189 (2) of the Constitution of Zambia (Amendment Act No. 2 of 2016) states, "Where a pension benefit is not paid on a person's last working day, that person shall stop work but the person's name shall be retained on the payroll, until payment of the pension benefit based on the last day salary received by that person while on the payroll."

Pursuant to the article, the Government under Public Service Management Division Circular No. B10 of 2016 resolved that effective 5th January 2016, all retired employees should be retained on the payroll until pension benefits are paid.

In this regard, 284 University staff retired between 2019 and 2021. However, the University failed to pay the retired employees their terminal benefits in amounts totalling K653,000,000. As a result, UNZA had retained the employees on the payroll and incurred wage bills in relation to the retirees in amounts totalling K115,128,809 for the period from January 2019 to December 2021. See table 3 below

Table 3: Salary Payments to Retirees

No.	Retirees Retained on Payroll	No of Retirees	Period	Amount K
1	Salaries for separatees on payroll	211	2019	29,062,890
2	Salaries for separatees on payroll	216	2020	34,162,271
3	Salaries for separatees on payroll	284	2021	51,903,647
	Total			**115,128,809**

e. Procurement Matters

i. Wasteful Expenditure on Purchase of Live Virtual Classroom – Institute of Distance Education

On 24th February 2020, the University of Zambia engaged RA Consulting Services Limited for the supply, installation and commissioning of live virtual classroom equipment at the Institute of Distance Education (IDE) at a contract sum of US$654,349.93 (K12,298,534)

The equipment was delivered and tested on 3rd July 2020 and as at 31st July 2022, the supplier had been paid in full.

The following were observed:

- **Non-Operational Virtual Classroom**

  A physical inspection conducted at the Institute of Distance Education in June 2022, revealed that the live virtual classroom equipment had not been operationalised, two (2) years after it had been installed and tested.

- **Lack of Budget Provision for Purchase of Virtual Classroom Equipment**

  The 2015 UNZA financial Regulation No. 21 states that, "When the expenditure is of a nature which was not envisaged when the budget was prepared or when the excess expenditure on an item cannot be met from savings on another budget line, the Budget Holder shall submit to the Vice-Chancellor an application for supplementary variation budget. The Vice-Chancellor will submit such application to Council and the outcome shall be communicated to the Budget Holder."

  An analysis of the records revealed that the purchase of the Live Virtual Classroom Equipment (LVCE) was not budgeted for in the year 2020 budget. As a result, management diverted funds totalling K13,000,000 meant for construction of structures such as IDE building with a budget line of K8,000,000 and provincial centres with a budget line of K8,000,000. There was no evidence to show that the budget variation was approved by the Finance and Infrastructure Committee of the Council nor the Caretaker Committee.

ii. Construction of the Village Chicken Demonstration Site - Failure to Complete the Works

On 13th January 2020, the University of Zambia engaged EBSA Investments Limited for the construction of a village chicken demonstration site at the Agricultural Technology Demonstration Centre (ADTC) at the University of Zambia at a total contract sum of K1,934,266 for a duration of 170 days.

On 22nd July 2021, the contract was extended to cover additional works at a contract sum of K 680,186 for a duration of sixty (60) days bringing the total contract sum to K2,614,452. As at 31st July 2022, the contractor had been paid amounts totalling K2,082,435.

A physical inspection conducted on 8th November 2022 revealed that the works had not been completed and the contractor was not on site thirteen (13) months after the expected completion date.

iii. Construction of a False Roof at the School of Mines

On 26th December 2019, the University of Zambia engaged Makhulu Investment Limited for the construction of a false roof at the School of Mines at a total contract sum of K826,618 VAT inclusive for a duration of forty five (45) days. The contractor took possession of the site on 16th January 2020 and works were expected to be completed by 3rd March 2020.

On 5th May 2020 the contract was varied by K199,184 due to increase in price and works thereby bringing the total contract sum to K1,025,803.

The scope of works included the supply and installations of ridge and hip covering, standard valley girth, transparent roofing sheets, galvanised bulnosed side cladding, galvanised steel gutters and pipes.

As at 28th July 2022, the contractor had been paid a total sum of K647,898.

The following were observed:

- **Failure to Complete Works**

  A physical inspection conducted in November 2022 revealed that works such as installation of roofing sheets, galvanized steel gutter and pipes costing K297,250 had not been completed thirty three (33) months after the end of the contract period.

  Further, although the Contractor was found on site, the contract ended on 3rd March 2020 and had not been renewed as at 31st October 2022.

Uncompleted works

- **Failure to Charge or Deduct Liquidated Damages**

  Clause 3.3 of the particular conditions of contract, provides for charging of liquidated damages at 0.05% of the final contract price per day up to a maximum of 5% of the final contract price.

  However, the University had not charged liquidated damages for the period works were delayed.

iv. Failure to Account for Tablets

In July 2016, the University of Zambia engaged Astria Learning for the supply and delivery of 6,500 tablets at a total sum of US$877,500 and 1,500 MTN dongles at a total sum of K552, 000 for resale to students at a profit.

As at 31st December 2016, the supplier had delivered the items and had been paid in full.

A physical inspection conduced in July 2022 and an analysis of the distribution schedule revealed that out of a total of 6,500 tablets delivered, a total of 3,844 were accounted for leaving a balance of 2,656 costing US$358,560 unaccounted for.

v. Wasteful Expenditure on the Purchase of Damaged Tablets and Dongles

At the time of inspection in July to August 2022, a total of 388 tablets were damaged and as a result they could not be sold due to malfunctioning. It was further observed that a total of 843 dongles were still in stores since December 2016 as they were also malfunctioning.

In this regard, the purchase of the 388 tablets costing US$52,380 (K519,609) and 843 dongles costing K293,364 was a wasteful expenditure. Further, management did not avail the records to show that they had communicated with the supplier for the damaged tablets and the dongles.

f. Accounting Irregularities

i. Unaccounted for Stores

Contrary to Public Stores Regulation No. 16, various stores items and fuel costing K3,323,462 procured during the period from January 2019 to December 2021, could not be accounted for in that there were no receipt and disposal details. See table 4 below.

Table 4: Unaccounted for Stores

No.	Name of school and Unit	Amount K
1	Medicine	858,796
2	Public Health	330,151
3	Health Sciences	183,407
4	Nursing	379,630
5	School of Agriculture	472,706
6	Marshlands	408,041
7	Graduate School of business	690,731
	Total	**3,323,462**

ii. Unsupported Payments

Contrary to Regulation Nos. 11, 14, 45 and 52 of the University of Zambia financial regulations of 2015, which stipulates that all payments must be supported by appropriate and relevant documentation, 466 payments in amounts totalling K8,338,645 and US$102,485 made during the period under review were not supported with relevant documentation such as attendance registers, Local Purchase Orders, original quotations, contracts and class registers. See table 5 below.

Table 5: Unsupported Payments

No.	Name of Schools, Unit or Pronvince	No. of Transactions	Amount K	Amount US$
1	School of Medicine	201	6,145,189	15,054
2	School of Public Health	21	493,594	
3	School of Health Science	69	199,216	72,791
4	School of Nursing	98	866,206	14,640
5	School of Agricuture	77	634,439	
	Total	**466**	**8,338,645**	**102,485**

Further, it was observed that in some cases invoices supporting the payments did not match with those on the quotations.

iii. Questionable Approval of Administration Allowances – School of Medicine and School of Health Sciences

Section 25 (2) (j) of the Higher Education Act No. 13 of 2013 stipulates that without prejudice to Section (1) above, A Council of the higher education institution may determine the terms and condition on which examiners shall be appointed by the senate and the remuneration to be paid to the examiners.

Contrary to the Act, management increased and paid allowances in amounts totalling K2,285,802 without Council approval.

g. Administrative Matters

i. Weaknesses in Management of Business Ventures

During the period under review, the University of Zambia operated various business ventures.

The following were observed:

- **Loss Making Business Ventures**

  During the period under review, an examination of the performance of various business ventures revealed that the businesses made losses in all the years except for York Farm Limited which recorded a profit in 2020. See table 6 below.

Table 6: Loss Making Ventures

No.	Business Venture	Ownership %	Profitability/ (Loss)		
			2021 K	2020 K	2019 K
1	Marshlands Village	100%	(2,549,850)	(2,297,846)	(2,348,669)
2	UNZA Printers	100%	(2,546,129)	797,483	426,909
3	UNZA Horticultural Nursery Farm	100%	(316,044)	(193,204)	(153,169)
4	Liempe Farms	100%	(3,050,236)	(2,105,839)	(2,602,056)
5	ZAMNET	100%	(4,170,734)	(4,765,963)	(4,694,509)
6	York Farms Limited	48.80%	(7,447,121)	225,923,202	(3,431,347)
	Total		**(20,080,114)**	**217,357,833**	**(12,802,841)**

In particular, the following were observed:

- **Failure to Recover Outstanding Rentals – Marshlands Village**

  Marshlands Village owns five (5) blocks of flats which it rents out at monthly rentals ranging between K1,200 to K2,800.

  A review of records revealed that as at 31st December 2021, amounts totalling K222,604 were owed by tenants who had vacated the flats. However, management had not taken action against the tenants as at 31st July 2022.

- **ZAMNET - Failure to Produce Financial Statements**

  ZAMNET Communications Systems Limited is a pioneer internet provider which is wholly owned by the University of Zambia.

  In Paragraph 13 of the Report of the Auditor General on Parastatal Bodies and other Statutory Institutions for the financial year ended 31st December 2018, mention was made that ZAMNET had not prepared financial statements for the years ended 31st December 2017 and 2018.

  In their Report for the Fifth Session of the Twelfth (12th) National Assembly, the Committee on Parastatal Bodies expressed concern on the failure by management to prepare financial statements and urged the Controlling Officer to ensure that the matter does not recur.

A review of the matter in October 2022 revealed that management had not acted on Committee's recommendation as there were no financial statements for the financial years ended 31st December 2017 to 2021.

ii. Poor Maintenance of Infrastructure

- **Student Hostels and Ablution Blocks**

Section 10.6.1(b) of the Zambia Standards and Guidelines for quality Assurance in Higher Education stipulates that the premises for teaching and learning should have well-lit and ventilated toilets, urinals and hand wash basins.

A physical inspection of the University hostels carried out in July 2022 revealed that the hostels laundry, showers and toilets were poorly maintained. See figures below.

Worn out tiles

Broken ceiling

- **Failure to Maintain the Flats – Marshlands Village**

In 2019, Marshlands Village embarked on the renovation of the abandoned servant quarters building in order to create office space and storage.

The scope of works involved plastering, concrete works and plumbing. The renovation works were to be carried out by the Resident Engineers' Department under the University of Zambia and in order to facilitate the renovation, three (3) flats were turned into offices for the Manager, House Keeper and Accountant.

However, at the time of the inspection in July 2022, the works had stalled.

In addition, Marshlands lost income amounting to K167,940 for the period from January 2019 to December 2021 for the three (3) flats that had been occupied by the officers.

- **Lack of Title Deeds for House No. 21 Njoko Road, Dambwa North and Plot No. 77 Kanyanta Road Livingstone**

  Section 41(4) of the Public Finance Management Act, No. 1 of 2018 requires Controlling Officers to ensure that all public properties under their charge are secured with title deeds.

  However, a review of the title deeds availed for audit in November 2022 revealed that the plot number and street name on the title deeds were different from the physical location of the property.

- **Failure to Repossess the Resident Lecturer's House on Plot No. 294 Kambule Street, Mongu**

  In the case where a former UNZA employee was desirous to be considered for sale of the house as a sitting tenant, the Supreme Court on 17th June 2011 upheld the lower court's judgement in favour of the Council of the University of Zambia.

  However, a physical inspection conducted in August 2022 revealed that the former (Deceased) Resident Lecture's family had not vacated the house.

  A review of records revealed that on 28th September 2020, the Resident Lecturer's Office in Mongu reminded UNZA management on the repossession of the house. However, no action had been taken to repossess the house as at 31st August 2022.

  A further review of records revealed that the University paid rentals to NAPSA in amounts totalling K15,992 during the period under review for the Mongu Resident Lecturer's Office. However, UNZA would have saved the funds had the institutional house been used for office space as has been done at the Chipata Resident Lecturer's Office.

- **Purchase of Land for UNZA**

  During the period 2013 to 2018, the University of Zambia was allocated three (3) parcels of land which had remained undeveloped and were not secured with title deeds. See table 7 below.

Table 7: Undeveloped Parcels of Land

Property No.	Date of Acquisition	Price	Observation
Stand No. 63960/569 Harmony, Choma District	18th July 2018	K200,000.	the construction of offices and student hall had not commenced and the title deeds had not been secure.
Stand Nos. 135, 136, 138,139 and 140 in Siavonga District	4th April 2018,	K 173,000	The construction of the Bilharzia Research Centre, hospitality and geological research facilities had not commenced while the land had neither access roads no a caretaker and the title deeds had not been secured
Land in Mwembeshi - Chibombo District	25th July 2013,	Valued at K9,663,000	The construction of a campus and a mini hospital had not commenced as only a caretaker's house had been constructed and the title deeds had not been secured.

- **Failure to Install Industrial Ventilators - School of Agriculture**

  On 3rd May 2019, the School of Agriculture procured two (2) industrial ventilators at a total cost of K5,200 for the fume hood that had not been functioning in the plant laboratory since 2017.

However, a physical verification conducted in July 2022 revealed that the ventilators had not been installed. See Pictures below.

Industrial Ventilators

- **Inadequate Learning Materials – School of Agricultures**

Section 3.7.1 (a) of the Zambia standards and Guideline for Quality Assurance in Higher Education stipulates that dedicated, adequate and relevant number of facilities and equipment should be available for the support of a given learning programme and should include lecture, seminar and tutorial rooms, theatre for practical based courses and appropriate laboratory facilities for each learning programme.

A physical inspection of the Food Science Department under the School of Agriculture revealed that the food laboratory only had two (2) functional microscopes out of the ten (10) available. As such, students were crowding on one (1) microscope. See picture below.

Overcrowded Students on a Microscope

- **Non-Functioning Fume Hood - Schools of Health Science and Agriculture**

  Fume hoods are ventilated enclosures that remove hazardous chemical fumes and volatile vapours from the laboratory to protect individuals.

  A physical inspection carried out in July 2022 revealed that the Bio chemist and plant and animal science laboratories at the schools of Health Sciences and Agriculture had fume hoods that were non-functional since 2019. See pictures below.

Non-functional Fume hood

20 ZAMBIA FORESTRY AND FOREST INDUSTRIES CORPORATION LIMITED

20.1 Background

a. Establishment

The Zambia Forestry and Forest Industries Corporation Limited (ZAFFICO) was incorporated in 1982 under the Companies Act Chapter 388 of the Laws of Zambia following the commercialisation of Industrial Plantations Division (IPD) of the Forestry Department.

The Corporation was wholly owned by the Government of the Republic of Zambia through the Industrial Development Corporation (IDC) until February 2020 when the Corporation was listed on the Lusaka Securities Exchange (LuSE). Following the listing on LuSE, 37% of the shareholding was held by institutional investors, the general public and ZAFFICO employees while the remaining 63% was held by the Government of the Republic of Zambia (GRZ) through the IDC.

The Corporation is mandated to manage forest plantations and operate wood processing units.

b. Governance

Section 12 (1) of the Articles of Association provides that there should be a Board of Directors of the Corporation comprising the following:

- the Permanent Secretary or a representative of the Ministry responsible for the Sector Policy;
- not more than five (5) persons from the private sector; and
- the Managing Director of the Corporation.

c. Management

The operations of the Corporation is the responsibility of the Managing Director who is appointed by the Board of Directors on a three (3) year renewable contract. The Managing Director is assisted by five (5) Directors responsible for Plantations, Finance, Human Resources, Business Development, Public Relations and the Corporation Secretary.

d. **Sources of Funds**

The sources of funds for the Corporation include government grants, revenue generated from timber sales, sale of treated poles, accrued interest from investments and any other levies imposed.

20.2 Audit Findings

An examination of financial and other records maintained at ZAFFICO for the financial years ended 31st December 2019, 2020 and 2021 revealed the following:

a. **Budget and Income**

During the period under review, the Corporation budgeted to receive and generate income from sales of timber and timber products, levies imposed and interest on investments in amounts totalling K948,230,396 against which amounts totalling K932,511,826 were received and generated resulting in a negative variance of K15,718,570. See table 1 below.

Table 17: Budget and Income

Year	Budget K	Actual Income K	Variance K
2019	292,715,269	282,528,342	(10,186,927)
2020	295,237,556	283,347,230	(11,890,326)
2021	360,277,571	366,636,254	6,358,683
Total	**948,230,396**	**932,511,826**	**(15,718,570)**

b. **Financial Analysis - Financial Performance**

i. **Statement of Comprehensive Income**

The Statements of Comprehensive Income for the years ended 31st December 2019, 2020 and 2021 were as shown in table 2 below.

Table 18 : Statement of Comprehensive Income

	2021 K	2020 K	2019 K
Revenue	366,636,254	283,347,230	282,528,341
Cost of sales	(115,456,392)	(74,497,752)	(64,115,653)
Gross profit	**251,179,862**	**208,849,478**	**218,412,688**
Other income	7,805,189	141,305,204	6,614,058
Recognition of fair value of biological asset	2,210,320,664	-	-
Administrative expenses	(361,171,696)	(92,729,944)	(73,446,038)
Profit from operation	**2,108,134,019**	**257,424,738**	**151,580,708**
Finance income	3,715,398	12,771,302	6,382,953
Finance cost	(13,240,055)	(9,814,568)	(3,007,081)
Net finance (cost)/income	(9,524,657)	2,956,734	3,375,872
Profit before taxation	**2,098,609,362**	**260,381,472**	**154,956,580**
Income tax	(223,167,546)	(31,617,267)	(18,314,798)
Proift for the year	**1,875,441,816**	**228,764,205**	**136,641,782**
Other comprehensive icome			
Items that are or may be classified subsequently to profit or loss	-	-	-
Remeasurement of defined benefit liability	(26,484,000)	(1,270,000)	-
Related tax	2,648,400	127,000	-
Total comprehensive income	**(23,835,600)**	**(1,143,000)**	-
Total comprehensive income for the year	**1,851,606,216**	**227,621,205**	**136,641,782**

Source: ZAFFICO financial statements for the years ended 31st December 2019, 2020 and 2021

ii. Profitability

- As can be seen in the table above, the Corporation recorded profits of K136,641,782 in 2019, K228,764,205 in 2020 and K1,875,441,816 in 2021. The increase in profits by 720% in the year 2021 was mainly attributed to the change in the valuation model of biological assets (plantations) from the cost value model to the fair value model. Therefore the value of plantations increased by K2,210,320,664.

- Gross profit margin is the gross profit percentage of the total revenue. The gross profit margin reduced by 9%, from 77% in 2019 to 68% in 2021 due to increased cost of sales from K64,115,653 in 2019 to K115,456,392 in 2021.

- Administrative expenses increased from K73,446,038 in 2019 to K361,171,696 in 2021. The increase was due to employee expenses which increased by 80% from K37,225,155 in 2020 to K66,972,205 in 2021.

c. Statement of Financial Position

The Statement of Financial Position as at 31st December 2019, 2020 and 2021 were as shown in table 3 below.

Table 19 : Statement of Financial Position

Details	2021 K	2020 K	2019 K
Assets			
Non-Current Assets			
Biological Assets	2,875,733,228	730,080,274	614,704,810
Property, plant and equipment	100,229,114	95,721,685	87,541,606
Intangile Assets	272,332	424,209	593,513
Right of use asset	218,514	72,669	217,777
Deferred tax asset		3,400,542	2,122,235
	2,976,453,188	**829,699,379**	**705,179,941**
Current Assets			
Inventories	24,017,914	35,092,397	36,169,371
Trade and other receivables	29,547,140	22,382,836	36,565,735
Amounts due from related parties	163,712,294	191,825,492	28,315,348
Cash and cash equivqlents	86,054,261	149,334,676	73,534,965
	303,331,609	**398,635,401**	**174,585,419**
Total Assets	**3,279,784,797**	**1,228,334,780**	**879,765,360**
Equity and Liabilities			
Capital and reserves			
Share capital	100,000,000	100,000,000	100,000,000
Share premium	126,694,476	126,694,476	
Revaluation reserve	2,073,564	2,514,849	2,956,134
Retained earnings	2,635,208,521	794,996,735	605,023,370
Equity attributable to Shareholders	**2,863,976,561**	**1,024,206,060**	**707,979,504**
Non-Current Liabilities			
Employee benefits	63,228,680	29,127,307	20,117,366
Deferred capital grant	3,097,570	4,097,570	5,097,570
Deferred tax liabilities	204,416,701		
	270,742,951	**33,224,877**	**25,214,936**
Current Liabilities			
Trade and other payables	76,824,243	49,458,881	62,778,431
Amounts due to related parties	7,227,011	17,291,017	31,429,876
Dividend payable	15,981,006	40,213,727	36,339,795
Lease liability	245,795	154,839	246,649
Current tax liability	44,787,230	63,785,379	33,275,406
	145,065,285	**170,903,843**	**164,070,157**
Total Liabilities	**415,808,236**	**204,128,720**	**189,285,093**
Total Equity and Liabilities	**3,279,784,797**	**1,228,334,780**	**897,264,597**

Source: ZAFFICO financial statements for the years ended 31st December 2019, 2020 and 2021

d. Operational Matters

i. Failure to Achieve the 2021/2022 Planting Target

In line with the 2020 – 2024 ZAFFICO Strategic plan of scaling up the forest expansion programme, the Corporation planned to establish 3,000 hectares of new plantations in the 2021/2022 planting season.

However, it was observed that 2,048 hectares were planted resulting in an underplanting of 952. See table 4 below.

Table 4: Failure to achieve target

No.	Province	Plantation	Targeted Area (HA)	Actual Area (HA)	Under/Over Planting (HA)
1	Luapula	Kawambwa	1,200	553	647
2	Muchinga	Shiwangándu	1,200	776	424
3	Northwestern	Kalumbila	200	55	145
4	Northern	Kasama	200	305	- 105
		Lupososhi	200	360	- 160
		Total	**3,000**	**2,048**	**952**

ii. Failure to Adhere to the Annual Allowable Cut (Felling Plan)

In Paragraph 15.2 (a-i) of the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2018, mention was made on the failure by the Corporation to adhere to the recommended Annual Allowable Cut (AAC) of 451,203 m^3 (cubic meters). It was reported that the Corporation harvested a total of 1,288,009 m^3 of Pine wood species resulting in an over harvest of 836,809 m^3.

In his response, the Chief Executive Officer stated that the main cause for over-harvesting was the need to mitigate the high deficit of Pine roundwood in the country and to generate enough revenues to support the replanting and plantation expansion programmes. The Corporation had taken steps towards attaining and adhering to the Annual Allowable Cut (AAC), by reducing the Pine volume to be harvested in the year 2020 by 150,000m3. In subsequent years, the volume harvested would be reduced by 50,000m3 until such a time that the Corporation begun to harvest within the AAC.

In their report for the Fifth Session of the Thirteenth National Assembly, the Committee on Parastatal Bodies and Other Statutory Institutions directed that management adheres to the annual allowable cut.

A review of the felling plans and annual reports for the period under review revealed that the Corporation had continued to exceed the Annual Allowable Cut (AAC) in that while the annual allowable cut during the period under review was 467,000 m^3 - (430,000 m^3 of pine and 37,000 m^3 of eucalyptus), the total forest harvested was 488,406 m^3 resulting in excess Annual Allowable Cut of 21,406 m^3. See table 5 below.

Table 5: Harvest Above Felling Plan

Year	Plant type	Felling plan Qty (Cubic Meters)	Actual Wood Harvested	Over/Under Harvested
2019	Pine	430,000	448,621	(18,621)
2021	Eucayptus	37,000	39,785	(2,785)
Total		**467,000**	**488,406**	**(21,406)**

iii. Questionable Quality of Fertilizer Procured

A review of a report by the Risk Manager and the Chief Security Officer dated 7th March 2022 revealed that in March 2021, the Corporation bought 800 x 50Kgs bags of compound D fertilizer from ATS Agrochemicals Limited at a cost of K468,000.

During the period from 3rd March 2021 to 27th July 2021, the fertiliser was distributed to the nine (9) plantations as shown in table 6 below.

Table 6: Fertiliser Distribution

No.	Plantation Name	Date Delivered to Plantation	Qty Delivered (50 Kg Bags)	Qty Used (Bags)	Balance (Bags)
1	Chati	03.03.2021	150	25	125
2	Ichipe	16.03.2021	95	0	95
3	Luwingu	26.03.2021	12	0	12
4	Kawambwa	26.03.2021	125	96	29
5	Kasama	27.03.2021	136	0	136
6	Shiwang'andu	09.04.2021	97	0	97
7	Lamba	25.04.2021	48	6	42
8	Ndola (Dola Hill)	14.07.2021	123	0	123
		27.07.2021	14	0	14
	Total		**800**	**127**	**673**

However, inquiries made with management revealed that the quality tests on the fertilizer had not been conducted as at 30th September 2022.

iv. Delayed Compensation - Land for Construction of International Airport

In Paragraph 15.2 (b-i) of the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2018, mention was made on delayed compensation of K50,258,191 on the Land for the Construction of International Airport.

It was also reported that the Internal Auditors from the Ministry of Finance were to carry out an audit prior to the acceptance of the compensation amount of K50,258,191. As at 31st December 2019, ZAFFICO had not been compensated.

In his response, the Chief Executive Officer stated that the delay in compensation was attributed to delays in conducting the verification by the Ministry of Finance.

In their report for the Fifth Session of the Thirteenth National Assembly, the Committee on Parastatal Bodies and Other Statutory Institutions directed the Chief Executive Officer to expedite the process of verification and subsequent settlement of the claim.

However, a review of the situation carried out in July 2022 revealed that an audit had been carried out by the Copperbelt Provincial Administration and a report dated

7th April 2021 was produced titled Verification of Valuation of Compensation claim. The audit revealed that the correct compensation was K155,850,000 (VAT inclusive).

In this regard, in September 2022, the Ministry of Finance made a payment of K87,578,567 toward the compensation claim through a debt swap (paid to ZRA towards ZAFFICO tax obligations) leaving a balance of K68,271,433.

v. Management of Mukula Tree Species

Following the issuance of Statutory Instrument (SI) No. 94 of 2015 dated 4th December 2015 which restricted the harvest of Mukula logs, ZAFFICO Limited was granted authority by the Ministry responsible for Lands, Natural Resources Environmental Protection to trade in Mukula logs with mandates to:

- trade in confiscated Mukula – 40 foot container at US$10,000;
- trade in confiscated and ZAFFICO harvested Mukula – 40 foot container at US$15,000;
- trade in legally harvested Mukula – 40 foot container at US$15,000 and
- trade in legally and illegally harvested Mukula – 40 foot container at US$16,000.

The proceeds from the exports were to be deposited in the ZAFFICO United States Dollar (US$) Account held at a Commercial bank in Kitwe and to be invested in ZAFFICO Limited and ZAFFICO Tea Companies.

In this regard, during the period under review, revenue in amounts totalling US$5,498,675 was raised.

In addition, amounts totalling US$150,000 were brought forward from 2018 bringing total funds available to US$5,648,675.

As at 31st December 2021, amounts totalling US$4,171,336.97 had been spent.

The following were observed:

- **Questionable Price Setting**

  Although the selling prices of Mukula logs ranged between US$10,000 to US$16,000 per 40-foot container, it was not possible to ascertain whether the prices reflected the market value of the logs as no policy on price setting was availed as at 30th September 2022.

- **Failure to Pay Export Duty**

  - **Zhangjiagang Bozhimu Trading Company Ltd**

    On 1st March 2021, The Corporation entered into a contract with Zhangjiagang Bozhimu Trading Company Ltd to sell Mukula logs.

    According to Article 3 of the contract, the agreed price of the logs was US$640 per metric ton or US$16,000 per 40 foot container, export duty exclusive and net of the costs of and incidental to the loading and transportation of the logs from the point of sale in Zambia and the shipment of the logs from Zambia to China.

    Contrary to the article, between 1st March 2021 and 30th August 2021, twenty four (24) containers of logs were sold to Zhangjiagang Bzhimu for amounts totalling US$ 384,000. However, the containers were moved by the buyer to China without paying export duty in amounts totalling K3,294,210 to Zambia Revenue Authority (ZRA).

    In August 2021, the Corporation wrote a letter to Zhangjiagang Bozhimu Trading Company Limited demanding for the payment of export duty.

    However, as at 30th September 2022 the duty had still not been paid.

  - **On behalf of Government**

    During the period under review, ZAFFICO exported mukula logs on behalf of various customers and accrued K18,111,547 in respect of export duty for 314 containers of Mukala logs.

In this regard, in October 2020, the Corporation was issued with a demand notice by Zambia Revenue Authority (ZRA) for the accrued amount and as at 30th September 2022, the export duty had not been paid.

- **Failure to Refund Companies**

In 2021, three (3) companies made advance payments in amounts totalling US$1,316,350 to ZAFFICO for the purchase of forty six (46) containers of Mukula logs.

In September 2021, the Government suspended the sale of Mukula. In this regard on 21st December 2021, the Corporation sought guidance from the Industrial Development Corporation (IDC) on the treatment of the advance payments for logs not supplied due to suspension of the sale of Mukula and the IDC guided the Corporation to reimburse the companies that had made advance payments.

A review of records revealed that out of the total prepayments of US$1,316,350 amounts totalling US$672,000 had been refunded leaving a balance of US$644,350 as at 30th September 2022. See table 7 below.

Table 7: Unrefunded Companies

No.	Company	No. of Containers	Amount US$	Amount Refunded US$	Amount Outstanding US$
1	Xin Fa Hong Hong Mu Furiture Co. Limited	6	134,400	-	134,400
2	Shanghai Across Asia Asia Supply Chain Management Co. Limited	40	896,000	672,000	224,000
3	** Zambia Agency for Persons with Disabilities	-	285,950	-	285,950
	Total	**46**	**1,316,350**	**672,000**	**644,350**

e. Procurement Matters – Failure to Avail Contracts

During the period under review, the Corporation engaged three (3) companies namely; Rehpitrop Company Ltd, Taicha Solution Ltd and Mwisha Logistics to transport treated poles from the Corporation's Pole Treatment Plant in Kalulushi District to various parts of the Country.

The Corporation paid the three (3) companies amounts totalling K4,736,713 for the transportation of the poles. See table 8 below.

Table 8: Failure to Provide Contracts

No.	Delivery Period	Company	Amount paid K
1	11.02.21 - 01.12.21	Rehpitrop Company Ltd	1,565,763
2	07.05.21 - 10.09.21	Taicha Solutions Ltd	1,116,087
3	04.05.21 - 10.09.21	Mwisha Logistics	2,054,863
	Total		**4,736,713**

However, the terms of the contracts could not be ascertained as no contracts were availed for audit as at 30th September 2022.

f. Accounting Irregularities

i. Failure to Deduct Tax on Board Fees and Allowances

During the period under review, nine (9) board members were paid Board Fees and Sitting Allowances in amounts totalling K4,319,924.

However, as at 30th September 2022, there was no evidence availed to indicate that tax was computed and deducted.

ii. Wasteful Expenditure – Penalties Charged

The Income Tax Act Chapter 323 72 (2) of the Laws of Zambia provides that tax deducted, as reduced by any tax refunded, under subsection (1), should be payable to the Commissioner-General on the dates prescribed by the regulations made in accordance with subsection (6).

Further, Subsection 15(1) of the National Pension Scheme Authority Act No. 40 of 1996 states that, "a contributing employer shall pay contributions to the Authority at the end of each month and such employer shall submit, with such payment, all prescribed supporting particulars concerning his identity, period of employment and earnings of the member to whom the contributions relate."

Contrary to the Acts, the Corporation delayed in paying statutory obligations and was therefore charged penalties in amounts totalling K12,826,686 (ZRA - K8,153,142 and NAPSA - K4,673,544) which could have been avoided.

g. Staff Matters - Wasteful Expenditure - Unlawful Dismissal

On 23rd October 2019, a former Security Chief was dismissed for negligence resulting in loss or damage to Corporation property in line with clause 7.3 (a) of the Disciplinary Code for the Unionised Employees.

In this regard, on 14th April 2020, the officer commenced legal action against the Company for unlawful, unfair dismissal and discriminatory termination of employment and was awarded compensation by the court.

Consequently, on 19th October 2021, the High Court ordered the company to pay a total amount of K244,625 being twenty-four (24) month’s salary to the former employee who was dismissed without following the terms and conditions of service.

21 ZAMBIA MEDICINES AND MEDICAL SUPPLIES AGENCY

21.1 Background

a. Establishment

The Zambia Medicines and Medical Supplies Agency (ZAMMSA) formerly Medical Stores Limited, was established following the passing of the Zambia Medicines and Medical Supplies Agency Act No. 9 of 2019 which was operationalised on 3rd February 2021.

ZAMMSA is mandated to carry out procurement, storage and distribution of all essential medicines for the public health sector in Zambia.

b. Governance

The Zambia Medicines and Medical Supplies Agency Act No. 9 of 2019 provides for a Board of Directors comprising part-time members appointed by the Minister as follows:

iv. a representative each of:

- The Attorney General.
- The Ministry responsible for Health
- The Ministry responsible for Finance
- The Pharmaceutical Society of Zambia
- The Health Professions Council of Zambia; and
- A Civil Society Organization concerned with matters relating to health

v. A person from the private sector with experience and knowledge in finance or business management.

The Board is headed by the Board Chairperson, and a member of the Board holds office for a period of three (3) years from the date of appointment and is eligible for re-appointment for one (1) further term of three (3) years.

c. **Management**

The operations of ZAMMSA is the responsibility of the Director General, who is assisted by six (6) Directors in charge of Logistics, Pharmaceutical Standards, Finance and Commercial Services, Legal and Corporate Services, Procurement and Planning and Projects.

d. **Sources of Funds**

The Zambia Medicines and Medical Supplies Agency Act No. 9 of 2019 provides that the funds of the Agency consist of monies that may;

i. be appropriated to the Agency by Parliament for the purposes of the Agency,

ii. be paid to the Agency by way of fees, grants or donations, or

iii. otherwise vest in, or accrue to, the Agency,

iv. further, the Agency may, subject to the approval of the Minister;

- accept monies by way of grants or donations from any source within or outside Zambia,
- raise by way of loans or otherwise, monies that the Agency may require for the performance of its functions, and
- charge and collect fees.

e. **Information and Communication Technology Systems**

During the period under review, ZAMMSA operated various Information and Communication Technology (ICT) Systems which included the following:

i. WMS Expert

The system was used for warehouse management and supports all logistical operations within the warehouse.

ii. Customer Relationship Management System and Call Centre

The system was used for managing communication with ZAMMSA customers.

iii. **The Financial and Accounting Software Management System – Accounting Package**

The system was used for financial management.

iv. **Enhanced Zambia Inventory Control System (e ZICS)**

The system was used for managing stock and data transmissions between ZAMMSA and health facilities.

21.2 Audit Findings

An examination of accounting and other records for the financial years ended 31st December 2018 to 31st December 2021 revealed the following.

a. Budget, Funding and Expenditure

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2018, 2019, 2020 and 2021 provisions totalling K626,805,958 were made to cater for the operations of the Agency against which amounts totalling K923,341,459 were released resulting in a positive variance of K295,535,501. See table 1 below.

Table 1: Budget and Income

Year	Budget K	Income K	Variance K
2021	264,390,907	613,901,863	349,510,956
2020	102,711,406	110,011,362	7,299,956
2019	122,340,060	94,018,634	(28,321,426)
2018	137,363,585	105,409,600	(31,953,985)
Total	**626,805,958**	**923,341,459**	**296,535,501**

As at 31st December 2021, amounts totalling K491,384,094 had been spent leaving a balance of K431,957,365.

b. Governance Matters - Failure to Prepare Financial Statements

Part IV Section 25 (1) of the ZAMMSA Act No. 9 of 2019 provides for submission of the annual report to the Minister not later than ninety (90) days after the end of the financial year. Further, Section 25 (2) and (3) of the Act requires that audited accounts be presented by the Minister to the National Assembly not later than seven (7) days after the sitting of the National Assembly and they should be appended to the report;

i. an audited statement of financial position,

ii. an audited statement of comprehensive income, and

iii. such other information as the Minister may require.

Contrary to the Act, as at 30th September 2022, there were no signed audited financial statements for the years ended 31st December 2019, 2020 and 2021.

c. Operational Matters

i. Failure to Claim Liquidated Damages – Undelivered Medicines

During the period under review, the Agency signed five (5) contracts with total contract sums of US$50,551,898 for the procurement of essential medicines and medical supplies with delivery periods ranging from two (2) to three (3) months. See table 2 below.

Table 2: Contracts - Procurement of Essential Medicines and Medical Supplies

No	Date Signed	Name of Supplier	Item Description	Contract Amount US$
1	03.09.21	Augusta Limited	renal dialysis consumables	4,618,959
2	6.09.21	Yashi Life Science	various medicines	23,819,729
3	3.09.21	Mylan Limited	various medicines	19,941,568
4	13.05.20	Stem Mtembu	blood safety Commodities	555,000
5	8.09.21	Pharmanova limited	various medicines	1,616,642
	Total			**50,551,898**

As at 30th September 2022, the suppliers had been paid in full. A review of records revealed that as at 30th September 2022, various medicines and medical products costing K168,933,249 had not been delivered to ZAMMSA.

Special Contract Conditions (SCC) No. 22.1 provided for the charging of liquidated damages of 0.5% per week and maximum not exceeding 10% of the contract price for none or delayed delivery.

However, the Agency had not claimed liquidated damages amounting to K16,893,325 for deliveries that had delayed for a period of nine (9) months. See table 3 below.

Table 3: Unclaimed Liquidated Damages

Contract date	Supplier	Product	Quantity Ordered	Quantity Delivered	Quantity Undelivered	Undelivered K	Delayed Months	Liquidated Damages @ 0.5% per week K	Liquidated Damages @ 10% of Contract price K
6.09.21	Yash Life	tablets various	1,672,719	394,860	1,487,141	118,958,468	9 months	21,412,524.24	11,895,846.80
3.09.21	Mylan	ARVS	3,117,360	263,869	2,211,923	7,632,241	9 months	1,373,803.38	763,224.10
3.09.21	Pharmanova	ORS /Povodine	3,293,312	128,037	3,165,275	42,342,540	9 months	7,621,657.20	4,234,254.00
	Total		**8,083,391**	**786,766**	**6,864,339**	**168,933,249**		**30,407,985**	**16,893,325**

ii. Failure to Dispose of Expired Medicines and Medical Supplies

A review of records revealed that various medicines and medical supplies costing K5,466,385 which expired in the years 2020 and 2021 at three (3) stations had not been disposed of as at 30th September 2022. See table 4 below.

Table 4: Expired Medicines and Medical Supplies

No.	Details	Amount K
1	Choma Hub	301,766
2	Mongu Hub	591,781
3	Luanshya Hub	4,572,838
	Total	**5,466,385**

iii. Failure to Replace Recalled Medicines

During the period from January 2018 to December 2021, ZAMMSA recalled two (2) types of medicines namely Amlodipine 5mg tablets and Acetylsalicylic Acid 75mg tablets costing K720,893 from various health facilities countrywide due to the following reasons:

- Leaking of contents due to defective packaging;
- Non-compliant in appearance and friability; and
- Non-compliant in appearance and other organoleptic tests.

However, the medicines had not been replaced by the suppliers as at 30th September 2022.

iv. Irregularities in the Distributions of Medicines and Medical Supplies

When medicine is supplied by the ZAMMSA delivery truck, the driver is required to submit to the health facility a copy of a dispatch note which should be verified against the items delivered. Where the health facility has not received the full quantities, it should be indicated on the dispatch note and a discrepancy report prepared.

A scrutiny of the stock utilisation report for the period under review at ZAMMSA revealed that various medicines and medical supplies were returned due to discrepancies such as wrong products/not delivered, not ordered but delivered and rejected due to short expiry life.

In particular, the following were observed:

- **Undelivered Medicines**

  During the period from January 2020 to December 2021, medicines and medical supplies costing K332,134 had not been received by several health facilities although records at ZAMMSA indicated that the items had been dispatched and delivered.

- **Medicines Supplied but Not Ordered**

  During the period under review, medicines costing K1,695,860 were dispatched from ZAMMSA Headquarters without orders being made by health facilities.

- **Rejected Drugs**

  According to the standard operating procedures, the required shelf-life range was as follows:

  - 90% of drugs delivered - thirty six (36) months from time of manufacturer to the time of expiry.
  - Unstable drugs like anti-malaria drugs - eighteen (18) months.
  - Lab items - three (3) months short term shelf life.

  A review of stock records for various health facilities revealed that various quantities of medicines and medical supplies costing K7,331,176 dispatched by

ZAMMSA during the period from November 2018 to December 2021 to the health facilities were rejected due to the products having short expiry periods, over supply and being damaged.

v. Medicines and Medical Supplies not Distributed Timely

ZAMMSA had a schedule which it followed when distributing medicines and medical supplies from regional hubs to health facilities in districts.

A physical inspection carried out in July 2022 at three (3) regional hubs revealed that ZAMMSA had inadequate transport due to non-servicing of vehicles resulting in delays in delivering medicines and medical supplies for periods ranging from 10 to 14 days. See table 5 below.

Table 5: Delayed Distribution of Medicines and Medical Supplies

No.	Name of Regional Hub	Expected Delivery Period (Days)	Actual Delivery Period (Days)	Delay in Delivery (Days)	Comments
1	Chipata	21	35	14	three(3) vehicles were non runners
2	Mongu	10	20	10	five (5) vehicles were non runners
3	Choma	10	20	10	five (5) vehicles were non runners

d. Staff Related Matters - Delayed Remittance of Statutory Contributions

Section 15 (1) of the National Pensions Scheme Act No. 40 of 1996 provides that a contributing employer should pay contributions to the Authority at the end of each month.

Contrary to the Act, a review of records revealed that ZAMMSA delayed in remitting pension contributions to the National Pension Scheme Authority (NAPSA) in amounts totalling K33,654,563 for periods ranging from twelve (12) to twenty four (24) months. Consequently, as at 30th September 2022, the Agency was charged penalties in amounts totalling K29,990,758.

22 ZAMBIA NATIONAL BUILDING SOCIETY

22.1Background

a. Establishment

The Zambia National Building Society (ZNBS) was established in 1968 under the Building Society Act of 1968. The Act was amended under Cap 412 of the Laws of Zambia to the Building Societies (amendment) Act No. 67 of 1970 and 2005.

The Society is wholly owned by the Government of Zambia. ZNBS is required to operate in accordance with the provisions of the Banking and Financial Services Act No. 25 of 2005. Prior to 1995 the ZNBS was a subsidiary of the then Zambia Industrial and Mining Corporation (ZIMCO) Limited. After the liquidation of ZIMCO Limited on 31st March 1995, ZNBS was taken over by the Government through the Ministry of Finance.

The mandate of ZNBS is to mobilise finance, provide finance for house acquisition/construction to eligible members of the public, render banking services, manage properties and provide other related services.

b. Governance

Section 22 (1) of the Building Society Act No. 22 of 2005 provides that the Building Society shall have a Board of Directors consisting of not less than five (5) and not more than ten (10) persons.

The Minister of Finance shall appoint not less than seven (7) persons to constitute the Board of Directors of the Society and shall designate one (1) of them as the Chairman and the Secretary or other officer of the Society.

A member of the Board (Director) shall, subject to the other provisions of the rules, hold office for a term of five (5) years and may be re-appointed for a further term of five (5) years.

c. Management

The operations of the Zambia National Building Society is the responsibility of the Managing Director who is appointed by the Board of Directors and is also the Secretary of the Board.

The Managing Director is assisted by the Chief Operations Officer, Society Secretary, four (4) Directors in charge of Finance, Risk, Banking & Mortgage, and Human Resources.

d. Sources of Funds

According to the Building Societies Act No. 22 of 2005, the Society derives its income mainly from mortgage interest, rentals on investment properties, fees and commissions charged on bank transactions.

e. Information and Communication Technology Systems

During the period under review, the Zambia National Building Society operated the following Information and Communication Technology (ICT) Systems:

i. PASTEL SAGE Financials SQL Server that is used for accounting purposes

ii. ZNBS 2008 – Legacy CBS is used for Banking, Mortgage, and Property and Estate operations

iii. PROFITS Core banking-Dot NET & SQL Server is used for Banking, Mortgage, Accounting, and Property & Estate operations

iv. EBIZ- frame is used for Payroll Management

v. IAPPLY-SQL Server is used for Loan Application

22.2 Audit Findings

A review of accounting and other records maintained at Zambia National Building Society, for the financial years ended 31st March 2021 and 2022 revealed the following:

a. Budget and Income

During the period under review, the Society had budgeted income in amounts totalling K733,352,000 and collected income in amounts totalling K768,420,000 resulting in a positive variance of K35,068,000. See table 1 below.

Table 20: Budget and Income

Income	March 2022		March 2021		Total		
	Budget	Actual	Budget	Actual	Budget	Actual	Variance
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Mortgage	62,677	54,490	44,044	45,940	106,721	100,430	(6,291)
Other Loans and Advances	223,157	195,398	181,136	182,387	404,293	377,785	(26,508)
Rentals and Investment	60,787	143,801	55,148	70,114	115,935	213,915	97,980
Fees and Commissions	62,267	39,041	44,136	37,249	106,403	76,290	(30,113)
Total	**408,888**	**432,730**	**324,464**	**335,690**	**733,352**	**768,420**	**35,068**

b. Financial Analysis - Statement of Profit or Loss

Statements of profit or loss for the period under review were as shown in table 2 below.

Table 21: Statement of Profit or Loss

Details	2022 K'000	2021 K'000
Interest Income	387,389	292,919
Interest Expenses	(136,341)	(107,019)
Net Interest Income	**251,048**	**185,900**
Impairment write back/(charges)	26,899	(30,575)
Net Interest Income	**277,947**	**155,325**
Fees and Commission	39,041	37,249
Other Income	6,656	213,716
Total Operating Income	**323,644**	**403,290**
Operating Expenses	(202,978)	(177,309)
Finance Cost	(4,353)	(2,597)
Profit	**116,313**	**223,384**

Source: ZNBS Annual Reports and Financial Statements for the years ended 31st March 2022 and 2021

i. Reduced Profitability

During the period under review, the Society recorded a reduced profit of K107,071,000 from K223,384,000 in the financial year ended 31st March 2021 to K116,313,000 in the financial year ended 31st March 2022.

ii. High Cost to Income Ratio

Cost to income ratio is an efficiency metric that compares the operating expenses and operating income of a business. It is a financial ratio that shows how well a business is utilizing its operating resources to generate its income.

The Society's Cost to Income Ratios for the financial years ended 31st March 2021 and 2022 was set at 53% and 60% respectively as per the Corporate Strategic Plan (CSP). However, the Society had Cost to Income Ratios of 85% and 78% in 2021 and 2022 respectively which were higher than the set targets. See table 3 below.

Table 22: Cost to Income Ratio

Year	2022 K'000	2021 K'000
Interest Income	387,389	292,919
Fees and Commissioning Income	39,041	37,249
Rental Income	6,300	5,522
Gross Income	**432,730**	**335,690**
Operating Expenses	202,978	177,309
Interest Expense	136,341	107,019
Total expenses	**339,319**	**284,328**
Cost to income ratio	**78%**	**85%**
Targeted Cost to income ratio	**60%**	**53%**
Staff Costs	121,602	111,206
Staff Costs as a % of operating expenses	**60%**	**63%**

The high Cost to Income Ratio was attributed to high staff costs which were 63% and 60% of operating costs for 2021 and 2022, respectively.

c. Statement of Financial Position - Increase in the Gearing Ratio

The Statements of financial position of ZNBS for the period under review were as shown in the table 4 below.

Table 23 Statement of Financial Position for ZNBS as at 31st March 2022 and 2021

Details	2022 K'000	2021 K'000
Assets		
Cash and cash equivalent	239,780	235,340
Placements with other Financial Institutions	105,721	170,511
Government Securities	679,353	241,570
Loans and advances	935,679	668,765
Other assets	72,167	182,494
Investment properties	117,718	115,714
Property and equipment	97,409	95,151
Intangible assets	23,942	23,641
Right of use asset	11,331	13,837
Total Assets	**2,283,100**	**1,747,023**
Liabilities		
Customer deposits	901,488	662,920
Other liabiltities	85,159	60,934
Provision for staff benefits	10,554	6,552
Borrowing	574,387	411,713
Lease liabilities	14,515	16,220
Total liabilities	**1,586,103**	**1,158,339**
Equity		
Share capital	191,678	191,678
Other reserves	66,687	68,648
Accumulated profits	438,632	328,358
Total equity	**696,997**	**588,684**
Total Equity and Liabilities	**2,283,100**	**1,747,023**
Accumulated profit	99,506	71,913
Total Equity	**2,382,606**	**1,818,936**
Total Equity and Liabilities	**2,449,293**	**1,887,584**

Source: ZNBS Annual Reports and Financial Statements for the years ended 31st March 2022 and 2021.

A gearing ratio compares an institution's total equity to its total debt. It is a vital ratio in that it influences an investor's decision to invest in an institution or a creditor's decision to issue more debt to an institution. In this regard, a higher gearing ratio indicates that an institution is susceptible to financial risk.

A gearing ratio higher than 50% is considered high and therefore means that an institution is at a greater financial risk during times of lower profits resulting in loan default.

An analysis of the Society's financial statements for the years 2021 and 2022 revealed that the gearing ratio increased from 80% to 95% indicating a high exposure to financial risk. See table 5 below.

Table 5: Gearing Ratio

Details	**2022 K'000**	**2021 K'000**
Total Debt	659,546	472,647
Total Equity	696,997	588,684
Gearing Ratio (%)	**95**	**80**
Acceptable Ratio (%)	50	50

d. Operational Matters

i. Mortgages without Collateral

In Paragraph 19 of the Auditor General's Report on Accounts for Parastatal Bodies and Statutory Institutions for the financial year ended 31st December 2019 mention was made that ZNBS had 116 mortgages valued at K17,036,892 which did not have collateral.

In their Report for the First (1st) Session of the Thirteen (13th) National Assembly, the Committee on Parastatal Bodies on the Report of Auditor General on Accounts for Parastatal Bodies and Statutory Institutions for the financial year ended 31st December 2019, directed the Controlling Officer to ensure that the collateral for the outstanding nineteen (19) mortgages is secured.

A review of the matter in 2022 revealed that management had not adhered to the Committee's directive as ZNBS had twenty eight (28) mortgages valued at K10,872,309 that did not have collateral.

ii. Loan Repayment period Exceeding Eight Four (84) Months

The Board of Directors at its 4th Ordinary meeting held on 5th March 2019 resolved to approve the adjustment of the maximum loan tenure from Sixty (60) months to eight four (84) months for unsecured bank loans.

However, a review of records revealed that there were 307 unsecured loans in amounts totalling K12,138,587 which had loan repayment periods exceeding eight four (84) months. See table 6 below.

Table 6: Unsecured Loans with Repayment Periods Exceeding 84 Months

No.	Type of Loan	Amount K	No. of Loan Holders	Months
1	Friendly	5,751,008	94	85-138
2	PSMD	6,387,579	213	85-127
	Total	**12,138,587**	**307**	

In their response, Management stated that the issue was due to a system error upon migration from the old core banking system (ZNBS 2008) to the current one (PROFITS) and have since engaged the vendor (Intrasoft) to resolve this anomaly.

iii. Failure to Close Old Loans After Refinancing

Clause 15.6.4 (Refinancing) of the Branch Operation Manual stipulates among others that;

i. where a client has an existing friendly or building material loan and they seek to borrow more money, once approved the new loan should be used to pay off (refinance) the running loan.

ii. refinanced loan accounts must be closed to avoid disbursing new loans in the same account.

However, it was observed that a total of 86 friendly loans in amounts totalling K2,095,968 were refinanced without closing their old loans amounting to K3,780,316. See table 7 below.

Table 7: Refinanced Loans with old one still not closed

No.	Town	No.	Old Loan K	New Loans K
1	Choma	17	735,500	464,779
2	Mazabuka	10	195,867	407,283
3	Chipata	32	1,032,128	733,071
4	Mongu	27	1,816,821	490,835
	Total	**86**	**3,780,316**	**2,095,968**

iv. Mortgage

A mortgage is a secured loan that gives the lender the right to take the borrower's property if they fail to repay the money they borrowed plus interest. Mortgage loans can be used to buy a home or borrow money against the value of a home.

There are six types of Mortgage loans offered by the ZNBS (Outright Purchase, Construction Loan, Home Improvement Loans, Revolving Funds, Equity Release and Balance Transfer).

The following were observed:

- **Mortgage above 25 years**

  A review of the Board of Directors resolution for the Board Meeting held on the 24th February 2020 revealed that the board resolved to increase the maximum tenure for the mortgage from twenty (20) years to twenty five (25) years.

  However, 115 mortgage loans in amounts totalling K24,313,736 had maximum tenures ranging from twenty six (26) to fifty (50) years.

- **Non-performing Mortgage Loans**

  The following procedures are used by the Collection and Recoveries Department for mortgages that are non-performing for above ninety (90) days which are categorised as bucket 4 (above 89 days) as detailed below.

  i. Issue a seven (7) day demand notice calling for the settlement of arrears; and

  ii. If customer is non-responsive, proceed to refer the account to legal department for commencement of foreclosure proceedings five (5) working days after the seven (7) day demand notice expires.

  A review of the mortgage loan book revealed that there were fifty two (52) mortgage loans in amounts totalling K7,450,645 that were secured with residential title deeds that were non-performing for periods ranging from two

(2) to thirteen (13) years. Further, the non-performing loans were not foreclosed as at 31st October 2022.

- **Staff Mortgages Issued above 20 years**

  The ZNBS employees are eligible for mortgages with a maximum repayment period of 20 years or retirement whichever comes first.

  However, a review of the mortgages issued revealed that there were fifty two (52) members of staff with mortgage values in amounts totalling K17,514,361 with repayment periods ranging from twenty one (21) to thirty one (31) years.

- **Staff Mortgages above K1,000,000**

  Employees were eligible for staff mortgages with a maximum value of K1,000,000.

  However, a review of the mortgages issued revealed that there were six (6) employees who got mortgages above the stipulated maximum value of K1,000,000.

- **Unregistered Mortgages**

  Section 7.3.1 (a) of the Legal Department Procedures Manual stipulates that upon lodgement, the Legal Directorate is required to release payment to the borrower on the strength of the lodgement schedule (Registration at Ministry of Lands or councils). The Lodgement schedule should be kept on the legal file.

  However, it was observed that a total of nineteen (19) mortgages in amounts totalling K4,723,935 were not registered at Ministry of Lands or councils although the title deeds were in the custody of the Legal Department.

v. Loss of Rentals Due to Non-Occupancy

During the period from November 2018 to September 2022, ZNBS had forty seven (47) unoccupied offices located in various properties that were vacant for periods ranging from one (1) to forty three (43) months.

Consequently, ZNBS did not collect rental income in amounts totalling K3,998,733.

e. Accounting Irregularities - Misappropriation of Funds

A review of the Fraud and Investigations Report on Human Resources dated 24th August 2022 prepared by the Operational Risk Officer revealed that a total of K722,423 was misappropriated by four (4) officers through irregular payment of salaries (K160,745) and various allowances (K561,677). See tables 8 and 9 below.

Table 8: Irregular Payment of Salaries

No.	Job Title	Amount Entitled K	Amount Paid K	Overpayment K
1	Acting Branch Manager - Cosmopolitan Branch	35,022.16	123,990.25	88,968.09
2	Archives Clerk	6,182.53	48,874.88	42,692.35
3	Debt Officer	4,649.28	27,244.08	22,594.80
4	Credit Officer	6,510.00	13,000.00	6,490.00
	Total	**52,363.97**	**213,109.21**	**160,745.24**

Table 9: Irregular Payment of Allowances

No.	Job Title	Amount Entitled K	Amount Paid K	Overpayment K
1	Acting Branch Manager - Cosmopolitan Branch	-	312,741.68	312,741.68
2	Archives Clerk	-	215,295.91	215,295.91
3	Debt Officer	-	33,639.75	33,639.75
	Total	**-**	**561,677.34**	**561,677.34**

Although management had taken action by reporting the matter to the relevant Law Enforcement Agencies and the Secretary to the Treasury, the internal control weaknesses in the Payroll System which were the root cause of the misappropriation of the funds had not been corrected as at 31st October 2022.

f. Administrative Matters

i. Failure to Mitigate Operational Risks

A review of the risk register at various ZNBS Provincial Branches revealed the following operational risks:

Table 10: Operational Risks

Town	Operational Risk
Mazabuka	• Branch and building outlook were not attractive to new tenants. • The branch and building had no smoke detectors, fire alarm and emergency exits. • Safe room walls were not reinforced and entrance had a wooden door and grill which was exposed to the outside through an adjacent window.
Chipata	• Lack of security tinted plastic folios on the window glasses behind the cashier's cubicles/ front line resulted in customers/people in the banking hall seeing the back-office operations/staff. • Lack of firearm for arm safety security guard on rapid response alert. • Damaged air conditioner in the server room.
Livingstone	• Staff entrance door was not tinted. • The ATM machine was not completely shielded from rain. • There was no ramp for the disabled or wheelchair bound customers to properly access the branch and ATM machine. • Generator was unable to power up the branch computers when there was a power outage. • The Branch had no fire alarm system installed.

Although Management had made plans to rectify the identified operational risks, the matters had not been resolved as at 31st October 2022.

23 ZAMBIA POSTAL SERVICES CORPORATION

23.1Background

a. Establishment

The Zambia Postal Services Corporation (ZAMPOST) was established under the Postal Services Act No. 22 of 2009. The mandate of the Corporation is to provide postal, banking and other financial services to the Public. The Corporation falls under the Ministry of Transport and Logistics.

In order to improve its revenue base, the Corporation diversified its operations to include public transport, clearing and forwarding and travel and tours.

In this regard, ZAMPOST incorporated three (3) subsidiary companies which it wholly owns. See table 1 below.

Table 1: Subsidiaries

No.	Name of the Company	Year of Incorporation
1	Post Bus Limited	2002
2	Zampost Clearing and Forwarding	2013
3	Zampost Travel and Tours	2014

b. Governance

ZAMPOST is governed by a Board of Directors comprising nine (9) part time members appointed by the Minister as follows:

i. a representative of the Zambia Federation of Employers;

ii. a representative of a trade union representing postal officers;

iii. a representative of the Zambia Chambers of Commerce and Industry;

iv. a representative of the Zambia Institute of Certified Accountants;

v. a representative of the Consumers Association of Zambia;

vi. a representative of the Ministry responsible for Communications;

vii. a representative of the Ministry responsible for Finance;

viii. a representative of the Ministry responsible for Home Affairs; and

ix. a representative of the Attorney General.

The members of the board are appointed for a renewable term of three (3) years and the Postmaster General sits on the board as ex-officio.

c. Management

The operations of the Corporation is the responsibility of the Post Master General (PMG) who is the Chief Executive Officer (CEO) and is appointed by the Board of Directors on a three (3) year renewable contract. The Postmaster General is assisted by the Legal Counsel, Chief Internal Auditor, Directors of Finance, Operations and Human Resources.

d. Sources of Funds

The funds of the Corporation consist of such moneys as may:

- be payable to the Corporation from moneys appropriated by Parliament for the purpose;
- be payable to the Corporation under the Postal Services Act No. 22 of 2009 or any other written law;
- be levied by the Corporation by way of postal charges, transaction commission and any other levies; and
- Accrue to or vest in the Corporation.

e. Information and Communication Technology Systems

During the period under review, the Corporation operated nineteen (19) Information and Communication Technology (ICT) Systems which were used in the management of financial and personnel related transactions, among others.

23.2 Audit Findings

An examination of financial and other records maintained at ZAMPOST Headquarters, three (3) subsidiary companies and six (6) selected post offices conducted in June 2022, revealed the following:

a. Budget and Income

During the financial years ended 31st March 2021 and 2022, the Corporation budgeted to receive grants from the Treasury and internally generated funds amounting to K202,325,819 against which amounts totalling K162,719,995 were received resulting in a negative variance of K39,605,824. See table 2 below.

Table 2: Budget and Income

No.	Revenue Source	2021		2022		Total		Variance
		Budget K	Actual K	Budget K	Actual K	Budget K	Actual K	
1	Mail Services	20,559,979	15,719,662	20,258,623	18,325,699	40,818,602	34,045,361	6,773,241
2	Post Box	34,332,478	28,815,690	34,811,499	14,203,210	69,143,977	43,018,900	26,125,077
3	Financial Services	1,730,912	99,966	1,968,226	1,104,927	3,699,138	1,204,893	2,494,245
4	Post Boat	667,200	572,147	10,976	860,469	678,176	1,432,616	(754,440)
5	Rentals	2,667,906	2,640,124	4,479,896	3,811,833	7,147,802	6,451,957	695,845
6	Other Agency Services	9,642,214	7,517,038	9,335,711	6,183,505	18,977,925	13,700,543	5,277,382
7	Management Fees - Subsidiaries	480,000	150,000	543,045	542,000	1,023,045	692,000	331,045
8	Government Grant	49,999,654	49,999,654	10,837,500	12,174,071	60,837,154	62,173,725	(1,336,571)
	Total Income	**120,080,343**	**105,514,281**	**82,245,476**	**57,205,714**	**202,325,819**	**162,719,995**	**39,605,824**

b. Management - Failure to Prepare Annual Report

Section 14 of Part II of the Second Schedule of the Postal Services Act No. 22 of 2009 provides that the Corporation should, not later than six (6) months after the end of each financial year, submit to the Minister an annual report which includes audited financial statements.

Contrary to the Act, as at 30th September 2022 management had not prepared the Annual Reports for the financial years ended 31st March 2021 and 2022.

Further, the Corporation and its subsidiaries namely; Postbus Company Limited and ZAMPOST Travel and Tours Limited, did not have audited financial statements for the financial years ended 31st March 2021 and 2022.

c. Operational Matters

i. Failure to Collect Post Box Rentals

In Paragraph 20 of the Report of the Auditor General on the Accounts for Parastatal Bodies and Other Statutory Institutions for the Financial Year Ended 31st December 2019, mention was made on the failure by ZAMPOST to collect Post Box rentals in amounts totalling K41,827,709.

In his response to the Parliamentary Committee, the Controlling Officer attributed the failure to collect rentals to lack of an automated Management Information System for invoicing and updating payments, and delayed settlement of arrears by Government Departments and Spending Agencies.

The Controlling Officer further informed the Committee that to resolve the problem the following had been implemented:

- Automation of the collection and billing system;
- Creation of a new unit called Revenue and Debt Collection with measures of engaging external debt collectors to enhance revenues;
- Development and deployment of a new box rental system, which has the capacity to segregate inactive and active clients in the database.

In their report for the First Session of the Thirteenth National Assembly, the Committee on Parastatal Bodies and Other Statutory Institutions directed that all the outstanding receivables are paid.

However, a review of the financial records carried out in May 2022 revealed that although management had implemented measures to enhance timely collection of revenue, the position had not improved in that the outstanding amount had risen from K41,827,709 to K83,796,792 as at 30th September 2022, representing an increase of 100.34 %.

ii. Failure to Collect Revenue from Rented Properties

In Paragraph 20 of the Report of the Auditor General on the Accounts for Parastatal Bodies and Other Statutory Institutions for the Financial Year Ended

31st December 2019, mention was made on the failure by ZAMPOST to collect property rentals in amounts totalling K3,075,843 in respect of 236 leased out properties comprising residential houses, post offices, workshops, warehouses and land.

In his response to the Parliamentary Committee, the Controlling Officer attributed the failure to collect rental income to the manually managed system which resulted in non-tracking of property rentals on time including late billing. In addition, he submitted that a new system had since been developed which had improved the management of property rentals and was robust at ensuring that unpaid rentals were flagged off and followed up.

Further, he stated that a new unit to manage debt and carry out credit control had been created to follow up all outstanding invoices.

In their report for the First Session of the Thirteenth National Assembly, the Committee on Parastatal Bodies and Other Statutory Institutions directed the Controlling Officer to ensure that management puts in place an exit strategy in an event that tenants fail to pay.

However, a review of the financial records carried out in May 2022 revealed that although management had implemented an automated property management system to enhance collection of rental income, the position had not improved in that the uncollected rentals had risen from K3,075,843 to K5,856,605 representing an increase of 90.4 % as at 31st August 2022,

iii. Failure to Collect Commission Earned

In Paragraph 20 of the Report of the Auditor General on the Accounts for Parastatal Bodies and Other Statutory Institutions for the Financial Year Ended 31st December 2019, mention was made of the Road Transport and Safety Agency's (RTSA) engagement of ZAMPOST on 22nd October 2018 to provide Road Licensing Services on a commission basis for a contract period of twelve (12) months renewable annually subject to performance by ZAMPOST, the service provider.

In this regard, it was mentioned that ZAMPOST failed to collect commission earned in amounts totalling K8,735,747 during the period from 22nd October 2018 to 31st December 2020.

In his response to the Parliamentary Committee, the Controlling Officer attributed the failure to collect the commission to Road Transport and Safety Agency's failure to honour the contract and pay ZAMPOST in full. He further submitted that management sought intervention from the Secretary to Treasury in May 2021 and an amount of K8.4 million had since been collected.

In their report for the First Session of the Thirteenth National Assembly, the Committee on Parastatal Bodies and Other Statutory Institutions directed the Secretary to the Treasury to ensure that the systemic problem is resolved expeditiously. The Committee also directed the Controlling Officer to ensure that the contract is amended to provide for remedies in an event of failure by a party to honour the contract obligations.

A review of the financial records carried out in May 2022, revealed that the position had not improved in that as at 30th September 2022 there was an outstanding balance of K7,074,870.

d. Procurement of Goods and Services

i. Failure to Renovate and Refurbish the Ndola Main Post Office

On 4th March 2019, the Board of Directors approved the management recommendation to relocate ZAMPOST headquarters from a rented property in the Industrial Area of Ndola to its Ndola Main Post Office in a bid to save the Corporation from paying rentals of K492,000 per annum. In this regard, management planned and budgeted to renovate and refurbish the proposed headquarters at an estimated cost of K1,000,000 with an expected completion date of 19th March 2021.

During the period from September 2020 to January 2021, ZAMPOST procured various building materials costing K153,437 for the rehabilitation of the Post Office.

However, as at 30th September 2022, the rehabilitation had not been undertaken twenty one (21) months after the materials were procured. See pictures below.

Further, a physical verification of the building revealed that the structure was in a deplorable state as shown in the pictures below.

Dilapidated roof inside of Ndola Main Post Office earmarked for rehabilitation

Stained Ceiling Board and cracked walls inside of the Post Office earmarked for rehabilitation

ii. Procurement of Desktop and Laptop Computers

On 16th and 23rd December 2019, the Corporation invited bids from the public using open bidding for the procurement of 132 desktop and forty six (46) laptop computers.

Nine (9) bidders were shortlisted and on 23rd March 2020, the Institutional Evaluation Committee recommended two (2) suppliers namely STUS Investments Limited and NATKOS Distributors Limited for the award of contracts for the supply of 132 desktop computers and forty six (46) laptop computers respectively at a total cost of K2,468,100 VAT inclusive based on low value. See table 3 below.

Table 3: Recommended Contract Award Values

No.	Supplier	Items to Supply	Qty	Unit Price K	Contract Price K
1	Stus Investment Limited	Desktop Computers	132	13,575	1,791,900
2	Natkos Distributors	Laptop Computers	46	14,700	676,200
	Total		**178**		**2,468,100**

In line with Procurement regulation No. 123 (1), on 15th April 2020, the Corporation awarded the contracts to the two (2) recommended bidders.

Clause No. 3 of the Special Condition of Contract (SCC) on Payment Terms provided that the terms of payment should be thirty (30) days upon receipt of goods after invoice.

As at 30th September 2022, a total amount of K1,336,950 had been paid.

The following were observed:

- **Irregular Awarding of the Contract**

  Public Procurement Regulation No. 123 (4) of 2011 stipulates that a procuring entity should, where the recommended bidder fails to conclude a contract or any other action required by the solicitation document, terminate the contract award and award the contract to the next ranked bidder, subject to the bidder being qualified and with the prior authorisation of the approvals authority.

The two (2) suppliers rejected the letters of bid acceptance citing changes in prices.

Contrary to the Regulation, the Corporation failed to terminate the contract award of K1,846,700 to the two (2) suppliers. Further, instead of awarding the contracts to the next ranked bidders, the Corporation decided to revise the total contract price for the two (2) procurements from K1,846,700 to K2,468,100 resulting in an upward adjustment of K621,400 representing 34% of the original bid sum. See table 4 below.

Table 4: Desktops and Laptops Procured

No.	Supplier	Items to Supply	Qty	Unit Price K	Contract Price K	Bid Price K	Variance K
1	Stus Investment Limited	Desktop Computers	132	13,575	1,791,900	1,395,900	396,000
2	Natkos Distributors	Laptop Computers	46	14,700	676,200	450,800	225,400
	Total		**178**		**2,468,100.00**	**1,846,700**	**621,400**

- **Failure to Deliver Computers within Contract Periods**

The terms of the contracts provided that STUS Investments Limited was to deliver the 132 desktop computers within six (6) months by 28th February 2021 while NATKOS Distributors Limited was to deliver the forty six (46) laptop computers within seven (7) months by 31st March 2021.

A review of records and physical inspection conducted in August 2022 revealed that sixty six (66) desktop computers costing K895,950 and thirty (30) laptop computers costing K441,000 were delivered, leaving a balance of sixty six (66) desktops and sixteen (16) laptops undelivered, seventeen (17) and eighteen (18) months respectively after the expected delivery dates.

Further, there was no evidence that the contracts had been extended and as at 30th September 2022, no action had been taken against the suppliers for failure to deliver the computers in full.

- **Irregular Participation in the Decision of the Procurement Committee**

  Procurement Regulation No. 64 (5) states that, "A member of a Procurement Committee or any other approvals authority who is a member of an Evaluation Committee shall not take part in the decision of the Procurement Committee."

  Contrary to the Regulation, a review of the tender circulation form for the purchase of laptops and desktop computers revealed that the Operations Director who was a member of the Procurement Committee and a member of the Evaluation Committee took part in both the decision of the Procurement Committee and that of the Evaluation Committee.

e. Management of Assets - Lack of Title Deeds

Section 41(4) of the Public Finance Management Act No. 1 of 2018 requires Controlling Officers to ensure that all public properties under their charge are secured with title deeds.

Contrary to the Act, the Corporation had 253 properties with a Net Book Value of K91,472,552 out of which only eight (8) had title deeds leaving a balance of 245 properties without title deeds as at 30th September 2022.

f. Management of Subsidiaries

During the period under review, ZAMPOST revenue from its traditional postal services business had been declining. In order to improve its revenue base, the Corporation diversified its operations into travel and tours, public transport and clearing and forwarding by incorporating three (3) subsidiary companies.

An examination of financial and other records maintained by the subsidiary companies for the period under review, revealed the following:

i. **ZAMPOST Freight and Forwarding Limited - Failure to Establish the Board of Directors**

The Company was established to provide clearing and forwarding services to the public. ZAMPOST owns 4,999 Ordinary Shares while ZAMPOST Bureau De Change owns one (1) share.

However, it was observed that the Company operated without a Board of directors since 17th November 2021. As at 30th September 2022, the board of directors had still not been appointed.

ii. **Postbus Company Limited**

- **Failure to Recapitalise Post Bus**

  The Post Bus Limited was not recapitalised and further, the company had no buses of its own.

- **Failure to Collect Revenue**

  The company was being supported by one (1) franchise holder who was operating two (2) buses whereas the franchise under Ministry of Youth, Sport and Arts was operating thirteen (13) buses.

  On 31st October 2021 the franchise with the Ministry was terminated by ZAMPOST due to failure to deposit sales into the official account, failure to use the Post Office bus stations, failure to run expected trips and nonpayment of commissions by the Ministry.

  At the time of terminating the franchise, the Ministry of Youth Sport and Art was owing Postbus Company Limited commissions and royalty fees in amounts totalling K486,160 which had not been recovered as at 30th September 2022.

24 ZAMBIA TELECOMMUNICATION CORPORATION LIMITED

24.1 Background

a. Establishment

The Zambia Telecommunications Corporation Limited (Zamtel) was incorporated under the Companies Act Chapter 388 of the Laws of Zambia. Zamtel is wholly owned by the Government of the Republic of Zambia through the Industrial Development Corporation (IDC).

The core function of Zamtel is the provision of telecommunication services including fixed line, mobile and data services.

b. Governance - Board of Directors

The Articles of Association of the Company provide for a Board of Directors with a maximum of seven (7) members comprising the following:

e. the Permanent Secretary or a representative of the Ministry responsible for sector policy

f. five (5) persons from the private sector; and

g. the Managing Director of the Company

The Members of the Board are appointed on a renewable three (3) year term.

c. Management

The Managing Director is responsible for the day-to-day operations of the Company and is assisted by the Chief Officers responsible for Legal and Regulatory, Financial, Technical and Information Services, Commercial Services, Human Resources and Administration and Audit and Risk.

d. Sources of Funds

Zamtel derives its income from the provision of communication services such as sale of mobile services, value added services (caller tunes, borrowing of talk time), fixed services, interconnectivity, roaming and the sale of devices as well as from rental income.

e. **Information and Communication Technology Systems**

During the period under review, ZAMTEL operated the following Information and Communication Technology (ICT) systems:

i. **Online Charging System (OCS)**

This system was used for the management of calls, short messaging system (SMS) and data (billing section of core network).

ii. **Oracle E-Business Suite R12**

This system was used for the administration of payroll, procurement, inventory and financial management.

iii. **Voucher Management System**

This system was used to produce Personal Identification Numbers (PINs) distributed through the Electronic Voucher Distribution System and Scratch Cards.

iv. **Digital Channels Platform**

This system enabled customers to buy and sell talk-time electronically.

v. **IP Contact Centre (IPCC)**

This system was used in the call centre for the management and routing of calls.

24.2 Audit Findings

A review of accounting and other records for the financial years ended 31st December 2019,2020 and 2021 revealed the following.

a. **Budget and Income – Failure to Meet Revenue Targets**

ZAMTEL had an income budget of K4,164,743,000 for the financial years ended 31st December 2019, 2020 and 2021 out of which income in amounts totalling K1,953,060,000 was generated resulting in negative variance of K2,211,683,000. See table 1 below.

Table 1: Budget vs Income

Year	Budget K'000	Actual Income K'000	Variance K'000
2019	1,131,539	566,083	(565,456)
2020	1,447,855	613,237	(834,618)
2021	1,585,349	773,740	(811,609)
Total	**4,164,743**	**1,953,060**	**(2,211,683)**

Further, ZAMTEL Board and IDC had performance contracts in which revenue targets amounting to K4,222,420,781 were agreed. However, ZAMTEL Board did not meet the revenue target in that it collected less revenue by K2,269,360,781 as shown in table 2 below.

Table 2: Revenue Target vs Actual

YEAR	2021 K	2020 K	2019 K	Total K
Target Revenue	1,610,750,781	1,470,000,000	1,141,670,000	**4,222,420,781**
Actual Revenue	773,740,000	613,237,000	566,083,000	**1,953,060,000**
Variance	(837,010,781)	(856,763,000)	(575,587,000)	**(2,269,360,781)**

b. Financial Analysis

i. Statements of Comprehensive Income

The Statements of Comprehensive Income for the financial years ended 31st December 2019, 2020 and 2021 were as shown in table 3 below.

Table 3: Statements of Comprehensive Income

Details	2021 K'000	2020 K'000	2019 K'000
Revenue from contracts with customers	773,740	613,237	566,083
Cost of sales	(561,051)	(503,904)	(546,235)
Gross Profit	**212,689**	**109,333**	**19,848**
Other income/(expenses)	231,973	(418,979)	(86,166)
loss/profit on disposal of property, plant and equipment	(183,992)	955	981,895
Net impairment reversal/losses on financial assets	(90,306)	9,309	(56,644)
Administration and operating expenses	(663,549)	(652,959)	(513,110)
Operating(loss)/profit	**(493,185)**	**(952,341)**	**345,823**
Finance lncome	101,287	2,539	668
Finance costs	(41,908)	(202,502)	(650,149)
Loss before income tax	**(433,806)**	**(1,152,304)**	**(303,658)**
Income tax expense	(293)	(141)	(615)
Loss for the year	**(434,099)**	**(1,152,445)**	**(304,273)**
Other comprehensive loss for the year			
Items that will not be reclassified to profit or loss:			
Deferred income tax	24,140	73,212	
Total comprehensive loss for the year	**(409,959)**	**(1,225,657)**	**(304,273)**
Loss attributable to:			
Owners of Zambia Telecommunication Company Limited	**(434,099)**	**(1,152,445)**	**(304,273)**
Total comprehensive loss for the period is attributable to:			
Owners of Zambia Telecommunication Company Limited	**(409,959)**	**(1,225,657)**	**(304,273)**

Source: ZAMTEL Financial Statements for the years ended 31st December 2019, 2020 and 2021.

A review of the Statement of Comprehensive Income in Table 4 above revealed the following:

- **Profitability – Operating profit Margin**

  Earnings Before Interest Tax Depreciation and Amortization (EBITDA) margin is a profitability ratio that measures how much in earnings a company is generating before interest, taxes, depreciation, and amortization, as a percentage of revenue. EBITDA margin is calculated by dividing EBITDA by Revenue.

  According to the performance based contract between the IDC and the Board of ZAMTEL for 2019, 2020 and 2021, the EBITDA Margins were set at 19%, 34% and 44.78% respectively.

  An analysis of the EBITDA margins for the period under review revealed declining margins and failed to meet the agreed set targets as shown in the table 4 below.

Table 4: EBITDA Profit Margin

	2021	2020	2019
EBITDA (K)	(141,242,000)	(316,210,000)	806,769,000
Revenue (K)	773,740,000	613,237,000	566,083,000
EBITDA Margin (%)	-18	-52	143
Target EBITDA Margin (%)	44.78	34	19

- **Reduction in Gross Profit Margin**

The gross profit margin of an entity measures the amount of turnover it retains after all its cost of sales are deducted.

According to the performance based contract between the IDC and the Board of ZAMTEL for 2019, 2020 and 2021, the gross profit margins were set at 64%, 72% and 77.44% respectively.

An analysis of the gross profit margins for the period under review revealed declining margins as shown in table 5 below.

Table 5: Gross Profit Margin

	2021	2020	2019
Turnover (K)	773,740,000	613,237,000	566,083,000
Gross Profit for the year (K)	212,689,000	109,333,000	19,848,000
Gross Profit Margin (%)	27	18	4
Target Gross Margin (%)	77.44	72	74.71

As can be seen from the table above, the company's gross profit though improved from 4% in 2019 to 27% in 2021, it was below the target set by IDC.

- **Failure to Achieve Set Net Profit/Loss Margin**

The net profit margin is a measure of profit before interest and tax (PBIT) as a percentage of revenue.

According to the performance based contract between the IDC and the ZAMTEL Board for 2019, 2020 and 2021, the net profit margins were set at -54%, 0.20% and 77.44% respectively.

An analysis of the profit margins for the period under review, revealed that ZAMTEL failed to achieve the agreed targets. See the table 6 below.

Table 6: Profit Margin Ratio

Profit Margin Ratio= (PBIT) / (Revenue) X 100			
Accounting Period	**2021 K'000**	**2020 K'000**	**2019 K'000**
Revenue	773,740	613,237	566,083
Profit/(Loss) Before Interest & Tax	(433,806)	(1,152,304)	(303,658)
Net Margin	**-56%**	**-188%**	**-53.64%**
Target Margin	77.4%	0.20%	-54%

Further, the company recorded operating losses in 2021 and 2020 of K493,185,000 and K952,341,000 respectively due to high administration and operating expenses of K663,549,000 and K652,959,000 respectively among others.

ii. Statements of Financial Position

The Statements of Financial Position for the financial years ended 31st December 2019 to 2021 was as shown in table 7 below.

Table 7: Statements of Financial Position

Details	2021 K'000	2020 K'000	2019 K'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	1,488,491	1,926,749	1,984,075
Right of use assets	1,328,963	1,481,317	1,747,070
lntangible assets	145,201	45,311	-
Investment in subsidiary	96,608	96,608	10
Total non-current assets	**3,059,263**	**3,549,985**	**3,731,155**
Current Assets			
Inventories	25,459	27,242	20,765
Contract assests	-	-	15,557
Trade and other receivables	156,013	281,751	497,991
Cash and cash equivalents	48,657	26,505	153,016
Assets classified as held for sale	-	179,488	-
Total current assets	**230,129**	**514,986**	**687,329**
TOTAL ASSETS	**3,289,392**	**4,064,971**	**4,418,484**
EQUITY			
Equity attributable to owners			
Share capital	6,000	6,000	6,000
Share premium	4,714,521	-	-
Revaluation reserve	114,499	109,817	217,017
Amount awaiting allotment of shares	-	4,397,902	4,397,902
Shareholder capital contributions	17,498	-	-
Accumulated losses	(5,819,794)	(5,405,153)	(4,286,696)
	(967,276)	**(891,434)**	**334,223**
EQUITY AND LIABILITIES			
Non-current liabilities			
Deferred income tax	49,072	73,212	-
Borrowings	35,202	-	-
Lease liabilities	1,156,300	1,314,252	1,581,070
Total non-current liabilities	**1,240,574**	**1,387,464**	**1,581,070**
Current Liabilities			
Lease liabilities	460,657	325,438	191,393
Contract liabilities	33,662	62,718	54,474
Liabilities associated with assets held to sale	-	337,552	-
Borrowings	387,125	474,344	314,410
Trade and other payables	2,125,668	2,360,200	1,813,430
GRZ liability on escrowed funds	-	-	119,648
Current income tax	8,982	8,689	9,836
Total current liabilities	**3,016,094**	**3,568,941**	**2,503,191**
Total liabilities	**4,256,668**	**4,956,405**	**4,084,261**
TOTAL EQUITY AND LIABILITIES	**3,289,392**	**4,064,971**	**4,418,484**

Source: ZAMTEL Financial Statements for the years ended 31st December 2019,2020 and 2021

The following were observed:

- **Liquidity – Current Ratio**

  Liquidity is the ability of an entity to meet its short-term obligations as they fall due. One of the ratios used to measure liquidity is current ratio which is defined as current assets over current liabilities.

According to the performance based contract between the IDC and the Board of ZAMTEL, the agreed current ratios were 0.38, 0.22 and 0.387 in 2091, 2020 and 2021 respectively.

However, ZAMTEL did not meet the targets as current liabilities exceeded current assets as shown in table 8 below.

Table 8: Current Ratio

Year	2021 K'000	2020 K'000	2019 K'000
Current Assets	230,129	514,986	687,329
Current Liabilities	3,016,094	3,568,941	2,503,191
Current Ratio	**0.076:1**	**0.14: 1**	**0.27:1**
Target Ratio	**0.387:1**	**0.22:1**	**0.38:1**

- **Increase in Trade Receivables Days**

The trade receivables ratio measures how much time it takes for trade debtors to settle their bills. A higher ratio may suggest flaws in debt collection or financial difficulties being encountered by customers.

According to the performance based contract between the IDC and the Board of ZAMTEL, the agreed receivable days was 97 days in 2021.

However, an analysis of the trade receivables days against revenue for the year 2021 revealed that trade receivables days was 264 days. See table 9 below.

Table 9: Trade Receivables Days (Trade Receivables/Revenue x 365)

Year	Trade Receivables K	Sales Revenue K	Receivables Days	Target
2021	559,360,000	773,740,000	264	97

In this regard, the Company was not efficient in collecting payments from its credit customers.

- **Return on Capital Employed (ROCE)**

Return on Capital Employed (ROCE) is a measure of the returns that a business achieves from the capital employed, usually expressed in percentage terms.

Capital employed is defined as equity plus non-current liabilities (or total assets less current liabilities).

A review of the Company's Statement of Financial Position revealed that ROCE was in negative for 2020 and 2021 as shown in table 10 below.

Table 10: Return on Capital Employed

Year	2021 K	2020 K	2019 K
Net operating Profit	(493,185,000)	(952,341,000)	345,823,000
Total Assets Less Current Liabilites	273,298,000	496,030,000	1,915,293,000
Return on Capital Employed	(1.80)	(1.92)	0.18
Return on Capital Employed %	(180.46)	(191.99)	18.06

- **Asset Turnover Ratio**

Asset turnover ratio measures the efficiency of a company's assets in generating revenue or sales and is calculated by dividing net sales or revenue by the average total assets.

According to the performance based contract between the IDC and the Board of ZAMTEL, the agreed asset turnover ratio was 45% in 2021.

However, an analysis of the asset turnover ratio against revenue for the year 2021 revealed that asset turnover ratio was 24% instead of 45%. See table 11 below.

Table 11: Asset Turnover Ratio (Sales/Total Assets)

Year	Sales Revenue K	Total Assets K	Asset Turnover Ratio	Target
2021	773,740,000	3,289,392,000	24	45

c. Information and Communication Technology (ICT) Systems

A review of the ZAMTEL systems, financial and other accounting records revealed the following:

i. Use of Unsupported Operating Systems and Database Software

ISO/IEC 27001:2013 A12.6.1 Management of Technical Vulnerabilities, requires that an organisation obtains in a timely fashion information about technical vulnerabilities of information systems being used. The exposure to such vulnerabilities should be evaluated and appropriate measures taken to address the associated risk.

ZAMTEL was operating several personal computers and servers that were running several operating systems and database software that were not receiving support such as security updates and patches from respective vendors as the operating systems' support services had expired. This rendered the systems unstable and vulnerable to cyber attacks.

ii. Unsupported Mobile Switching Centres (MSC)

A Mobile Switching Centre (MSC) is a core part of the GSM/CDMA network system. It acts as a control centre of a Network Switching Subsystem (NSS). The MSC connects calls between subscribers by switching the digital voice packets between network paths. It also provides information needed to support mobile service subscribers.

A review of core network infrastructure revealed that ZAMTEL operated three (3) MSCs (Kitwe MSC, MSC11 and MSC12). It was however, observed that MSC11 and MSC12 had reached end of life and were not supported by the vendor.

As a result, the equipment cannot be supported by the vendor in the event of failure, which could result in subscribers failing to access the ZAMTEL network.

iii. Inadequate Cloud Storage – ICT Cloud

COBIT BAI04.01 stipulates that an institution should assess availability, performance and capacity of services and resources to ensure that cost-justifiable capacity and performance are available to support business needs and deliver against service level agreements (SLAs).

During the period under review, ZAMTEL implemented a private cloud storage which stored the organization's data on in-house storage servers by implementing cloud computing and storage technology.

However, cloud storage space was inadequate as each pool had used up between 77% and 95% of the available storage capacity. As a result, there was a risk of applications on the ICT cloud failing to process transactions. See table 12 below.

Table 12: Inadequate Cloud Storage

Cloud-Pool	Allocation (TB)	Used (TB)	Balance(TB)	Percentage (%)
SDP_APP_Pool	26.488	23.313	3.175	88%
IPCC_APP_Pool	11.292	9.996	1.296	88%
SDP_VM_Pool	7.269	5.669	1.6	77%
IT_VM_SSD_SAS	1.025	1.000	0.025	95%
Fusion Complete	10.976	9.554	1.422	87%
IT_VM_Pool 01	81.876	66.151	15.725	80%

iv. Disabled Audit Logs – OCS_RB Database - Weaknesses in the Management of Oracle Database

Oracle Database is a multi-model database management system (DBMS) produced and marketed by Oracle Corporation. A database management system stores, manages and retrieves a large amount of data in a multi-user environment so that many users can access the same data concurrently.

During the period under review, ZAMTEL operated several Oracle databases to support applications and systems such as the Online Charging System (OCS), Mediation Server and Oracle E-Business Suite R12 – Enterprise Resource Planning (ERP) System.

An audit trail (audit log) is a security relevant chronological record, set of records, and/or destination and source of records that provide documentary evidence of the sequence of activities that have affected at any time a specific operation, procedure, event, or device.

Enabling the basic auditing features for the Oracle instance permits the collection of data to troubleshoot problems, as well as provide valuable forensic logs in the case of a system breach.

However, a review of the OCS_RB database revealed that the audit trail (audit log) was not enabled. As a result, it was not possible to provide evidence of any changes to the database.

v. Inadequate Information Technology Infrastructure

During the period under review, ZAMTEL had undertaken self-assessment of its technology infrastructure against competing mobile service operators in the sector. Following the assessment, it was observed that ZAMTEL had inadequate Information Technology Infrastructure in that the company did not have six (6) critical systems/applications which are essential in the management of various business process. See table 13 below.

Table 13: Inadequate Information Technology Infrastructure

No.	System/Application	Purpose	Zamtel Process
1	Customer Relationship Management	A Customer relationship management (CRM) system is a system for managing a company's relationships and interactions with customers and potential customers.	Manual
2	Customer Value Management	A Customer value management (CVM) system is a system that helps to accurately determine what drives value for customers and allows an organisation to measure performance against competitors.	Manual
3	Data Ware House	A data warehouse is a data management system that is designed to enable and support business intelligence (BI) activities, especially analytics. Data warehouses are solely intended to perform queries and analysis and often contain large amounts of historical data.	BI application connects directly to production database
4	Fraud Management System	A fraud monitoring system is a system that continuously scans account activity and transactions to identify signs of fraud. Such systems analyze vast amounts of data to spot anomalies and flag suspicious transactions.	Manual
5	Revenue Assurance System	A Revenue assurance system enables communications service providers (CSP) to accurately capture revenue for all services rendered.	Manual
6	Point of Sale System	A point of sale (POS) system is a system that is used to process transactions by retail customers.	Manual

d. Operational Matters

i. Failure to Follow Quality of Service Guidelines

Section (4) of Part II of the ZICTA Quality of Service Guidelines of 2019 provides for the quality-of-service parameters, measurement methods and parameter targets that a licensee must meet.

Contrary to guidelines, a review of the Minute No. 80 for an Ordinary Board meeting held on 13th August 2022 revealed that ZAMTEL Limited was reprimanded by ZICTA for abrogating some of the quality-of-service guidelines in its service provision for the months of September, October and November 2019.

Further, a review of the Zambia Information and Communications Technology Authority (ZICTA) quality of service invoice dated 26th August 2020 revealed that in April and June 2020, ZAMTEL failed to meet the call set up success rates and HTTP success internet logins in Chingola, Kitwe and Lusaka. As such, ZAMTEL was charged a total of K450,000 for the failure to meet ZICTA Quality of Service Guidelines.

ii. GRZ Communication Tower Phase II

On 25th August 2017, a Subsidiary Agreement was entered into between the Government of the Republic of Zambia and Zambia Telecommunications Company Limited (ZAMTEL) where the Government agreed to appoint ZAMTEL to execute the Zambian Communication Towers Project Phase II. The Government, pursuant to the Government Concessional Loan Agreement with Exim Bank agreed to on-lend to ZAMTEL the sum of US$280,764,601.55 on terms and conditions satisfactory to the Government.

The Government Communication Towers Phase II Project was an initiative that was being implemented by the then Ministry of Transport and Communication through ZAMTEL as Project Managers.

The project aimed at servicing the poor, unserved and underserved areas in the country. The project was divided into seven sub-projects namely; DWDM Project, IP Transport Network Project, Microwave Backbone Project, IP RAN-North and South

Projects, LTE 1800 and LTE 2300 Project, IT/VAS Devices Project and GRZ 469 Sites Project.

Between 2018 and 2020, the GRZ Project had been rescoped four (4) times at no additional costs.

An evaluation of the Project revealed the following:

- **Revenue and Repayment Reserve Accounts**

  Article 4.02 of the Agreement stipulates that ZAMTEL, after following the laid down Government procedure, should establish and maintain a revenue account which would receive the revenue from the project operation and a repayment reserve account which would be used to reserve money to make the repayment on time.

  However, the bank statements for the two (2) accounts were not availed for audit as at 31st October 2022.

- **Site Performance of GRZ Towers – Financial Losses**

  In the financial years ended 31st December 2019, 2020 and 2021, the GRZ Communication towers recorded losses in amounts totalling K393,762,994 as shown in table 14 below.

Table 14: Revenue vs Cost

	2019 K	2020 K	2021 K	Total K
Revenue	75,718,620	54,116,663	120,416,822	250,252,105
Total Cost	94,697,564	183,622,564	365,694,971	644,015,099
Profits/(Loss)	**(18,978,944)**	**(129,505,901)**	**(245,278,149)**	**(393,762,994)**

- **Failure to Avail Stores Records**

  A review of the Progress Report on the project dated July 2022 revealed that works and hardware costing US$278,353,830.98 out of US$280,764,601.55 had been completed and delivered as of July 2022 to Huawei and ZAMTEL warehouses for tower installation.

However, as at 31st October 2022, ZAMTEL did not avail records relating to spare parts, equipment and towers costing US$982,344.93 that were delivered to Huawei warehouses.

- **Project Status**

The initial project plan was for the construction of 808 Greenfield towers which was revised to 781 due to duplications and relocation of sites.

However, as at 30th September 2022, a total of 776 towers representing 99% of the target had been constructed while construction of the remaining five (5) towers had not commenced and works costing US$278,353,831 had been certified and paid to the contractor. See table 15 below.

Table 15: Project Finance Status

Description	Contract (BOQ) US$	Certified US$
Equipment	185,677,197.31	184,759,641.65
Service	95,087,404.24	93,594,189.33
Total	**280,764,601.55**	**278,353,830.98**

- **Failure to Avail Valuation Report for Transfer of Towers - Infratel**

The Board of IDC Limited at its 1st Special Meeting for the year 2017 held on 22nd November 2017, approved the recommendations of the Investment and Portfolio Management Committee as follows:

- The establishment of the National Telecommunication Infrastructure Company to be spearheaded by IDC;
- Hiving off the 422 towers owned by ZAMTEL on a buy-lease back basis at the market price for the towers; and
- GRZ/Huawei projects costing US$282 million for 1,009 towers to be managed by Infratel during the construction period, a role that was being undertaken by ZAMTEL.

Further, on 15th August 2019, the ZAMTEL Board resolved to approve the transfer of 1,282 out of 1,304 infrastructure (towers, power and associated land marked out by actual space occupied by the towers) at passive sites to Infratel together with the liabilities.

Clause 62 (1) of the Public Finance Management Act No. 1 of 2018 stipulates that the Secretary to the Treasury should, where on the creation of a statutory corporation or state owned enterprise, it becomes necessary for Government assets to be vested in that statutory corporation or state owned enterprise, arrange for such assets to be valued and examined by a qualified valuator and the value of such assets should be either reckoned as;

i. Governments contribution to the share capital of the statutory corporation or state owned enterprise; or

ii. A Government loan to the statutory corporation or state owned enterprise under amortisation arrangements to be determined by the Treasury.

However, there was no evidence that a valuation was conducted by a qualified valuator before the assets were transferred to Infratel.

- **Makeni Store Launch**

On 26th January 2021, the Commercial Department sought authority from management to run promotions on the opening of a new retail outlet at Makeni Shopping Mall. Management approved the promotion on 29th January 2021 which included sale of 500 Cheza phones and was to run only on the grand opening day of 2nd February 2021.

The objective of the promotion was to drive traffic to the retail outlet and create awareness of the ZAMTEL store presence in the area.

The following were observed:

- **Unauthorised Sale of 6,547 Cheza Phones**

The approval template dated 26th January 2021 for the promotion of the Cheza phones indicated a price discount of K85 from K185 to K100 per phone.

However, the Chief Commercial Officer authorised the extension of the promotion for eleven (11) days without authority from management. In this regard 6,547 phones were sold at the discounted price resulting in a loss of K556,495.

- **Failure to Recover Loss on Cheza Phones**

Clause 10.2 of the ZAMTEL conditions of service of 2019, states that “The Company shall be entitled to deduct from the employee’s gratuity any outstanding loans, advances, value of unaccounted for company property or materials, disciplinary surcharges, or any other amount which the company is by law required or allowed in deserving cases to deduct from the employee.”

In a letter dated 4th August 2021, the Chief Executive Officer requested the Chief Commercial Officer to exculpate himself and show why disciplinary action could not be taken against him for extending the promotion period without authority.

However, the Chief Commercial Officer resigned with immediate effect on 5th August 2021 without exculpating himself and management accepted his resignation the same day.

Contrary to the Conditions of Service, management accepted the resignation without charging the officer and paid his gratuity amounting to K171,586 on 17th August 2021. The decision by management to accept the resignation without concluding the matter of the unauthorised sale that resulted in the loss of K556,495 is questionable.

e. **Procurement Matters**

i. **Contract for the Refurbishment of Lamya House and Associated External Works**

On 14th September 2015, ZAMTEL Limited engaged China Jiangxi Corporation (Z) Limited for the Refurbishment of Lamya House and associated external works at a contract sum of K62,996,995 in five (5) lots with a completion period of sixteen (16) months.

On 29th January 2016, an addendum to the contract was signed that changed the currency of the contract from Zambian kwacha (ZMW) to United States Dollar (US$) and as such converting the contract sum from K62,996,995 to US$8,519,670 using a fixed exchange rate of K7.3943 to US$1.

Further, on 15th September 2017, the contract sum was revised downwards to US$3,652,186.63 VAT inclusive due to a variation in the scope of works resulting from a decrease in the Bill of Quantities and the completion date was revised to 7th July 2019.

The scope of works included refurbishing of Lamya House, external works, and the old wing that included brick work and block work, roofing, carpentry, joinery and ironmongery, metal work, plumbing installation, specialist installation, floor, wall and ceiling finishing, glazing, painting and decorating.

As at 30th September 2022, the contractor had been paid amounts totalling US$1,716,418.45 representing 47% of the contract sum.

A review of records and physical verification of the works carried out in September 2022, revealed that the works were on going.

The following were observed:

- **Failure to Renew Performance Security**

  General Conditions of Contract (GCC) 49.1 states that, "The Performance Security shall be provided to the Employer no later than the date specified in the Letter of Acceptance and shall be issued in amount specified in the SCC, by a bank or surety acceptable to the employer, and denominated in the types and proportions of the currencies in which the contract price is payable. The performance security shall be valid until a date twenty (28) days from date of issue of the certificate of completion in the case of a bank guarantee, and until one (1) year from the date of issue of the completion certificate in the case of a performance bond."

Further, General Conditions of Contract GCC 49.1 states that, "The Performance Security amount is 10% Bank Guarantee."

A scrutiny of the Performance Guarantee revealed that it had expired on 31st December 2021. As at 30th September 2022, the performance guarantee had not been renewed.

- **Irregular Advance Payment**

Section 48.1 of the Special Conditions (SCC) of Contract stipulates that advance payments should be 25% of the total purchase order amount per Lot on call off basis and should be paid to the contractor no later than fourteen (14) days after submission of the performance guarantee. The bidder should provide an advance payment security guarantee from a registered bank. The balance of 75% should be paid after completion of works and presentation of signed completion certificates by the end users.

Contrary to the SCC, an amount of US$913,046.66 was paid on 31st December 2017 as advance payment without the contractor providing an advance payment security. A scrutiny of records revealed that the contractor only obtained the advance payment guarantee on 26th November 2018, eleven (11) months after being paid.

Further, as at 31st December 2021, the advance payment had reduced to US$518,740 after recoveries were made upon payment of previous certified Interim Payment Certificates with a renewed advance payment guarantee of the same amount.

However, the advance payment guarantee which expired on 31st December 2021 had not been renewed as at 30th September 2022.

- **Expired Insurance**

  GCC 13.1 of the contract stipulates that the contractor should provide, in the joint names of the employer and the contractor, insurance cover from the contract start date to the end of the defect's liability period in the amounts and deductibles stated in the SCC.

  A review of records revealed that the contractor had an insurance policy covering the period up to July 2020. However, as at 30th September 2022, the insurance policy had not been renewed.

ii. Failure to Recover Advance Payment - Construction and Rehabilitation of Strong Rooms in Major Service Centres for Seven (7) Lots

On 13th September 2021, ZAMTEL awarded the tender for the construction and rehabilitation of ZAMTEL strong rooms in seven (7) towns to Redhill Engineering Limited at a contract sum of K566,618.11 VAT exclusive with a completion period of ten (10) weeks.

The scope of works included demolition of old structures, walls in block work, concrete backing walls, door fittings, floor finishing including tiling, painting, electrical fittings and shelving.

As at 30th September 2022, amounts totalling K328,253 had been paid K141,866 as advance payment and K186,598 for certified works. The advance paid to the contractor was against an insurance bond of K141,655 which was effective from 27th September 2021 to 27th December 2021.

However, as at 30th September 2022, the insurance bond had not been renewed and the advance payment had not been recovered.

Further, a physical inspection carried out in September 2022 revealed that the works had not been completed.

f. Accounting Irregularities-Failure to Collect Revenue

A review of the financial statements for the year ended 31st December 2021, revealed that ZAMTEL had receivables of K514,341,210 (Public Switched Telephone Network

-K479,721,296 and Global System for Mobile Network - K34,619,914 for services consumed by customers). In addition, receivables totalling K9,901,192 that were attributable to seventy eight (78) distributors had been outstanding for periods from January 2012 to November 2020. As at 31st October 2022, the amounts remained outstanding.

g. Administrative Matters

i. Properties Without Title Deeds

Section 41(4) of the Public Finance Management Act No. 1 of 2018 states that, "A Controlling Officer shall ensure that all public properties under the Controlling Officer's charge are secured with title deeds."

Contrary to the Act, ZAMTEL did not secure title deeds for five (5) parcels of land under their charge as at 31st October 2022. See table 16 below.

Table 16: Pieces of Land without Title Deeds

No.	Date of Acqusition	Site ID	Site ID	Purchase Price K
1	16.03.2020	NOP0152	Masamba	35,000
2	20.09.2019	NOP0033	Mununga	30,000
3	31.01.2019	NOP0047	Kalonge	20,000
4	08.01.2019	CBP0294	Silangwa	30,000
5	11.12.2018	LK0303	Katondwe	35,000
	Total			**150,000**

Among the properties sitting on these parcels of land were active equipment (Radio and CSPS Core, Wireless Service, DBS Series and Microwave equipment) costing K2,325,210.

ii. Delayed Insurance Claim - Loss of Insured Amount

On 30th September 2021, a Nissan truck registration No. ABK 6606 owned by ZAMTEL was involved in a road traffic accident. At the time of the accident, the truck was comprehensively insured for K147,200.

The insurance policy required ZAMTEL to notify the insurance company of the accident within fourteen (14) days, ZAMTEL only notified the insurance company and claimed for compensation on 16th November 2021, forty seven (47) days after the accident occurred.

Consequently, the insurance company did not compensate ZAMTEL resulting in a loss of the insured amount of K147,200.

As at 30th September 2022, the truck had not been repaired.

iii. Failure to Collect Rentals - Provident House

On 9th August 2011, ZAMTEL Limited engaged Sherwood Green Properties Limited to lease out and manage Provident House in Ndola. A review of the rental income schedule prepared by Sherwood Green for Provident House for the period 2019 to 2020 revealed that Sherwood Green collected rentals amounting to K360,513.

However, no evidence was availed to show that the rental income was remitted to ZAMTEL.

The management of the property was taken over by ZAMTEL in January 2021. At the time of takeover, various tenants were owing rentals in amounts totalling K3,134,203

As at 31st October 2022, only K203,014 had been collected leaving a balance of K2,931,189.

iv. Lack of Lease Agreements

A review of the tenant database revealed that ZAMTEL had 125 tenants across the country out of which only ten (10) had lease agreements as at 30th September 2022.

v. Failure to Collect Rental Income

During the period under review, ZAMTEL had sixteen (16) commercial properties countrywide that the company had leased out to the general public. According to the commercial lease agreements for the rented properties, tenants were required to pay their rentals in advance for periods ranging from one (1) to six (6) months.

However, a review of records revealed that ZAMTEL consistently failed to collect rentals from its tenants for the period under review. In this regard, ZAMTEL was owed rental income in amounts totalling K9,440,792 in 2019, K10,353,000 in 2020 and K11,869,153 in 2021.

As at 30th September 2022, the outstanding rentals amounted to K14,028,132.

h. Failure to Settle Statutory Obligations

As at 31st December 2021, ZAMTEL had outstanding statutory contributions in amounts totalling K199,431,987 in respect of Zambia Revenue Authority (K183,642,012) and National Pension Scheme Authority (K15,789,975) which had accrued from as far back as 1st January 2019. See table 17 below.

Table 17: Unsettled Statutory Obligations

No.	Institutions	Details	Amount K
1	Zambia Revenue Authority (ZRA)	Pay As You Earn	183,642,012
2	National Pension Scheme Authority (NAPSA)	Pension Contributions	15,789,975
	Total		**199,431,987**

Included in the outstanding obligations are amounts totalling K17,022,812 in respect of penalties and interest owed to the Zambia Revenue Authority that had been charged as a result of late payments of returns and assessments and late filing in of returns by ZAMTEL.

As at 30th September 2022, the outstanding statutory contributions increased to K1,068,125,012 (Zambia Revenue Authority - K1,059,102,527 and National Pension Scheme Authority K9,022,485).

25 ZAMBIA CONSOLIDATED COPPER MINES INVESTMENTS HOLDINGS

25.1Background

a. Establishment

The ZCCM Investment Holdings Plc (ZCCM-IH) was incorporated in March 2000 in accordance with the provisions of the Companies Act, CAP 388 following the privatisation of ZCCM Limited. ZCCM-IH is owned by Industrial Development Corporation (IDC) (60.3%), Ministry of Finance (17.3%), National Pension Scheme Authority (NAPSA) (15%) and private investors (7.4%).

The Company was created with the purpose of holding shares on behalf of Government in various mining companies. As at 31st December 2021, ZCCM-IH had an investment portfolio of twenty four (24) companies as shown in table 1 below.

Table 24 : ZCCM- IH Investment Portfolio

No.	Company	Shareholding (%)	Product/Service
1.	Mopani Copper Mines Plc	100	Copper cathode and anode slimes
2.	Limestone Resources Ltd	100	Supplier of limestone products
3.	Ndola Lime Company	100	Supplier of limestone products
4.	Nkandabwe Coal Mine Ltd	100	Coal Mining
5.	METS Ltd	100	Services to the mining sector
6.	Kariba Minerals Ltd	100	Amethyst Mine
7.	Mushe Milling Ltd	100	Milling
8.	Kabundi Resources Ltd	100	Manganese Mining
9.	Investrust Bank Plc	71.4	Commercial bank
10.	Zambia Gold Company Ltd	51	Gold Mining, Exploration and Trading
11.	Central African Cement Ltd	49	Cement and Thermal power energy
12.	Rembrandt Properties Ltd	49	Real Estate
13.	Consolidated Gold Company Ltd.	45	Gold Processing
14.	Maamba Collieries Limited	35	Supplier of coal and generator of 300Mw
15.	Copperbelt Energy Corporation Plc	24.1	Distribution network to large-scale copper mines
16.	Konkola Copper Mines Plc	20.6	Copper cathode, copper-cobalt alloys and anode
17.	CNMC Luanshya Copper Mines Plc	20	Copper concentrates and copper cathode
18.	Kansanshi Mine Plc	20	Copper concentrate, Copper anode, copper
19.	Lubambe Copper Mine Plc	20	Copper concentrates
20.	Copper Tree Minerals Limited	15.6	Copper cathode
21.	NFCA Africa Mining Plc	15	Copper concentrates
22.	Chibuluma Mines Plc	15	Copper concentrates
23.	Chambishi Metals Plc	10	Copper cathode and cobalt metal
24.	Oranto Petroleum Limited	10	Oil and gas

b. Governance

Section 72 of the Articles of Association of the Company provides for a Board of Directors with a minimum of seven (7) and not more than eight (8) members. The Chairperson of the Board is appointed by the IDC.

c. Management and Staff

The operations of the company is the responsibility of the Chief Executive Officer (CEO) who is appointed by the Board on a three (3) year renewable contract. The CEO is assisted by Chief Officers of Corporate Services (Company Secretary), Investment, Finance, Risk and Internal Audit, Technical and Human Resource as well as Public Relations Officer. The Chief Executive Officer appoints the management team on three (3) year renewable contracts.

d. Sources of Funds

The ZCCM-IH derives its income from dividends from its subsidiaries and associated companies and from sale of cobalt and copper.

25.2 Audit Findings

An examination of financial and other records maintained at ZCCM-IH for the period 1st April 2019 to 31st December 2021 revealed the following:

a. Governance Matters

i. Failure to Hold Annual General Meeting

Section 57 (1) of the Companies Act No.10 of 2017 stipulates that a company should hold, within ninety days after the end of each financial year, an annual general meeting.

Further, Section 3.19 of the Lusaka Securities Exchange Listings requirements entails listed companies to publish, distribute the annual report and hold the Annual General Meeting (AGM) within ninety days after the end of the financial year.

A review of secretarial records revealed that ZCCM-IH did not hold Annual General Meetings for the financial years ended 31st December 2020 and 2021 as at 31st October 2022.

Further, although the Annual General Meeting for the financial year ended 31st December 2019 was held on 30th June 2021, it was delayed by 456 days.

ii. Lack of Prescribed Tenure of Office for Board Members

On 13th December 2021, seven (7) board members were appointed as members of the ZCCM-IH Board of Directors. However, the Articles of Association did not prescribe the tenure for members who served on the Board. Consequently, three (3) board members' appointment letters did not prescribe the period for which the board members were to serve.

b. Budget and Income

ZCCM-IH budgeted to receive income of K1,693,986,000 for the period from 1st April 2019 to 31st December 2021 from various sources which included dividends, price participation and rentals against which amounts totalling K4,228,473,000 were received resulting in a positive variance of K2,534,487,000 See table 2 below.

Table 2: Budget and Income

Year	Budgeted Revenue K'000	Actual Revenue K'000	Variance K'000
2019	51,130	480,505	429,375
2020	260,249	1,299,096	1,038,847
2021	1,382,608	2,448,872	1,066,264
Total	**1,693,986**	**4,228,473**	**2,534,487**

c. Financial Performance

i. Statement of Comprehensive Income

The Comprehensive Income for the financial years ended 31st December 2020 and 31st December 2021 were as shown in table 3 below.

Table 3: Consolidated Statement of Comprehensive Income

Details	Draft 2021 K'000	2020 K'000	2019 K'000
Revenue from contracts with customers	14,733,446	113,088	62,432
Cost of sales	**(14,104,886)**	**(57,348)**	**(53,015)**
Gross profit	628,560	55,740	9,417
Investment income	12,822	16,938	48,364
Investment expenses	-	-	**(305)**
Net investment income	12,822	16,938	48,059
Other income	23,003,751	100,131	139,066
Net impairment losses on financial assets	(36,019)	(141,614)	(129,541)
Administration expenses	(20,891,522)	(610,785)	(222,386)
Operating Profit/(loss)	2,717,592	(579,590)	(155,385)
Finance income	1,648,706	969,606	170,348
Finance costs	(1,337,004)	(24,728)	(31,274)
Net finance income	311,702	944,878	139,074
Share of profit of equity-accounted investees, net of tax	3,004,542	1,487,537	420,348
Profit before tax	6,033,836	1,852,825	404,037
Income tax (expense)/credit	(248,307)	(221,737)	(22,871)
Profit from continuing operations	5,785,529	1,631,088	381,166
Profit/Lossfrom discontinued operations	(32,978)	500,399	(73,979)
Profit for the year	5,752,551	2,131,487	307,187
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation on property, plant and equipment		-	26,255
Investment Property	-	2,761	
Deferred tax on revaluation reserve	1,079	77	(9,112)
Actuarial gain on defined benefit pension plans	(105,270)	514	(715)
Deferred tax on defined benefit actuarial loss	(1,297)	(180)	250
	(105,488)	3,172	16,678
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences - equity - accounted investees	(4,331,946)	6,187,787	1,276,863
Equity-accounted investees- share of other comprehensive income	8,754,325	-	3,987
	4,422,379	6,187,787	1,280,850
Other comprehensive income, net of tax	4,316,891	6,190,959	1,297,528
Total comprehensive income	10,069,442	8,322,446	1,604,715
Profit/(loss) attributable to:			
Owners of the company	5,745,420	2,132,265	328,345
Non-controlling interests	7,131	(778)	(21,158)
	5,752,551	**2,131,487**	**307,187**
Total comprehensive income attributable to:			
Owners of the company	10,062,311	8,323,224	1,625,873
Non-controlling interests	7,131	(778)	(21,158)
	10,069,442	**8,322,446**	**1,604,715**

ii. Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position for the years ended 31st December 2020 and 31st December 2021 were as shown in table 4 below.

Table 4: Consolidated Statement of Financial Position

Details	**Draft 2021 ZMW '000**	**2020 ZMW '000**	**2019 ZMW '000**
Assets			
Property, plant and equipment	34,353,598	167,023	240,712
Exploration and evaluation asset	38,989	20,704	-
Intangible assets	2,569	749	648
Investment property	192,227	183,917	167,970
Investment in associates	17,067,159	19,351,000	11,855,067
Financial assets at fair value through profit or loss	1,458,000	292,000	-
Trade and other receivables	1,229,424	785,269	385,465
Environmental Protection Fund	87,130		
Deferred tax assets		661,277	564,304
Goodwill			119818
Total non-current assets	**54,429,096**	**21,461,939**	**13,333,984**
Property, plant and equipment		-	58,413
Inventories	4,651,883	55,728	52,057
Trade and other receivables	3,264,968	510,325	344,220
Term deposit	653,742	194,369	274,960
Cash and cash equivalents	184,625	181,209	56,816
	8,755,218	941,631	786,466
Assets classified as held for sale	1,478,569	1,307,400	1,127,333
Total current assets	10,233,787	2,249,031	1,913,799
Total assets	**64,662,883**	**23,710,970**	**15,247,783**
Equity			
Share capital	1,608	1,608	1,608
Share premium	2,089,343	2,089,343	2,089,343
Other reserves	18,984,357	14,561,120	8,370,716
Retained earnings	9,857,143	4,271,145	2,191,390
Equity attributable to shareholders	30,932,451	20,923,216	12653057
Non-controlling interest	(16,873)	(24,004)	(23,226)
Total equity	30,915,578	20,899,212	12,629,831
Liabilities			
Borrowings	25,343,567	161,370	-
Trade and other payables	-	18,335	14,591
Deferred tax liabilities	79,257	519,877	238,185
Retirement benefits	96,287	10,792	7,971
Provisions for environmental rehabilitation	1,202,588	173,522	57,361
Total non-current liabilities	26,721,699	883,896	318,108
Overdraft	70,449	10,034	2,641
Trade and other payables	4,798,460	156,053	724,321
Provisions	31,425	121,177	83,118
Current tax liabilities	202,696	214,527	209,904
Retirement benefits	244,001	2,402	26,698
Provisions for environmental rehabilitation			61,892
	5,347,031	504,193	1,108,574
Liabilities directly associated with assets classified as	1,678,575	1,423,669	1,191,270
Total current liabilities	7,025,606	1,927,862	2,299,844
Total liabilities	33,747,305	2,811,758	2,617,952
Total equity and liabilities	**64,662,883**	**23,710,970**	**15,247,783**

d. Operational Matters - Weaknesses in Investee Companies

During the period under review, ZCCM-IH had investments in twenty four (24) companies with a total net asset value of K63,989,866,000 as at 31st December 2021 out of which K31,567,675,000 was ZCCM-IH's share. See table 5 below.

Table 5: Investment Portfolio

No.	Asset Name	% Interest	Net Assets in Investee Companies K'000	Share of Net Assets in Investee Companies K'000	Dividends Received in 2019 K'000	Dividends Received in 2020 K'000	Dividends Received in 2021 K'000	Total Dividends Received 2019 - 2021 K'000
1.	Mopani Copper Mines Plc	100	14,439,885	14,439,885	-	-	-	-
2.	Limestone Resources Ltd	100	13,458	13,458	-	-	-	-
3.	Ndola Lime Company	100		-	-	-	-	-
4.	Nkandabwe Coal Mine Ltd	100	- 38,401	- 38,401	-	-	-	-
5.	MisengeEnvironmental and Technical Services Ltd	100		-	-	-	-	-
6.	Kariba Minerals Ltd	100	1,300	1,300	-	-	-	-
7.	Mushe Milling Ltd	100		-	-	-	-	-
8.	Kabundi Resources Ltd	100	13,491	13,491	-	-	-	-
9.	Investrust Bank Plc	71.4			-	-	-	-
10.	Zambia Gold Company Ltd	51	138,972	70,876	-	-	-	-
11.	Central African Cement Ltd	49	15	7	-	-	-	-
12.	Rembrandt Properties Ltd	49	41,875	20,519	-	-	-	-
13.	Consolidated Gold Company Ltd.	45	37,556	16,900	-	-	-	-
14.	Maamba Collieries Limited	35	4,082,879	1,429,008	-	-	-	-
15.	Copperbelt Energy Corporation Plc	24.1	5,490,632	1,323,242	76,083	147,591	132,248	355,922
16.	Konkola Copper Mines Plc	20.6	- 21,435,366		-	0	-	-
17.	CNMC Luanshya Copper Mines Plc	20	2,132,642	426,428	-	151,328	-	151,328
18.	Kansanshi Mine Plc	20	69,254,812	13,850,962	44,827	28,546	653,577	726,950
19.	Lubambe Copper Mine Plc	20	- 10,183,884		-	-	-	-
20.	Copper Tree Minerals Limited	15.6			-	-	-	-
21.	NFCA Africa Mining Plc	15				-	-	-
22.	Chibuluma Mines Plc	15			-	-	-	-
23.	Chambishi Metals Plc	10			-	-	-	-
24.	Oranto Petroleum Limited	10			-	-	-	-
	Total		**63,989,866**	**31,567,675**	**120,910**	**327465**	**785,825**	**1,234,200**

A review of accounting and other related records revealed the following:

i. Performance of Subsidiaries – Failure to Declare Dividends by Investee Companies

A review of records revealed that ZCCM-IH's investment interests (Share of Net Assets) in its ten (10) subsidiaries was valued at K14,500,609,000 and K17,069,066,000 in its fourteen (14) associate companies bringing the total Share of Net Assets to K31,567,675,000 as at 31st December 2021.

However, out of the twenty four (24) investee companies, ZCCM-IH only received dividends in amounts totalling K1,287,871,000 from three (3) companies during the period from January 2019 to 31st December 2021 representing an average return of 2.1% on Share of Net Assets. See table 6 below.

Details	2021 K'000	2020 K'000	2019 K'000
Investments in:			
Subsidiaries	327,939	276,678	147,317
Associates	20,603,089	20,666,806	10,746,818
other investments through P/L	1,458,000	292,000	-
Total Investments value	**22,389,028**	**21,235,484**	**10,894,135**
Dividends received	956,437	208,898	122,536
Dividends received as a % of investment value	**4.3%**	**1.0%**	**1.1%**
Average return over 3 years	**2.1%**		

In addition, as at 30th September 2022 ZCCM-IH had not set an Investment Target Return for its investee companies.

ii. Loss Making Investment - Kariba Minerals Limited

Kariba Minerals Limited (KML) is wholly owned by ZCCM-IH. KML produces high quality, medium and commercial grade amethyst for major manufacturers of gemstones and related products. The company exports its products and has an amethyst production of over 1,000 tonnes per annum, making it one of the largest producers in the world. The corporate office for KML is in Lusaka and the amethyst mine is located in Mapatizya, Zimba District of Southern Province, Zambia.

However, a review of the Income Statement of KML for the financial years ended 31st December 2019 to 2021, revealed that although the company had recorded reduced net losses in the three (3) year period under review, the operational losses had continued to increase from K1,533,000 in 2019 to K3,096,000 in 2021. See table 7 below.

Table 7: Kariba Minerals Mines Limited Income Statements

Income Statement	Year Ended 2021 K'000	Year Ended 2020 K'000	Year Ended 2019 K'000
Turnover	26,114	12,435	17,379
Mineral Royalty Tax			(2,213)
Turnover net of mineral Royalty Tax	26,114	12,435	15,166
Cost of Sales	(24,556)	(7,559)	(10,158)
Gross profit	**1,558**	**4,876**	**5,008**
other income	3,179	616	2755
expenses	(7,833)	(7,758)	(9,296)
Net Operating Profit	(3,096)	(2,266)	(1,533)
Finance Costs	(1,598)	(1,621)	(14,905)
Impaiment Movement		(227)	
Net Exchange Movements	4232	(7,629)	
Net Profit /Loss	**(462)**	**(11,743)**	**(16,438)**

iii. Irregularities in Operations - Mushe Milling Limited

On 14th September 2018, ZCCM-IH acquired 100% shares of Mushe Milling Limited (MML) from Multi-Invectec Solutions Limited and Beverley Adidja Sumbwe. The purchase consideration involved an upfront payment of US$1.775million which represented 25% of the asset value while the balance of 75% was to be paid through an Earn Out instrument for a period of five (5) years governed by specific trigger events.

MML's milling plant has the capacity to process 168 metric tonnes (MT) of maize per 24-hour cycle and produces breakfast and roller meals and maize bran.

The following were observed:

- **Questionable Purchase Price for Mushe Milling Limited**

  ZCCM-IH engaged IMARA Corporate Finance to carry out an Independent Valuation of Mushe Milling Limited to determine independently, the fair market equity price of MML for the purpose of acquiring a financially viable and ongoing company with the following objectives:

  - An independent opinion on the fair market value of 100% of MML;
  - Commentary on the valuation methodologies applied;
  - A review and validation of the projections and assumptions provided by Mushe Milling Limited; and

- A review of the key risk factors affecting the company which were identified as follows;
  - Strategic risk: the limited availability of maize
  - Liquidity risk: the cost of working capital were being financed through an overdraft facility with Indo Zambia Bank;
  - The temporary loss of access to the export market in mid-2016 and early 2017 following the export ban, which was subsequently lifted in 2017.

A review of the Independent Valuation Report by IMARA revealed that the discounted cash flow methodology was used which had shown the following values:

Table 8: Calculation Scenarios: Income Approach

Scenarios	Primary Assumption	Enterprise Value K' m	Equity Value K' m	Value of Synergies K'm
Scenario 1	No ZCCM IH synergies Imara SBZ Assumptions 2018 Gross Margin 15% 2018 Production Valumes, 20,832 MT Long term (2022) Gross Margin, 15% Longterm (2022) Production Volumes, 29,292 MT Weighted Average Cost of Capital, 24.1%	8.2	0.7	
Scenario 2	With ZCCM IH synergies Imara SBZ Assumptions 2018 Gross Margin 25% 2018 Production Valumes, 32960 MT Long term (2022) Gross Margin, 18.8% Longterm (2022) Production Volumes, 99,552 MT Weighted Average Cost of Capital, 24.1%	16.5	9	8.3

As can be seen from the table above, the total value (100% equity) of MML was K700,000 on a standalone basis, while with ZCCM-IH synergies the total value (100% equity) of the company was K9,000,000.

However, ZCCM-IH purchased 100% equity interest in Mushe Milling at a consideration of K17,700,000 and an Earn Out Instrument for a period of five (5) years. It was therefore questionable why ZCCM-IH paid K17,700,000 plus Earn Out Instrument Income for five (5) years which was above the estimated value of K700,000.

In addition, at the time of acquisition in 2018, Mushe Milling Limited had recorded a loss of K5,400,000 in 2017. Further, a review of the financial statements revealed that the company had continued to record losses during the period under review. In 2018, the company recorded losses of K10,122,232 which deteriorated by 374% to K48,011,162 in 2021. See table 9 below.

Table 9: Losses Recorded

Decription	31/12/2021 K	31/12/2020 K	31/12/2019 K	31/12/2018 K	Commulative Total K
Propit / Loss before Tax	(27,583,671)	(40,052,984)	(12,631,240)	(10,113,198)	(90,381,093)
Tax Credit (Charge)	(20,427,491.00)	20402162	(3,185)	(9,034)	(37,548)
Profit / Loss After Tax	(48,011,162)	(19,650,822)	(12,634,425)	(10,122,232)	(90,418,641)

- **Poor Current Ratio**

The current ratio is a liquidity ratio that measures an entity's ability to pay short-term obligations or those due within one (1) year. It is calculated by comparing an entity's current assets to its current liabilities and the ideal ratio is 2:1.

The company's current ratio for the three (3) financial years under review ranged from 0.089: 1 to 0.64:1 which were below the ideal ratio of 2:1. See table 10 below.

Table 10: Mushe Millling Current Ratio

Details	2021 K	2020 K	2019 K
Current Assets			
Inventory	402,063	300,230	-
Trade and Other Receivables	1,058,149	1,598,581	1,546,628
Cash and Cash Equivalent	14,685,628	269,253	213,787
Total Current Assets	**16,145,840**	**2,168,064**	**1,760,415**
Current Liabilities			
Trade and Other Payables	25,174,024	27,487,813	1,471,223
Current Tax Payable	126,659	82,104	-
Borrowings	-	8,557,420	18,311,623
Total Current Liabilities	**25,300,683**	**36,127,337**	**19,782,846**

- **Highly Geared Business**

The gearing ratio measures the proportion of debt an entity has contracted in relation to the amount of equity invested. It also measures the entity's ability to repay its obligations. If the ratio is increasing, the entity is being financed by creditors rather than from its own financial sources.

Best practice requires that an organisation's gearing ratio should be lower than 50%. If the gearing ratio is above 50%, it is considered high thus putting the institution at greater financial risk during times of lower profits which would result in loan default.

During the period under review, the gearing ratio of the company was as shown in table 11 below.

Table 11: Gearing Position of MML

Details	2021 K	2020 K	2019 K
Equity			
Share Cpital	5,000,000	5,000,000	5,000,000
Shareholder Contribution	49,204,402.00	18,770,626	18,770,626
Retained Earning	(104,530,694)	(56,418,202)	(36,767,380)
Total Equity attributable to owners of company	**(50,326,292)**	**(32,647,576)**	**(12,996,754)**
Liabilities			
Short Term Borrowings		8,557,420	9,137,264
Long term Borrowings	44,748,957	23,488,173	20,969,402
Total Borrowings	**44,748,957**	**32,045,593**	**30,106,666**
Gearing	(89)	(98)	(232)

As can be seen from the table above, the company's gearing ratio for the period under review was higher than the recommended 50% as in 2019 it was negative 232% which reduced to negative 89% in 2021. This was mainly attributed to eroded total equity due to the continued retained losses.

- **Questionable Purchase of Maize for Mushe Milling**

  Mushe Milling Limited requested for collateral of K5,000,000 Bank Guarantee from ZCCM-IH as a shareholder after a grain trader Aliboo Trading Limited offered to advance a credit facility to MML for 5,000 metric tons of Maize. The following was the structure of the transaction (Mushe Milling and Aliboo Trading):

  - The first 2,000 metric tons will be purchased at K3,600/ton and price to be reviewed thereafter. This was in order to manage the market risk arising from the fluctuations in the market price of both maize and mealie meal
  - Payment terms are 14 days from invoice date. In order to mitigate credit risk payments would be made every 3-4 days and at least 70% of daily sales would be ring fenced for this purpose.
  - ZCCM-IH through the office of the Chief Investment Officer would receive daily reports for production, sales and cash flows to ensure strict adherence to the payment plans in (ii) above.

Contrary to the above request by MML for a Bank Guarantee, ZCCM IH signed a Maize Supply Agreement with Aliboo Trading and Zdenakie Ltd for the supply of 10, 000 Metric tons of maize to MML at a total cost of K24,604,355. ZCCM IH later invoiced Mushe Milling Limited for the maize supplied by Aliboo and Zdnekie in amounts totaling K26,516,036 which resulted in ZCCM-IH making a profit of K1,911,681.

However, it is questionable why ZCCM IH decided to enter into a supply agreement with Aliboo and Zdnekie when MML's request was for ZCCM IH to provide a bank guarantee. Further, a review of accounting records established that as at 30th September 2022 Mushe Milling Limited had not settled its outstanding invoices to ZCCM-IH in amounts totalling K26,516,036. In this regard ZCCM-IH risk losing its funds in bad debts.

iv. Irregularities in Winding-Up of Ndola Lime Company and Subsequent Formation of Lime Resources Limited

On 20th September 2018, two (2) former employees of the Ndola Lime Company instituted business rescue proceedings in the Lusaka High Court pursuant to the Corporate Insolvency Act No. 9 of 2017 following the Company's failure to pay severance packages owed to the two (2) individuals after they were summarily dismissed from employment.

On 5th October 2018, Ndola Lime Company was placed under Business Rescue, through an Ex-Parte Court Order, in accordance with the provisions of the Corporate Insolvency Act. The Administrator General and Official Receiver of the Republic of Zambia was appointed as Interim Business Rescue Administrator.

However, the Business Rescue Proceedings ended when the high court approved the scheme of arrangements dated 10th June 2020 after a final creditors meeting passed a special resolution to approve the restructuring proposals as contained in the scheme of arrangement in order to save the assets and mineral resources of the company.

The following were the salient features of the scheme of arrangements:

- To transfer all the assets and business of the company to Limestone Resources Limited;
- Pay all approved claims to the extent of the principle amounts owed to all trade and other creditors as at the date of the commencement of the Scheme of Arrangements;
- Declare redundant all the employees of the Company and pay a retrenchment package in full and final settlement without any further recourse to the Courts of Law;
- Impair all balances owed to Zambia Revenue Authoritity and ZCCM-IH as well as impair all interests and penalties owed to National Pension Scheme Authority;
- To create an environmental liability fund to cover the accrued environmental liability outstanding on the date of transfer of the company assets to Limestone Resources; and
- Dissolve the Company with or without winding up.

On 31st August 2020 Ndola Lime Company Limited commenced the process of dissolution and Limestone Resources subsequently took over the assets and business operations on 1st September 2020.

Limestone Resources Limited Specializes in production and supply of limestone products for the southern part of Africa including the Zambian market. The Company was incorporated on 12th July 2019.

Limestone Resources Limited took over assets, production and supply from Ndola Lime Company Limited that was placed under business rescue and started its operations on 1 September 2020. The company is a 100% wholly owned subsidiary of ZCCM-IH Plc.

The following were observed:

- **Failure to Change Ownership of Assets and to Make Provisions for Environmental Liabilities**

  Section 48 (2) of the Corporate Insolvency Act No. 9 of 2017 stipulates that where an order, made in accordance with this section, provides for the transfer of property or liabilities the following shall take place:

  - The property should, by virtue of the order, be transferred to, and vest in, the transferee company and should, if the order so directs, be freed from any charge which is under compromise or arrangement to cease to have effect; and

  - The liabilities should, by virtue of the order, be transferred to, and become the liabilities of, the transferee company.

  Contrary to the Act, the ownership of land and buildings valued at K25,000,000 had not been transferred to Limestone Resources Limited.

  Further, Limestone Resources limited had not recognised an environmental restoration provision liability of K104 million in its financial statements as at 30th September 2022.

- **Questionable Payments - Winding-up of Ndola Lime Company and Subsequent Formation of Limestone Resources Limited**

  Section 46 of the Corporate Insolvency Act No. 9 of 2017 provides that a company creditor or member of a company may apply to the Court for an Order that a meeting of the creditors be convened to consider the compromise or arrangement. Further, the section provides that where the meeting by extraordinary resolution, agrees to a compromise or arrangement, the compromise or arrangement should be binding on all the creditors or class of creditors and should be binding on the company if and when it has been approved by a Court Order and a copy of the Order has been lodged with the Registrar.

A review of the Court Order dated 2nd September 2019 revealed that the agreed scheme of arrangements for settlement of outstanding amounts to creditors amounted to K110,396,116. See table 14 below.

Table 14: Scheme of Arrangements

No.	Creditor	Amounts Agreed upon K
1	NAPSA	37,455,445
2	Workers Compensation	615,391
3	Insurance	4,006,965
4	Payroll Expenses	10,204,760
5	Environmental Provisions	31,514,673
6	Trade Creditors	26,598,882
	Total	**110,396,116**

In this regard, on 17th October 2019 amounts totalling K110,396,116 were transferred to Lungu Simwanza and Company (Appointed Liquidator) to settle the outstanding bills on behalf of Ndola Lime Company.

However, a scrutiny of records revealed that the Liquidator adjusted the scheme of arrangement settlement amount by K82,328,954 bringing the total liability on the transfer of assets from Ndola Lime Company to Limestone Resources Limited to K192,725,070 which was transferred to Lungu Simwanza and Company between 2019 and 2021.

In response management indicated that the adjustment of K82,328,954 was meant to cater for retrenchment packages among others. However, the adjustments were made without the consent of the court and therefore questionable.

In addition, it could not be ascertained how the funds in amounts totaling K192,725,070 disbursed to the Creditors and other beneficiaries through the legal firm were accounted for in that there were no expenditure returns availed as at 30th September 2022.

v. Weaknesses in Investment in Consolidated Gold Company Zambia Limited (CGCZL)

On 10th February 2020, ZCCM-IH and Karma Mining Services and Rural Development Limited Incorporated Consolidated Gold Company Zambia Limited (CGCZ) to strategically focus on gold processing.

On 11th February 2020 the parties entered into a strategic partnership and signed a Shareholder's Agreement in which ZCCM-IH owns 45% of the issued ordinary share capital while Karma Mining Services and Rural Development (KMSRD) Limited owns 55%.

The initial required capital was US$3,485,000 which was to be contributed by the parties in accordance with the shareholding ratios with ZCCM-IH expected to inject cash in amounts totalling US$1,569,000 while KMSRD was expected to contribute US$1,916,000 worth of assets.

On 11th March 2020, a Transfer Agreement was signed between KMSRD and Consolidated Gold Zambia Limited (CGCZ). According to the Transfer Agreement, KMSRD transferred its business including all assets, liabilities, licenses, rights, title and interest in any intellectual property and goodwill as was carried out by KMSRD to Consolidated Gold Zambia Limited (CGCZL).

The following were observed:

- **Lack of Due Diligence – Strategic Partnership**

  Due diligence is the investigation or exercise of care that a reasonable business or person is normally expected to take before entering into an agreement or contract with another party. The primary objective is to assist management make an informed business decision in accordance with corporate objectives.

  However, a review of records for the setting up of Consolidated Gold Zambia Limited revealed that ZCCM-IH did not undertake any due diligence to ascertain the credibility, financial and technical capabilities of KMSRD before entering a strategic partnership.

- **Irregularity in Capital Contribution**

  Article 8 of the Shareholders' Agreement provides that the shareholders should be responsible for the raising of finance necessary to implement the project. The finances required to implement the project would be injected by the shareholders as equity in accordance with each party's shareholding proportion.

  A scrutiny of documents revealed that KMSRD's capital contribution was in form of assets and supported by a transfer agreement while ZCCM-IH contributed US$1,650,000 in three (3) trenches of US$550,000 between 23rd March 2020 and 31st December 2020.

  The following were observed:

  - **Lack of Schedule for Assets**

    There was no schedule of assets, valuation reports and proof of change of ownership for assets contributed by KMSRD availed for audit. In this regard, the assets indicated as transferred by KMSRD could have been undervalued or non-existent.

  - **Transfer of Capital Contribution without Consent from ZCCM-IH**

    On 23rd March 2020, the first trench paid by ZCCM-IH as capital contribution in amounts totalling US$550,000 to the subsidiary's account was transferred to KMSRD without consent from ZCCM-IH as per shareholder agreement. As at 30th September 2022, the amounts had not been recovered.

  - **Irregularity in Purchase of Milling Machines**

    Section 10 of schedule 1 of the Shareholding Agreement stipulates that making any acquisition or disposal by the company of any material asset(s) otherwise than in the ordinary course of business, should be done in consultation with shareholders through their representation on the Board of Directors.

On 29th October, 2020, a total of US$110,000 was paid to a former employee to purchase milling plants for CGZC. However, the basis of paying a former employee to procure a milling plant without obtaining authority as per Shareholding Agreement or following tender procedures was questionable.

Further, a review of accounting and other records revealed that the value of the Milling Plant as indicated in the asset register was overstated by K5,700,000 in that the asset was recorded at K7,400,000, while the invoices and other customs clearing documentation from Zambia Revenue authority valued the plant at K1,700,000 as indicated in the customs documents.

Furthermore, the kwacha equivalent of amounts advanced to the former employee (US$110,000) as at 29th October 2020 stood at K2,241,679 less the cost of the plant at K1,700,000 leaving a balance of K541,679 unaccounted for as at 30th September 2022.

- **Failure to Resolve Internal Audit Findings**

  A review of Internal Audit Reports on Consolidated Gold Company Zambia Limited (CGCZL) dated 1st April 2022 revealed irregularities in the management and monitoring of investments for the period under review. As at 30th September 2022, the irregularities had not been resolved by Management. See table 15 below.

No.	Internal Audit Report	Observations
1.	**Questionable Acquisition of Tipper Trucks – US$140,398**	On 6th May 2020 CGCZL procured Tipper Trucks at a total amount of US$140,398. However, although the purchase price was made by CGCZL the invoices were issued in the name of KMSRD by Hansa Limited on 6th May 2020. An inspection of the vehicle registration certificate confirmed that the tipper trucks were in the name of KMSRD with registration numbers BAP5801ZM and BAP5802ZM. The rational to register the Truck in the Shareholders name was therefore questionable given that they were paid for by CGCZL
2.	**Questionable Purchase of Transformers**	On 24th April 2021, CGCZL procured transformers at a total cost of K205,000 in the name of Obet Swet and the invoice was in the name of Jrabs Enterprises. These documents did not qualify as supporting documents for a CGCZL transaction. In this regard, the purchase of Transformers in amounts totalling K205, 000 in the name of Obet Swet but not in the name of CGCZL was questionable
3.	**Failure to Insure Company Assets**	A review of the Asset register revealed that non-current assets with a total value of K38 Million were not insured. The Company only arranged insurance for motor vehicles. In this regard the failure to insure non-current assets in amounts totalling K38 million was questionable as this exposed the Company to a potential loss in case of damage to equipment.
4.	**Questionable payment of Consultancy services to Apex Mining services**	KMSRD and Apex Mining Services signed an agreement with the objective of optimising the Operations of KMSRD. CGCZL was not a party to the agreement and the rationale for the engagement of Apex Consulting Services was not clear as ZCCM IH entered into a strategic partnership with Karma due to their expertise. Apex Mining Services invoiced CGCZL US$20,000 on 27th August 2021 and a payment was made from the CGCZL's bank account on 7th September 2021. It was further observed that even though CGCZL was invoiced by Apex Mining Services, the payment was made to SP Du Plessis' bank account. In this regard, the payment by CGCZL in amounts totalling $20,000 to SP Du Plessis for a contract which CGCZL was not part of was questionable.

5.	**Unsupported payments for the Hire of Equipment**	A review of Company documentations revealed that CGCZL had spent K0.97Million over a six (6) months period up to 30th June 2021 on equipment hire. However, there was no record provided to confirm the actual duration and rates charged. In this regard, the basis on which CGCZL made payments in amounts totalling K0.97 million for hire of equipment was questionable
6.	**Failure to Account for Cash**	A review of accounting documentation for cash revealed that during the period from October 2020 to June 2021, cash drawn as petty cash amounting to K4,945,237 had not been accounted for. It was also noted that from October 2020 to March 2021, there were no schedules prepared to show how the petty cash was utilised. It was further revealed that a total of K314,320 was drawn as petty cash for goods and services and schedules to support utilisation prepared. However, receipts were not available to support the schedules and the nature of goods and services procured. In this regard, amounts totalling K5,259,556.50 drawn by the Company as petty cash could not be accounted for.
7.	**Irregularities in Management of Fuel Expense**	A review of fuel consumption records and fuel expenses general ledger revealed that there was a loss of 10,376 Litres of fuel costing approximately K155,640 at Rufunsa Kamilulu pump station between 22 June and 4 August 2020 attributable to the difference between the record per fuel summary book and the actual physical quantity of fuel. It was further established that a total of K1,127,658 which represented 27% of the total fuel expense for the period from March 2020 to July 2021 was drawn as cash to procure fuel instead of paying directly to suppliers. Included in the amount was K702,974 for which supporting vouchers to confirm procurement of fuel was not provided. In this regard, amounts totalling K858,614 drawn for the purchase of fuel were not accounted for.
8.	**Unaccounted for Gold Sales**	A review of gold sales information obtained independently from Zambia Gold Company revealed that CGCZL had sold gold in amounts totalling K6.1 million to Zambia Gold Company. However, a cross check with CGCZL revealed that the amounts were unaccounted for as no revenue was deposited with the Company. In this regard, the sales of gold in amounts totalling K6.1 million to Zambia gold company could not be accounted for.

9.	**Under Banking of 2021 Gold Sales by K1.7 Million**	A review of documentation for the period from 1st January 2020 to 10th September 2021 revealed that CGCZL had gold sales amounting to K22.7million with corresponding bank deposits of K21million resulting into an under banking of K1.7million. At the time of audit in September 2022, the amounts had not been banked or accounted for.
10.	**Failure to Account for Gold Purchases**	Cash amounting to K4.93 Million was drawn in the name of the Chief Financial Officer during the period from December 2020 to May 2021 for procurement of Gold from small scale miners. A review of accounting records and a schedule of gold purchases revealed that K3.9 Million was spent on the procurements leaving a balance of K1.03 million. Further there was no evidence linking gold inventory to the cash withdrawn. At the time of audit in September 2022, the balance of K1.03 million had not been accounted for.
11.	**Lapses in Construction of Carbon Electro winning Plant- Failure to produce an Environment Project Brief**	CGCZ had constructed a Carbon Electrowinning Plant. This is designed for desorption (elution) of loaded activated carbon and the stripped gold in solution will flow to the electrowinning cell. The gold would then be stripped from the solution and the solution returns to the elution columns. Normally Sodium Hydroxide and water would be used during the elution stage. The Plant was pending connection of water, installation of the 160KVA Generator set and completion of the control room. Section 117 (a), (b) of the EMA no. 12 of 2011 stipulates that a person who wilfully fails to undertake an environmental impact assessment and fails to prepare and submit a project brief or an environmental impact assessment report as required under this Act commits an offence. However, management failed to produce the Environmental Project Brief (EPB) for the Carbon Electrowinning Plant that should be submitted to Zambia Environmental Management Agency (ZEMA) for approval. In this regard failure by management to produced and submit project brief to ZEMA may result in the Company being fined or the project being cancelled.

12.	**Rufunsa Site – Operational Concerns in Milling and Recovery of Free Gold**	A review CGCZ Milling Operations in Rufunsa revealed the following: • The operations of the Company relied on Artisanal Miners from Chisamba and Mumbwa to supply feedstock which was not a reliable source for constant supply to the milling plants and had associated transport costs; • The handling of feedstock receipts was not properly recorded to provide proper audit trail. At the time of audit there was no record available that indicated the weight and source of the feedstock; and • Mercury was being used to recover gold and mercury - gold amalgam was being burnt in open air which may result in adverse health effects and land and water contamination.
13.	**Rufunsa Site – Leach Plant Operational Concerns**	A review of documentation and physical verifications of CGCZ Leach Plant in Rufunsa revealed that there was no stockpile of feedstock to ensure continuity of operations. As such, during the rainy season, feedstock handling may be challenging as there was no shed for storage.
14.	**Mumbwa Site – Operational Concerns in Milling and Recovery of Free Gold**	A review of CGCZ Milling operations in Mumbwa revealed the following: • Handling of feedstock receipts was not properly recorded to provide proper audit trail. There were no records available that indicated the weight and source of the feedstock; • Mercury was being used to recover gold and Mercury-Gold amalgam was being burnt in open air which may result in adverse health effects and land and water contamination; and • Further, the area where the amalgam is heated in a mercury retort to recover gold was not secured which may result in unauthorised access.

15.	**Mumbwa Site – New Leach Plant**	A review of CGCZ New Leach Plant in Mumbwa revealed the following: • Failure to produce an Environment Project Brief • Section 117 (a), (b) of the EMA no. 12 0f 2011 stipulates that a person who wilfully fails to undertake an environmental impact assessment and fails to prepare and submit a project brief or an environmental impact assessment report as required under this Act commits an offence However, management failed to produce the Environmental Project Brief (EPB) for the Carbon Electrowinning Plant that should be submitted to Zambia Environmental Management Agency (ZEMA) for approval. The failure by management to produced and submit project brief to ZEMA may result in the Company being fined or the project being cancelled. Adverse effect on human health, land and water contamination which may lead to penalties being levied by the Ministry of Mines and Minerals Development and Zambia Environmental Management Authority (ZEMA).
16.	**Poor Safety Standards**	Section 19 (1) (a) (b) of the Occupational Health and Safety Act No.36 of 2010 provides that a person who has the management or control of; ▪ a workplace or of the means of access to, or exit from, any workplace; or ▪ any plant or substance in a workplace. Should take such measures as are reasonable for a person in that position to take so as to ensure, so far as is reasonably practicable, that the workplace, or means of access to, or exit from, that workplace are available for use by persons using the workplace, and any plant or substance in the workplace provided for use in that workplace is safe and does not cause any risk to the health or safety of the persons using them. However, a site visit at Mumbwa and Rufunsa sites on safety standards revealed that the Artisanal Miners found in operating sites (crushing and milling) had no Personal Protective Equipment (PPE). In addition, CGCZ employees did not have the full complement of PPE that may include hard hat, work suit, gloves, goggles, respirators, ear plugs, safety boots as required by section 16 (2) (i) of Occupational Health and Safety Act No. 36 of 2010; A further inspection revealed that there was no safety signage to reinforce safety measures (e.g. danger signs, chemicals, etc) as required by sections 19 (1) (a) (b) and (2) (a) (b) of the Occupational Health and Safety Act No. 36 of 2010.

17.	**Weaknesses in Site Security**	A site visit at Rufunsa and Mumbwa districts revealed the following security weaknesses: • There was no perimeter fence at all the sites; • Security personnel included one (01) armed guard in Rufunsa (milling section) in day shift and one (01) unarmed guard in Mumbwa during day shift In this regard these security weaknesses may result in failure to properly safeguard employees, equipment and the gold produced.

vi. Management of Related Party Loans

- **Non-Performing Shareholder or Related Party Loans**

Shareholder or Related Party Loans refers to loans advanced by ZCCM-IH to its Investee Companies. As at 31st December 2019, ZCCM-IH had running shareholder loans with ten (10) investee companies in amount totalling K2,117,807,000 which increased by 2% to K2,158,603,000 as at 31st December 2021. See table 16 below.

Table 16: Loans to Investee Companies

No.	Company Name	Relationship	31-Dec-21			31-Dec-20			31-Dec-19		
			Carrying Amount	Impairement	Gross	Carrying Amount	Impairement	Gross	Carrying Amount	Impairement	Gross
			K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
1	Ndola Lime Company Limited	Subsidiary	-	(436,985)	436,985	-	(436,985)	436,985	-	(436,985)	436,985
2	Kariba Minerals Limited	Subsidiary	-	(5,839)	5,839	-	(5,839)	5,839	-	(5,839)	5,839
3	Kandabwe Coal Mine	Subsidiary	-	(23,524)	23,524	-	(23,524)	23,524	-	(23,524)	23,524
4	Lubambe Copper Mine	Associate	-	(701,493)	701,493	-	(701,493)	701,493	-	(701,493)	701,493
5	Misenge Enviromental and Technical Services Limited	Subsidiary	45	(4,490)	4,535	-	(4,685)	4,685	6,539	(7)	6,546
6	Mushe Milling Company Limited	Associate	34,076	(21,780)	55,856	25,906		25,906	20,659		20,659
7	Maamba Collieries Limited	Associate	676,478	(253,611)	930,089	785,269	(356,896)	1,142,165	385,465	(220194)	605,659
8	Konkola Copper Mines PLC								313,617	(314)	313,931
9	Industrial Development Corporation								3,168	(3)	3,171
10	Consolidated Gold Company Limited		-	(282)	282						
	TOTAL		**710,599**	**(1,448,004)**	**2,158,603**	**811,175**	**(1,529,422)**	**2,340,597**	**729,448**	**(1,388,359.00)**	**2,117,807**

A review of the financial statements as at 31st December 2021 revealed that there were gross loan amounts totalling K2,158,603,000 to investee companies. However, amounts totalling K1,448,004,000 in respect of 8 investee companies were impaired due to non-performance leaving a carrying amount of K710,599,000.

Further, a review of records revealed that there was no due diligence conducted before loans were disbursed to subsidiaries while shareholder loan agreements did not comply with financing agreements.

In this regard, as at 31st December 2021, funds in amounts totalling K1,448,004,000 were tied up in non-performing loans and were not available to the group to either be invested in existing operations or in new ventures that would improve the financial performance of the group.

- **Questionable Advancement of Additional Loan to Maamba Collieries Limited**

  In paragraph 21 of the Report of the Auditor General for Parastatal and other Statutory Bodies for 2019 accounts, mention was made on the failure to pay back the loan by Maamba Collieries Limited (MCL) in amounts totalling US$32,876,090 (Principal - US$26,479,529 and Interest - US$6,396,561).

  A review of the state of the loan carried out in September 2022 revealed that ZCCM-IH had to collect the shareholder loans advanced to MCL and the Investee had outstanding accrued amounts totalling US$45,218,036 (US$35,229,529 principal and Interest US$9,988,507.77) as at 31st August 2021. The increase in the principle from US$26,479,529 to US$35, 229,529 was due to the recall of the Letter of credit in amounts totalling US$8,750,00 issued by Barclays Bank to Maamba Collieries which was guaranteed by ZCCM-IH.

- **Failure to Collect Restructured Shareholder Loan - Lubambe Copper Mines Limited**

  Lubambe Copper Mines Limited (LCM) owns and operates the Lubambe underground Copper Mine located in Chililabombwe District of the Copperbelt

Province and commenced its operations in 2012. The mine is owned by EMR Capital Bidco (No. 2C) Limited (EMR Bidco) 80% and ZCCM-IH 20%.

On 15th September 2012, ZCCM-IH entered into an unsecured intercompany loan agreement with LCM of K926.44 million (US$76 million) at an interest rate of Libor plus 5%. The loan was to be repaid in twelve (12) equal quarterly instalments.

In 2019, ZCCM-IH accepted and approved the proposal by LCM to convert the shareholder loan to interest free loan effective 1st January 2018 until 1st January 2022. The outstanding shareholder loan amount to ZCCM-IH at the time of converting the loan was US$103,697,150 comprising the principal of US$76,000,000 and accrued interest of US$27,697,150.

As at 30th September 2022, the loan amount of US$103,697,150 was still outstanding.

26 ZESCO LIMITED

26.1 Background

a. Establishment

ZESCO Limited was established in 1970 following the enactment of the Zambia Electricity Supply Act of 1969. In 1994, the name of Zambia Electricity Supply Corporation was changed to ZESCO Limited.

ZESCO Limited is a vertically integrated utility whose core functions are to generate, transmit, distribute and supply electricity. The Government of the Republic of Zambia is the sole shareholder through the Industrial Development Corporation (IDC).

b. Governance

ZESCO Limited is governed by a Board of Directors comprising not less than seven (7) but not more than nine (9) members. The members are appointed by the Government through the Industrial Development Corporation (IDC) for renewable terms of three (3) years.

c. Management

The Managing Director (MD) is responsible for the operations of the Company and is appointed by the Board on a three (3) year renewable contract. The MD is assisted by eight (8) Directors in charge of Generation, Transmission, Distribution, Finance, Legal, Strategy and Corporate Services, Customer Service and Human Resources and Administration who are appointed by the Managing Director on three (3) year renewable contracts.

d. Sources of Funds

The sources of funds for ZESCO Limited include such sums of money as may:

i. Be levied by the company by way of sales arising from generation, transmission, distribution and supply of electricity; and

ii. Accrue to or vest in the Company from time to time, whether in the course of the exercise of its function or otherwise.

e. Information and Communication Technology Systems

ZESCO Limited operated the following information and communication technology (ICT) systems:

i. Customer Management System (CMS)

The post-paid meter system was used for market management and customer management system of ZESCO Limited's post-paid customers.

ii. 3E/EVG Prepaid Meter System

The prepaid meter system was used for meter operation management, customer management, financial management, management control and security management of ZESCO Limited's prepaid customers.

iii. Oracle Financials

The system was used for financial management.

iv. Payroll and Human Resource Integrated System (PHRIS)

The system was used for human resource management and payroll processing.

v. **Stores and Procurement Management System (SPMS)**

The system was used for procurement and stores management.

26.2 Audit Findings

A review of accounting and other records maintained at ZESCO Limited for the financial years ended 31st December 2020 and 2021 and visits to selected stations revealed the following.

a. Governance Issues

i. Questionable Appointment of Board Chairpersons

Article 13.1 of the Articles of Association stipulates that a chairperson should be elected from amongst the appointed board members.

A review of appointment letters revealed that during the period under review, three (3) board chairpersons were appointed by the Industrial Development Cooperation (IDC) and there were no board minutes availed to show that the chairpersons were elected by the appointed board members.

In response to a query management indicated that despite the IDC having announced the Board Chairperson at the date of appointment, the Company Secretariat ensured that elections were held pursuant to the Articles. The election of the Board Chairperson by board members after IDC announcement was questionable.

ii. Failure to Avail Evidence of Board Assessment of Performance

Clause 28 of the board charter stipulates that the Board should annually assess its performance and the performance of each of its committees against the terms of performance agreement signed with stakeholders as well as against its board charter or terms of reference of the committees.

However, there was no evidence availed to show that during the period under review, the board evaluation or assessment was carried out.

iii. Questionable Procurement of Personal to Holder Motor Vehicles

On 16th December 2016, Cabinet Office issued Circular No. 17 of 2016 abolishing the provision of personal-to-holder motor vehicles to officers in public service and state-owned enterprises. In this regard, the Boards of State-Owned Enterprises were urged to review the conditions of service in line with the Circular in view of the economic and fiscal challenges that the country was facing.

Further, on 14th June 2021, Cabinet issued Circular No. 1 of 2021 in reference to Cabinet Office Circular Minute of 2015 on Implementation of Cost – Saving Measures and Cabinet Office Circular Minute No.17 of 2016 on Implementation of Austerity Measures related to procurement and allocation of vehicles. Cabinet observed with concern that various Boards of Stated Owned Enterprises, Statutory Bodies and Grant Aided Institutions, had continued to award employees conditions of service that were contrary to the guidance provided in the highlighted Cabinet Office Circulars, particularly, the provision of Personal to Holder Vehicles which was abolished. Addressees were directed to institute corrective measures to contracts that were entered into, which had provisions that were contrary to the guidance provided in the Cabinet Office Circular Minutes of 2015 and 2016 and where this was not addressed, the respective Boards would be held responsible under the Public Finance Management Act.

However, ZESCO Limited did not take corrective measures on contracts that were entered into after the guidance provided in the Cabinet Office Circular Minutes of 2015 and 2016.

In particular, the following were observed:

- Clause 15.1.2 of the employment contracts for employees in salary grades M1 and M2 and Section 5.36 of the Fleet Management Policy for the Company stipulated that the employees were entitled to personal to holder motor vehicles;

- Clause 15.1 of employment contract for employees on Personal to Holder Motor Vehicle or Duty Vehicle states that, “The employee shall be entitled to a personal to holder motor vehicle or Duty Vehicle the type of which shall be determined from time to time by the Board of Directors for the Managing Director and Managing Director for Directors;" and

- Clause 15.1.2 of the employment contract for employees on sale of personnel to Holder Motor Vehicle or Duty Vehicle states that, "The Employee will be eligible to buy his/her personal to holder motor vehicle calculated at the full cost less depreciation (written down book value), where after 25% of the written down value is the offer price of the vehicle, subject to such vehicle having been used for a minimum period of twelve (12) months or upon separation."

However, management awarded and renewed nine (9) employees' contracts which allowed for provision of personal to holder motor vehicles after the Circular was issued. In this regard, during the period from January 2018 to April 2021 ZESCO procured fourteen (14) personal to holder vehicles.

Further, some personal to holder motor vehicles were sold at prices amounting to K1,996,806 in respect of employees whose contracts were awarded after 16th December 2016.

b. Budget and Income

During the period under review, the Corporation had an income budget of K43,413 million were made to cater for various activities out of which amounts totalling K44,983 million were raised, resulting in a positive variance of K1,570 million. See table 1 below.

Table 25: Budget and Income

Details	2021 K Million	2020 K Million	TOTAL K Million
Budget	25,772	17,641	**43,413**
Actual	26,506	18,477	**44,983**
Variance	(734)	(836)	**(1,570)**

c. Financial Analysis

The financial statements for the years ended 31st December 2020 and 31st December 2021 were as follows:

i. Statement of Profit or Loss and Other Comprehensive Income

Table 26: Statement of Profit or Loss and Other Comprehensive Income

Financial Year Ended 31st December	2021 K'000 (Draft)	2020 K'000
REVENUE	21,897,616	18,476,529
Cost of sales	(9,264,571)	(10,175,389)
GROSS PROFIT	**12,633,045**	**8,301,140**
Other operating income	859,982	847,798
Other gains and losses	7,505,465	(9,346,091)
Marketing expenses	(8,144)	(12,619)
Administration expenses	(3,468,385)	(4,468,001)
Other expenses	(4,797,367)	(9,421,738)
Finance costs	(874,971)	(741,075)
PROFIT/LOSS BEFORE TAX	**11,849,625**	**(14,840,586)**
Income tax credit	(4,078,739)	(754,303)
PROFIT FOR THE YEAR	**7,770,887**	**(15,594,889)**
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of property		
Income tax relating to items that will not be classified subsequently to profit or loss		
Other comprehensive income for the year, net of income tax		
Chang in defined obligation benefit		1,379,304
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR	**7,770,887**	**(14,215,585)**

Source: ZESCO Financial Statements for the years ended 31st December 2020 and management accounts for 2021.

ii. Statement of Financial Position

Table27: Statement of Financial Position

Financial Years Ended 31st December	2021 K`000 (Draft)	2020 K`000
ASSETS		
Non Current Assets		
Property, plant and equipment	50,909,372	49,338,724
Intangible Assets	75,301	84,563
Right of use assets	14,745	8,010
Investments	12,817,156	10,488,338
Loan due from a related party		
Deferred tax asset		
Total non current assets	**63,816,573**	**59,919,635**
Current Assets		
Inventories	832,170	704,681
Trade and other receivables	3,099,792	4,230,628
Amounts due from related parties	3,908,345	4,984,172
Bank and cash balances	2,338,966	3,109,074
Total current assets	**10,179,274**	**13,028,555**
TOTAL ASSETS	**73,995,848**	**72,948,190**
EQUITY AND RESERVES		
Capital and reserves		
Issued capital	2,825,118	2,825,118
Amount pending allotment of shares		
Revaluation reserve	12,090,855	12,549,054
Retained earnings	-985,477	-9,430,300
Total Equity	**13,930,496**	**5,943,872**
Non current liabilities		
Borrowings	17,670,900	22,453,931
Retired benefit obligation	1,687,074	1,836,787
Capital grants and contributions	2,989,331	2,756,877
Deferred tax liability	3,814,078	
Lease Liabilities	14,539	10,017
Total non current liabilities	**26,175,922**	**27,057,612**
Current Liabilities		
Trade and other payables	19,541,714	23,694,800
Amounts due to related parties	10,564,868	10,357,583
Borrowings	2,157,293	3,801,639
Retirement benefit obligation	176,460	253,251
Capital grants and contributions	133,619	123,228
Current tax liabilities	1,299,765	1,672,834
Lease liabilities	15,711	6,435
Bank overdraft		37,205
Total current liabilities	**33,889,430**	**39,946,706**
Total Liabilities	**60,065,352**	**67,004,318**
TOTAL EQUITY AND LIABILITIES	**73,995,848**	**72,948,190**

Source: ZESCO Financial Statements for the years ended 31st December 2020 and 2021

The following were the observations:

i. Liquidity – Current Ratio

Liquidity is the ability of an entity to meet its short-term obligations as they fall due. One of the ratios used to measure liquidity is Current ratio which is defined as current assets over current liabilities.

According to International Accounting Standards, the recommended target of current ratio should be 1 or higher.

However, during the period under review, ZESCO Limited’s current liabilities exceeded current assets resulting in current ratios that are below the targets as shown in table 4 below.

Table 28: Current Ratio

Year	**2021 K'000 (Draft)**	**2020 K'000**
Current Assets	10,179,274	13,028,555
Current Liabilities	33,889,430	39,946,706
Current Ratio	**0.3:1**	**0.3:1**

ii. Gearing - Debt Equity Ratio

The gearing ratio measures the proportion of debt an entity has contracted in relation to the amount of equity invested. It also measures the company's ability to repay its obligations. If the ratio is increasing, the company is being financed by creditors rather than from its own financial sources. ZESCO Limited uses the industry average of 70% as a bench mark for assessing the gearing ratio. The ratio helps to measure the level of financial risk the entity has taken.

A review of the Financial Position revealed that the Corporation was highly geared in that the ratio was 455% in 2020 and 188% in 2021 which was above the benchmark of 70% as shown in table 5 below.

Table 29: Debt Equity Ratio

Details	2021 K'000 (Draft)	2020 K'000
Non Current Liabilities	26,175,922	27,057,612
Equity	13,930,496	5,943,872
Gearing Ratio %	**188**	**455**

d. Operational Matters

i. Failure to Achieve Key Performance Indicators (KPIs)

In 2020, the Energy Regulations Board (ERB) and ZESCO Limited agreed on a three year Key Performance Indicator framework to run from January 2020 to December 2022. The purpose of the framework was to monitor and review ZESCO Limited's operational performance with specific focus on quality of service supply, financial management, commercial and technical operations among others.

The framework comprises eleven (11) thematic areas as shown in table 6 below.

Table 6: ZESCO Limited's KPI Framework

No.	Indicator	Assigned Score
1	New Customers Connections	10.0%
2	Customer Metering	5.0%
3	Financial Performance	10.0%
4	Efficiency	15.0%
5	System Losses	7.5%
6	Staff productivity	10.0%
7	Quality of Service	20.0%
8	Power Generation	5.0%
9	Safety	10.0%
10	Customer service	5.0%
11	Power Quality	2.5%
	Total Score	**100%**
	Mininmuim Required Score	**75%**

A review of the Energy Sector Report for 2020 issued by ERB revealed that ZESCO Limited did not meet the targets on a number of KPIs and had an overall score of 35% in 2020. In particular, ZESCO Limited under performed in new customer connections, financial performance, efficiency, system losses, quality of services, safety and customer service.

ii. Irregular Use of the Social Tariff Structure

According to the approved tariff structure, the social tariff should be charged to institutions such as schools, hospital, orphanages, churches, water pumping and street lighting.

However, a review of pre-paid tariff charges for the period under review revealed that sixty four (64) customers (40 in 2020 and 24 in 2021) who owned properties such as residential houses, offices and taverns were charged on the social tariff structure, resulting in an under charge of K498,383 (K196,153 in 2020 and K302,230 in 2021).

iii. Failure to Revise Staff Tariff

On 1st January 2020, the Energy Regulation Board issued Order No.11 (Revised Condition on Staff Tariffs) directing ZESCO Limited management to immediately revise staff electricity tariffs to not more than 500 units per month on a graduating scale consistent with the ability to pay.

However, as at 31st July 2022, management had not acted on the directive from ERB. In this regard, the conditions of service had not been revised and ZESCO Limited was still granting employees units up to 700 units per month in excess of the ERB directive resulting in loss of revenue totalling K81,043,795 for the period from January 2020 to December 2021. See table 7 below.

Table 7: Failure to Revise Staff Tariff

Period	No. of Customers	Amount K
2020	6,270	33,664,783
2021	6,627	47,379,011
Total		81,043,795

e. Procurement Matters

i. Failure to Extend Contract – Upgrade of Stock and Procurement Management System

On 15th April 2021, ZESCO Limited engaged Tech Mahindra South Africa (Pty) Limited for the upgrade of the Stock and Procurement Management System (SPMS) to Oracle Procurement and Logistics Management System at a contract price of US$1,227,677 VAT exclusive with a completion period of nine (9) months up to January 2022.

As at 30th June 2022, amounts totalling US$790,182 had been paid to the contractor.

A review of the project in June 2022, five (5) months after the expected completion date revealed that the project had not been concluded.

In response to an inquiry, management indicated that the project start date was delayed due to the COVID-19 pandemic and integrations with third party systems were also delayed due to dynamics in the regulatory environment affecting procurement. However, there was no documentation availed to show that the contract was extended.

ii. Contract for the Supply, Delivery, Installation and Commissioning of a Centralised Control Centre Monitoring Solution

On 20th April 2021, ZESCO Limited engaged China Changjiang International Contractor Company Limited for the supply, delivery, installation and commissioning of a centralised control centre monitoring solution for selected transmission towers and data centers, at a contract sum of US$5,842,749.62 with an expected completion period of nine (9) months up to January 2022.

The scope of works was to supply and install prefabricated modular data centres, data centre information technology equipment and network equipment and training of users.

As at 31st May 2022, amounts totalling US$2,921,371.81 had been paid and works had not been completed while the contract had expired.

iii. Invoices for Unsupplied Power-Power Purchase Agreement with Ndola Energy Company

On 11th May 2011, ZESCO Limited and Ndola Energy Company signed a Power Purchase Agreement (PPA) for a 50 MW Heavy Fuel Oil plant to be constructed in Ndola. The plant was commissioned and became operational in July 2013. On 24th April 2015, the agreement was amended to revise tariffs.

A review of meter readings revealed that Ndola Energy Company did not supply power to ZESCO Limited in May, June and October 2020 and for the period from March to August, November and December 2021 despite invoicing ZESCO amounts totalling US$86,644,676.21 for which interest in amounts totalling US$7,993,749.33 had accrued. In their response, management stated that they had disputed the invoices, however as at 31st October 2022, the matter had not been resolved.

iv. Contract for Provision of Security Services

During the period under review amounts totalling K146,496,441 were paid out to nine (9) security companies for the provision of security and patrol services of ZESCO Limited's properties and installations. See table 8 below.

Table 8: Security Companies Paid

No.	SUPPLIERS/VENDOR NAME	Vendor ID	Amount Paid K
1	ARM SAFETY COMPANY LIMITED	174851	6,643,180.80
2	ARM-SAFETY SECURITY	8461	35,387,377.68
3	CYBER GUARD	1087691	1,436,988.91
4	GUARDALL SECURITY GROUP LTD	4544	3,795,520.00
5	KUSANTA SECURITY AND INVESTMENTS LIMITED	893494	5,031,720.00
6	MAGNUM SECURITY SERVICES LTD	4521	1,599,565.16
7	SCORPION SECURITY & INVESTIGATIONS LIMITED	2876	14,744,073.85
8	SWISS GUARD SECURITY SERVICES	83496	26,072,425.23
9	TIGER HEAD SECURITY AND INVESTIGATION	174637	31,290,375.26
10	TIGERHEAD SECURITY AND INVESTIGATION	174778	13,324,480.00
11	VENUS SECURITY SOLUTIONS LTD	161193	7,170,734.18
	Total		**146,496,441.07**

The following were observed:

- **Questionable Use of National Limited Bidding Procurement Method**

  Section 42 (2) of the Public Procurement Act No 12 of 2008 states that, "Limited bidding may be used where -

  - The goods, works or non-consulting services are only available from a limited number of suppliers; or
  - There is an urgent need for the goods, works or services and engaging in open bidding would be impractical."

  However, it was observed that ZESCO Limited used national limited bidding to procure security services from nine (9) shortlisted companies without justification.

- **Failure to Avail Details of Security Officers Deployed Monthly**

  Part 6.4.2 of the contracts provided for invoices to be issued according to the number of guards who were deployed in each month. However, there was no information provided to show how ZESCO Limited ascertained whether the company was paying for services that had been rendered.

v. El Sewedy Electric (Z) Limited

A review of the financial statements revealed that El Sewedy Electric (Z) Limited is an associate company in which ZESCO Limited has forty percent (40%) shareholding. The company manufactures distribution transformers ranging from 25KV to a maximum of 5,000 KV (5mva).

A review of the shareholding agreement revealed the following:

- **None Review of the Shareholding Agreement - Nomination for the El Sewedy Managing Director**

  Article 8.1 of the shareholding agreement stipulates that in the first five (5) years, the Managing Director should be nominated by El Sewedy subject to approval of the board and this should be reviewed by both parties in writing after the five (5) years period.

However, as at 31st October 2022, there was no documentation to show that the nomination of the Managing Director had been reviewed in line with the provisions of the shareholding agreement despite El Sewedy being in existence for over five (5) years.

- **Nomination of the Managing Director and Chief Finance Officer**

  Article 8.8.2 of the shareholding agreement stipulates that in the event that the Managing Director is nominated by EL Sewedy, the Chief Financial Officer should be nominated by ZESCO Limited and vice versa if the Managing Director is nominated by ZESCO Limited.

  However, there was no documentation availed to show how the nominations were undertaken.

- **Contract for the Supply and Delivery of Distribution Transformers**

  On 25th March 2021, ZESCO Limited signed a contract with El Sewedy Electric (Z) Limited for the supply and delivery of various distribution transformers on a one year running contract at a contract sum of US$18,500,199.71 with a delivery period of one (1) year.

  The following were observed:

  - **Uncompetitive Procurement**

    A review of the procurement resolutions of the 21st ZESCO Limited Procurement Committee meeting held on 16th December 2020 revealed that the committee granted authority for the supply and delivery of distribution transformers by El Sewedy on a one year running contract and requested that the actual market price be included for realistic comparison purposes.

    However, a review of the evaluation report revealed that instead of including the market price, the evaluation committee adopted an approach of comparing the bidder prices in terms of percentage increase from the last procurement made from El Sewedy. In this regard, it could not be ascertained whether ZESCO Limited procured the transformers at competitive prices.

- **Delayed Delivery**

  The contract required Elsewedy Electric Zambia Limited to supply 1,380 transformers as at 31st March 2022

  However, a review of purchase orders and goods received notes revealed that El Sewedy Electric Zambia Limited had supplied a total of 303 transformers leaving a balance of 1,077 undelivered as at 31st July 2022, four (4) months after the expected delivery period.

- **Failure to Avail Procurement Documents**

  A review of goods received notes revealed that ZESCO Limited received various goods from Elsewedy Electric Zambia Limited and Elsewedy T & D through purchase order numbers CO1LR104439, CO1LR1046306 and CO1LR1059100.

  However, the procurement records such as evaluation minutes, bid documents, contracts and performance securities were not availed for audit making it difficult to ascertain the basis of the deliveries made. See table 9 below.

Table 9: Quantities Received from Elsewedy

No.	Purchase Order number	Description Qty received	Qty
1	CO1LR104439	Various transformers	2488
2	CO1LR1046306	Split type prepaid meter enclosures 40X40	9936
3	CO1LR1059100	Construction of overhead lines	0.467

vi. Contract for the Supply and Delivery of Various Metering Units by Winma Enterprises

On 19th April 2021, ZESCO engaged Winma Enterprises Limited for the supply and delivery of various metering units for Demand Side Management at a contract sum of K2,943,744 VAT inclusive with a delivery period of 12 weeks.

The contract terms included the following:

- Clause 27.1 of the General Conditions of Contract (GCC) stipulates that except as provided under GCC clause 32, if the supplier fails to deliver any or all of the goods by the date(s) of delivery or perform the related services within the period specified in the contract, the procuring entity may without prejudice to all its other remedies under the contract, deduct from the contract price, as liquidated damages, a sum equivalent to the percentage specified in the SCC(5%) of the delivered price of the delayed goods or unperformed services for each week or part thereof of delay until actual delivery or performance, up to a maximum deduction of the percentage specified in those SCC;
- Clause 18.1 of the Special Contract Conditions (SCC) stipulates that a Performance Security should be provided within 14 days of signing the contract or the date of the bid is accepted whichever is earlier. The amount of performance security should be 10 % of the contract price; and
- Section 72 (2) (e) of the Public Procurement Act No.8 of 2020 stipulates that no contract, purchase order, letter of bid acceptance or other communication in any form conveying acceptance of a bid or award of contract should be issued prior to any other approvals required, including clearance of the contract by the Treasury and the legal advice of the Attorney-General.

As at 31st July 2022 the supplier had been paid amounts totalling K183,744.

The following were observed:

- **Failure to Deliver Goods by Supplier**

  A review of records revealed that on 11th October 2021, the supplier delivered the 3.3KV metering unit costing K183,744. However, the 33KV metering units costing K2,760,000 had not been delivered as at 31st July 2022.

- **Failure to Claim Liquidated Damages**

  Contrary to Clause 27.1 of the General Conditions of Contract (GCC), ZESCO Limited had not claimed liquidated damages for the 33KV metering units that had not been delivered.

- **Lack of Performance Security**

  Contrary to clause 18.1 of the SCC there was no evidence that the supplier provided ZESCO Limited with a performance security.

f. Construction of Infrastructure Projects

During the period under review, ZESCO Limited had engaged several contractors for various works. A review and physical inspection of selected projects conducted in May 2022 revealed the following:

Table 10: Infrastructure Projects

No	Contractor	Project Name	Contract Date	Site Possession Date	Original (Planned) Completion Date	% of work done	Contract Sum K	Amount Paid K	Amount Owed to Contractor K	Outstanding Advance Payment K	Observations
1	Saloba Limited	Construction of ten (10) x 3 bedroomed medium cost staff houses houses at Lusiwasi Power Station	20th May 2021	22nd June 2021	20th December 2021	30%	45,252,715	9,050,543.01	4,135,519.81	7,802,192	• Completion period seven (7) months, • Site handover done on 22nd June 2021, • Contract start date was ten (10) days after site handover but during execution ZESCO considered contract signing date as start date resulting in failure to honor an Interim payment certificate. • Contract expired • Advance payment and performance guarantees expired.
2	Saloba Limited	Construction of Staff/student Canteen and 2 Classroom Blocks (1x2 and 1x3) and Associated	19th August 2020	30th September 2020	20th March 2021	70%	16,383,657	8,850,122.07	Nil	2,824,769	• Unjustifiable use of Limited Bidding Method of Procurement • Failure to Issue Notification of the Best Evaluated Bidder to all bidders

		External Works at Ndola ZESCO Training Centre									• Failure to Insure the Contract Obligations by the Contractor • Failure to Renew the Advance Payment Guarantee • Failure to Renew Contract • Failure to Complete Works
3	Saloba Limited	Additional Infrastructure at Monkey Fountain in Ndola for ZESCO Limited for ZESCO United Football Club	5th March 2019	9th May 2019	23rd December 2019	90%	23,921,353	19,900,590.68	Nil	Nil	• Failure to Avail Procurement Records • Failure to Renew Contract • Delay in Making Payments on an IPC • Failure to Complete Works
4	Baluba Building Construction Limited	Construction of Three Staff Houses, Refurbishments of six Staff Houses, Rural Health Post and Office Building at Shiwangandu	22nd December 2020	28th January 2021	31st August 2021	40%	12,721,756	3,688,737.18	Nil	2,193,406	• Lot 1 was awarded to Baluba Construction at a sum of K12,721,755.73 which was the bid sum for Lot 2. • Failure to Issue Notification of the Best Evaluated Bidder • Failure to Renew the Advance Payment Guarantee • Delayed Site Possession

											• Failure to Pay Contractor • Failure to Complete Works
5	Llitone Enterprises	Construction of One (1) Standard Branch Office and 1x 3-Bedroom Branch Manager’s House at Shiwangandu	22nd December 2020	19th March 2021	30th September 2021	45%	8,982,892	3,123,370.52	Nil	1,548,774	• Failure to use competitive procurement method. • Failure to Issue Notification of the Best Evaluated Bidder • Failure to Renew the Advance Payment Guarantee • Failure to Insure the Contract Obligations by the Contractor • Delayed Site Hand Over to the Contractor • Failure to Complete Works
6	Tukamona Investments	Construction of eleven (11) staff houses at Kafue Gorge Power Station	17th March 2020	4th April 2020	3rd April 2021	70%	43,563,105.33	24,929,116.19	Nil	3,755,440	• Contract, Advance Payment and Performance security expired. • Advance payment recoveries were not proportionate to the payments made on the contract sum. Payments were at 58.9% while recoveries were at 40.7 %

7	Savenda Management Services Limited	Construction Works for Electricity Service Access Project in Muchinga Province	30th July 2020		30th January 2022		US$849,784.28	US$212,446.07		-	• Failure to Avail Approval for Contract Amendments • Failure to Avail Approval for Negotiations • Delayed Completion of Works • Failure to Charge Delay Damages • Failure to Renew Contract
8	Savenda Management Services Limited	Construction Works for Electricity Service Access Project in Central Province	7th July 2020		7th January 2022		US$619,197.60	US$154,799.40		US$154,799.40	• Failure to Avail the Advance Payment Security • Failure to Avail Approval for Negotiations • Delayed Completion of Works • Failure to Renew Contract

g. Administrative Matters

i. Poor Maintenance of Medium and Low-Cost Housing Units – Victoria Falls

Clause 14.3 of the Lease Agreements signed during the period under review provides for maintenance and repair by the landlord of any defects or destruction of the housing units or failure of any of the landlord's appliances or mechanical systems except for repairs or replacements that are the obligation of the tenant as stated in the lease agreement.

A physical inspection carried out in June 2022 revealed that some housing units had been poorly maintained in that the following defects were observed:

- Broken doors
- Leaking ceiling boards
- Falling off roofs
- Worn out plumbing pipes
- Worn out fisher boards

ii. Failure to Insure Property – Victoria Falls

Section 41(1) of the Public Finance Management Act No. 1 of 2018 states that, "A public body shall insure public assets with an insurance company registered under the Insurance Act, 1997."

Contrary to the above regulation, one hundred and eleven (111) houses were not insured as at 30th June 2022.

h. Corporate Social Responsibility - ZESCO United Football Club

The ZESCO United Football Club Limited (ZUFC) started as a recreational gathering for students and youths from the ZESCO Limited Staff College in 1972. In October 2014, it was incorporated as a company limited by guarantee and is a subsidiary of ZESCO Limited.

ZESCO United Football Club is financed by grants from ZESCO Limited. In addition, the club earns its income from gate takings, advertising and television rights, sponsorships, awards, hiring out of ground, sale of t-shirts, replica jerseys, seasonal tickets and players.

A review of operations for the club revealed the following:

i. **Budget and Income**

During the period under review, the Club budgeted to generate income of K87,820,447 out of which amounts totalling K102,381,471 were raised resulting in a positive variance of K14,561,024. See table 11 below.

Table 11: Budgeted and Income

Income Components	Budget	Actual	Budget	Actual	Budget Total	Actual Total	Variance
	2020		2021				
	K	K	K	K	K	K	K
ZESCO Operational Grant	30,130,296	40,809,641	35,434,667	47,660,531	65,564,963	88,470,172	22,905,209
ZESCO Capital Grant		1,004,000				1,004,000	1,004,000
Subtotal	**30,130,296**	**41,813,641**	**35,434,667**	**47,660,531**	**65,564,963**	**89,474,172**	**23,909,209**
Other Income	14,545,616	7,692,096	7,709,868	5,215,203	22,255,484	12,907,299	(9,348,185)
Total	**44,675,912**	**49,505,737**	**43,144,535**	**52,875,734**	**87,820,447**	**102,381,471**	**14,561,024**

ii. **Governance**

- **Lack of Board Charter**

A Board Charter is a policy document that clearly defines the respective roles, responsibilities and authorities of the Board of Directors (both individually and collectively) and management in the governance of an entity.

However, ZESCO United Football Club Limited had been operating without a Board Charter since inception. Consequently, the Board did not have a guide on number of its committees, composition and frequency of their meetings amongst others.

- **Unsupported Payments of Board Allowances**

Article 12.1 of the Articles of Association for ZESCO Limited stipulates that the Board of Directors should meet at least twice a year. Further, Article 12.3 stipulates that the Chairperson of the board of Directors may, at any time summon a meeting of the Board of Directors. The Company Secretary should issue notices for such meetings regarding time, place and agenda to each Director upon instructions of the Chairperson.

During the period under review, amounts totalling K1,717,223 were paid in respect of Board and Sub-board Committee sitting allowances between January 2020 and December 2021.

However, Board minutes and attendance registers in respect of allowances paid to Board members in amounts totalling K1,245,223 were not availed for audit.

27 RECOMMENDATIONS

To address the weaknesses identified in this report, I recommend the following:

i. The appointing authorities must always ensure that the parastatal bodies and other statutory institutions have functional Boards of Directors and Councils to strengthen corporate governance;

ii. The boards of directors for parastatal bodies and other statutory institutions must ensure that financial reports are prepared annually and within prescribed timeframes

iii. The boards of directors for parastatal bodies and other statutory institutions must ensure that effective performance assessment systems for management are implemented,

iv. Parastatal bodies must devise recapitalisation plans to improve their financial and operational performance;

v. The responsible ministries for statutory institutions must ensure that sufficient funds are sourced to enable these institutions meet their mandate;

vi. Management of parastatal bodies and other statutory institutions should address the internal control weaknesses identified in this report to enhance systems and protect assets. The controls include acquisition of title deeds for land owned by the institutions;

vii. Management of the parastatal bodies and other statutory institutions must ensure that weaknesses in contract management identified in this report are urgently addressed to enhance the ability of the affected entities to execute their mandates effectively;

viii. Management of parastatal bodies and other statutory institutions must ensure that procurements are made in line with Public Procurement provisions;

ix. Management of parastatal bodies and other statutory institutions must improve on the management of infrastructure to avoid deterioration of assets value;

x. The management of pension houses should devise strategies of reducing Actuarial Deficits;

xi. Management of parastatal bodies and other statutory institutions that had non-performing loans must ensure that recovery methods are improved and applied strictly;

xii. Management at the Judiciary must ensure that court cases are disposed off quickly to avoid delay in the delivery of justice;

xiii. Management of ZCCM-IH should devise strategies of improving return on the company's investments and ensure that there are no onerous clauses in agreements.

28 ACKNOWLEDGEMENTS

I wish to thank all my staff for their hard work during the course of the audits to ensure that this report is produced despite challenges faced during the audit process. I also wish to express my gratitude to the Controlling Officers of Line Ministries and Chief Executive Officers of Parastatal Bodies and Other Institutions and their staff for their cooperation. It is because of their cooperation that I was able to carry out the audits in an objective, efficient and effective manner.

29 RECOMMENDATIONS OF THE COMMITTEE ON PARASTATAL BODIES

Appendix 3 to this report summarises the status of outstanding issues as at 31st December 2021 for which necessary remedial action is required. These unresolved issues arise as a result of recommendations that the Committee on Parastatal Bodies made on previous reports of the Auditor General but whose actions had not been undertaken at the date of issuance of this Report. The outstanding issues form part of the report of Parastatal Bodies and Other Statutory Institutions for the financial year ended 31st December 2021.

30 CONCLUSION

This Report has highlighted various areas of weaknesses in the management of Parastatal Bodies and Other Statutory Institutions which need to be addressed for these institutions to effectively execute their mandates.

PART III

APPENDICES

APPENDIX 1

List of institutions in the Report whose Financial Statements are Certified by the Auditor General

NO.	INSTITUTION
1	The Judiciary
2	The National Heritage Conservation Commission
3	Nursing and Midwifery Council of Zambia
4	Tropical Diseases Research Centre

APPENDIX 2

List of institutions in the Report whose Financial Statements are Certified by Private Auditors

NO.	INSTITUTION
1	Citizens Economic Empowerment Commission
2	The Development Bank of Zambia
3	Electoral Commission of Zambia
4	Evelyn Hone College of Applied Arts And Commerce
5	The Food Reserve Agency
6	Health Professions Council of Zambia
7	Mukuba University
8	Mulungushi University
9	National Pension Scheme Authority
10	Nkumbi International College
11	Public Service Pensions Fund
12	The Tanzania Zambia Railway Authority
13	The University of Zambia
14	Zambia Forestry and Forest Industries Corporation Limited
15	Zambia Medicines and Medical Supplies Agency
16	Zambia National Building Society
17	Zambia Postal Services Corporation
18	Zambia Telecommunication Corporation Limited
19	Zambia Consolidated Copper Mines Investments Holdings
20	Zesco Limited

APPENDIX 3

SUMMARY OF UNRESOLVED ISSUES AS AT 31st DECEMBER 2021

JUDICIARY

2012 Para (7) (9) (f)	*Failure Deliver Projects on Time*
2012 Para (7) (9) (h)	*Questionable Payment of Retention Funds Mulobezi*
2013, 2014, 2015, 2016 Para (5) (5)	*Construction of Ndola Main Urban Local*
2013, 2014, 2015, 2016 Para (5) (5) (5.2)	*Construction of Baluba Urban Local Court*
2013, 2014, 2015, 2016 Para (5) (5) (5.4)	*Construction of Kapiri Mposhi Urban Local Court*
2013, 2014, 2015, 2016 Para (5) (5) (5.5)	*Construction of Makululu Local Court*
2013, 2014, 2015, 2016 Para (5) (5) (5.6)	*Contract Agreement for Citing, Drilling and Equipping of a Borehole*
2013, 2014, 2015, 2016 Para (5) (5) (5.7)	*Construction of Nkana Rural Local Court*
2013, 2014, 2015, 2016 Para (5)(5)(5.8)	*Construction of Kitwe Local Court*
2014 Para (13) (12) (a) (iv)	*Delayed Completion of the Project*
2014 Para (13) (12) (b) (iii)	*Erosion of Clients Accounts by Bank Charges*
2014 Para (13) (12) (c)	*Failure to pay Gratuity*
2014 Para (13) (12) (d) (i)	*Weaknesses in Managing the Sheriff's Office of Zambia*
	Lack of Bailiwicks Records
2014 Para (13) (12) (e) (i)	*Weaknesses in the Management of Judiciary Infrastructure - Subordinate Court Complex-Lusaka*

2014 Para (13) (12) (e) (iii)	*Kitwe Subordinate Court*
2014 Para (13) (12) (e) (iv)	*Solwezi Subordinate Court*
2014 Para (13) (12) (e) (v)	*Choma Subordinate Court*
2014 Para (13) (12) (e) (vi)	*Livingstone High Court and Subordinate Court*
2014 Para (13) (12) (e) (vii)	*Mongu Subordinate Court*
2014 Para (13) (12) (e) (viii)	*Kabwe Subordinate Courts*
2015 Para (9) (9) (a) (i)	*Inadequacies in Judiciary Infrastructure Structure- Chambers and Office Space*
2015 Para (9) (9) (a) (ii)	*Lack of Court Rooms*
2015 Para (9) (9) (d)	*Weaknesses in Managing Contribution Project*
	Matero-II Local Court
2015 Para (9) (9) (e)	*Court Physical Inspection*
2013, 2014, 2015, 2016 Para(5)(5.1)	*Construction of Ndola Main Urban Local Court*
2013, 2014, 2015, 2016 Para(5)(5)(5.2)	*Construction of Baluba Urban Local Court*
2013, 2014, 2015, 2016 Para(5)(5)(5.3)	*Construction of Twapia Urban Local Court*
2013, 2014, 2015, 2016 Para (5) (5) (5.4)	*Construction of Kapiri-Mposhi Urban Local Court*
2013, 2014, 2015, 2016 Para (5) (5) (5.5)	*Construction of Makululu Local Court*
2013, 2014, 2015, 2016 Para(5)(5)(5.6)	*Contract Agreement for citing, drilling and equipping of a Borehole*
2013, 2014, 2015, 2016 Para (5) (5) (5.7)	*Construction of Nkana Rural Local Court*
2013, 2014, 2015, 2016 Para (5) (5) (5.8)	*Construction of Kitwe Local Court*
2013, 2014, 2015, 2016 Para (5)(5)(5.9)(i)	*Failure to provide Performance Security against the Contract*
2013, 2014, 2015, 2016 Para(5)(5)(5.9)(ii)	*Delays in Completing the Works*
2013, 2014, 2015, 2016 Para(5)(5)(5.10)(i)	*Failure to Provide Performance Bond*

2013, 2014, 2015, 2016 Para(5)(5)(5.10)(ii) Failure to supervise construction works by the Contracts Manager

2013, 2014, 2015, 2016 Para(5)(5)(5.10)(iii) Failure to complete the Construction works as per Contract Agreement

2017 Para (7) (a)	*Failure to produce financial statements*
2017 Para (7) (b)	*Failure to produce title deeds for 617 properties*
2017 Para (7) (i) (i)	*Construction of Litoya Local Court K1,084,079*
2017 Para (7) (i) (ii)	*Construction of Chinsali Subordinate Court K9,179,000*
2017 Para (7) (i) (iii)	*Construction of Munkonge Local Court – Kasama K676,575*
2017 Para (7) (i) (iv)	*Construction of Mukuka Mfumu Local Court – Mungwi K 602,587.*

ELECTORAL COMMISSION OF ZAMBIA

2013, 2014, 2015, 2016 Para (3) (3.1)	*Delay in paying salaries & allowances to Officers*
2013, 2014, 2015, 2016 Para (3) (3.8) (i)	*Misapplication of funds*

MINISTRY OF AGRICULTURE

Food Reserve Agency

2013, 2014, 2015, 2016 Para (4) (4.2) (a,b,c)Poor Management of Construction Projects.

2013, 2014, 2015, 2016 Para (4) (4.3)	*Poor Storage of Tarpaulins*
2013, 2014, 2015, 2016 Para (4) (4.4) (ii)	*New Sheds in Mwinilunga*
2014 Para (11) (10) (a)	*Failure to produce Audited Accounts and Annual Reports*
2014 Para (11) (10) (b)	*Delays in Remitting Statutory Obligations*
2014 Para (11) (10) (d)	*Properties without Title Deeds*

Nitrogen Chemicals of Zambia Limited

2012 Para (16) (18) (a)	*Weakness in the collection of Receivables*
2012 Para (16) (18) (b)	*Failure to settle Accounts Payables*
2012 Para (16) (18) (c)	*Outstanding Litigations in favour of Nitrogen Chemicals of Zambia for Years 2009 -2012*
2012 Para (16) (18) (d)	*Non-Remittance of Statutory Obligations*
2015 Para (15) (15) (e)	*Non-Payment of Statutory Contributions*
2015 Para (15) (15) (g)	*Questionable Fertilizer Sales*
2015 Para (15) (15) (h)	*Supply of Fertilizer Mumbwa District Farmers Association*
2015 Para (15) (15) (i)	*Failure to Supply – Braithweit Investments Zambia*
2015 Para (15) (15) (k)	*Irregular Transaction- Maluba M. Trading*
2015 Para (15) (15) (p)	*Non-Delivery of Conveyor Belt*
2015 Para (15) (15) (q) (iii)	*Unreconciled Returned Fertilizer Bags-Kabwe K549,024*
2015 Para (15) (15) (r) (iii)	*Inadequate Machinery and Plant Equipment Loader*
2015 Para (15) (15) (r) (iii)	*Sewing Machines*
2015 Para (15) (15) (r) (iv)	*Lack of Plant Machinery and Equipment Replacement Policy*
2015 Para (15) (15) (r) (iv)	*Failure to Repair Ammonium Nitrate, Plants*
	Non-Implementation of off take Agreement
2015 Para (15) (15) (r) (vi)	*Poor Management of Non-Current Assets, Failure to Acquire a New Fire tender Dilapidated Structure*
2015 Para (15) (15) (r) (vi)	*Failure to insure Property, Plant and Equipment*

Tobacco Board of Zambia

2015 Para (18) (18) (d)	*Failure to Recover GRZ and TBZ Out*

growers Loans

MINISTRY OF COMMERCE TRADE AND INDUSTRY

Citizen Economic Empowerment Fund

2012 Para (5) (7) (b) (i)	*Empowerment fund- unreconciled Loan Recoveries*
2012 Para (5) (7) (b) (ii)	*Site Visits to CEEC Sponsored Business Entities*
2014 Para (9) (8) (a) (i)	*Undisbursed Funds by Micro Finance Institutions Gray Pages Financial Solutions, CETZAM Financial Services Plc*
2014 Para (9) (8) (b)	*Contract with ACCESS Bank Zambia Limited*
2014 Para (9) (8) (c)	*Non-Performing Loans*
2014 Para (9) (8) (d) (i)	*Questionable Procurement of Dairy Animals*

Consumer and Competition Protection Commission

2014 Para (8) (7) (c)	*Failure to Engage ZRA on Payment of Tax on Gratuity on behalf of Directors*

Zambia Development Agency (ZDA)

2012 Para (20) (22) (a)	*Unreimbursed borrowings from Escrow Account*
2012 Para (20) (22) (b) (i)	*Non-Remittance of Statutory Contributions*
2012 Para (20) (22) (e)	*Fixed Assets*

Zambia International Trade Fair

2017 Para (15) (15)	*Statement of Financial Position-Weak Current Ratio*
2017 Para (15) (15)	*Statement of Cash-Flow for the financial years ended 31st December 2015 and 2016*
2017 Para (15) (15)	*Failure to Pay Terminal Benefits K 2,016,183*
2017 Para (15) (15)	*Irregular Payment to Ndola City Council*
2017 Para (15) (15)	*Failure to Settle Statutory Obligations K4,184,158*
2017 Para (15) (15)	*Lack of Asset Management Policy*
2017 Para (15) (15)	*Abandoned House – No. 56 Kabelenga Road, Ndola*
2017 Para (15) (15)	*Irregular Drawing of Fuel K512,162*
2017 Para (15) (15)	*Unsupported Payments K 2,945,305*
2017 Para (15) (15)	*Unretired Accountable Imprest K 95,633*
2017 Para (15) (15)	*Unaccounted for Stores K681,583*

MINISTRY OF COMMUNICATION AND TRANSPORT

Mpulungu Harbour Corporation

2013, 2014, 2015, 2016 Para (8) (8) (8.5)	*Unsupported Payments- K127,702*

National Airports Corporation Limited

2012 Para (17) (19) (19) (e)	*Abandoned Aircraft – MK Airlines*
2012 Para (17) (19) (a)	*Nonperforming Contract – Unitech System Inc.*

Tanzania Zambia Railway Authority

2015 Para (17) (17) (e) (i)	*Lack of Performance Security*
	Contract to Supply and Install of workshop equipment
2015 Para (17) (17) (e) (ii)	*Workshop Equipment- Mpika Workshop, Lack of Performance Security*
2015 Para (17) (17) (e) (iii)	*Failure to Supply and install Lighting System – Mpika Workshop*
2015 Para (17) (17) (f) (i)	*Management of Property and Infrastructure Abandoned Property*
2015 Para (17) (17) (f) (ii)	*Lack of Title*
2015 Para (17) (17) (e) (i)	*Land Encroachment on Railway Strip*
2015 Para (17) (17) (e) (i)	*Failure to Remit Statutory Contributions*

Zambia Airports Corporation

2017 Para (12) (12)	*Failure to Execute Judgment–Zambian Airways K 23,792,048*
2017 Para (12 (12)	*Failure to put to use the old Terminal Building-Harry Mwanga Nkumbula*
2017 Para (12) (12)	*Failure to avail Asset Registers*

Zamcargo and Logistics Ltd

2013, 2014, 2015, 2016 Para (21) (21) (21.2)	*Irregular Payment of Out of Pocket Allowance on Local Trips (Irregular - US$5,871.20 and Overpayment - US$3,858)*
2013, 2014, 2015, 2016 Para (21) (21) (21.4)(c.i)	*Unfilled Position*
2013, 2014, 2015, 2016 Para (21) (21) (21.4)(c.iii)	*Wasteful Expenditure-Payment in lieu of Notice US$8,239*

2013, 2014, 2015, 2016 Para (21) (21) (21.4)(c.iv) Irregular Payment of Car Allowance- Regional Manager

2013, 2014, 2015, 2016 Para (21) (21) (21.5) (ii) Contract with Mining Agricultural & Construction Services Limited for Repair of Liebherr Reach stacker

2013, 2014, 2015, 2016 Para (21) (21) (21.6)(ii)Lack of Title Deed for Plot Number 1616 Masaki

2013,2014,2015,2016 Para (21)(21)(21.6)(iii)Lack of Ownership details for leased Shed

2013, 2014, 2015, 2016 Para (21) (21) (21.6)(iv)Failure to Replace Stolen Motor Vehicles

2013, 2014, 2015, 2016 Para (21) (21) (21.6)(v)Failure to Dispose Obsolete Machinery

2013, 2014, 2015, 2016 Para (21) (21) (21.6)(vi)Loss of Government Land for a Dry Port-Nakonde

Zambia Railways Limited

2012 Para (18) (20) (b) (i)	*Irregularities in Staff Related Costs Non-Remittance of Statutory obligations*
2012 Para (18) (20) (c) (i)	*Deterioration of Infrastructure during Concession Period Dilapidated Workshop Buildings*
2012 Para (18) (20) (c) (ii)	*Vandalized Heavy-Duty Equipment*
2012 Para (18) (20) (c) (iii)	*Vandalized Level Crossings*
2012 Para (18) (20) (d) (i)	*Failure to account for Traction Motor and Compressor Exhausters Sent To South Africa*
2012 Para (18) (20) (d) (v)	*Irregular Exchange of Locomotive Engines*
2012 Para (18) (20) (e)	*Irregularity in the Sale of Properties*
2012 Para (18) (20) (g)	*Irregular Sale of Land*
2014 Para (24) (23) (a)	*Failure to account for traction motors and compressor*

	Exhausters sent to South Africa
2014 Para (24) (23) (c) (ii)	*Payment of Christmas Bonus for Board Members*
2014 Para (24) (23) (d) (i)	*Irregularities in Management of Funds, Euro Bond, Misapplication of Funds, Unsupported Payment*
2014 Para (24) (23) (e) (i)	*Irregularities in the Management of contracts Over Commitment on procured Contract- Signalling and Telecommunication Equipment, Inadequate Funds for Procured Contract, Failure to Pay Huawei International for the installation of Telecommunication Equipment Failure to commence works by Bombardier Transportation Denmark AS*
2014 Para (24) (23) (e) (iii)	*Loss of Nine Coaches*
2014 Para (24) (23) (e) (iv)	*Failure to Deliver Flash Butt by Diamond Motors Limited*
2017 Para (17) (17)	*Failure to Achieve Set Targets*
2017 Para (17) (17)	*Weaknesses in Key Performance Indicators*
2017 Para (17) (17)	*Manpower Related Costs*
2017 Para (17) (17)	*Increase in Administration Expenses*
2017 Para (17) (17)	*Reduction in Working Capital*
2017 Para (17) (17)	*Liquidity Position*
2017 Para (17) (17)	*Increase in Receivables K 178,075,000*
2017 Para (17) (17)	*Poor Status of Infrastructure resulting in Loss of Revenue*
2017 Para (17) (17)	*Reliability of Locomotives*
2017 Para (17) (17)	*Non-Remittance of Statutory Contributions K 91,834,999*
2017 Para (17) (17)	*Failure to Remit Funds Recovered on behalf of Financial Lending Institutions K 3,093,178*

2017 Para (17) (17) — *Failure to Remit Staff Pension Contribution K434,871 and K15,353,850*

2017 Para (17) (17) — *Wasteful Expenditure – Failure to Utilise Weighbridges K919,003*

2017 Para (17) (17) — *Unsupported Payments K 418,949*

MINISTRY OF ENERGY

Indeni Petroleum Ltd

2013, 2014, 2015, 2016 Para (4) (4) (4.6) (i) Overdue Receivables

2013, 2014, 2015, 2016 Para (4) (4) (4.6) (ii) Receivable Turnover Days/Debt Collection Period

2013, 2014, 2015, 2016 Para (4) (4) (4.7) — *Non-payment for corrosion of Plant Equipment due to processing of Contaminated Crude Oil*

2013, 2014, 2015, 2016 Para (4) (4) (4.8) — *Non-recoverability of Crude Stock*

2013, 2014, 2015, 2016 Para (4) (4) (4.9) — *Non-delivery of goods by Apple Construction*

2013, 2014, 2015, 2016 Para (5) (5) (5.9) — *Failure to provide Performance Security*

2013, 2014, 2015, 2016 Para (5) (5) (5.9) (ii) Delays in Completing the Works

2013, 2014, 2015, 2016 Para (5) (5) (5.10) (i) Failure to Provide Performance Bond

2013, 2014, 2015, 2016 Para (5) (5) (5.10) (ii) Failure to Supervise Construction works by the Contract Manager

2013, 2014, 2015, 2016 Para (5) (5) (5.10) (iii) Failure to complete the Construction works as per Contract Agreement

ZESCO Limited

2014 Para (22) (21) (f) (ii) — *Contract for Design, Procure, Build and Commission Hydro Power Stations*

2014 Para (22) (21) (f) (iii) — *Connection of Luangwa District to the National Grid Project*

2014 Para (22) (21) (h) (i)	*Poor Management of Non-Current Assets Failure to Revalue Fixed Assets*
2014 Para (22) (21) (h) (ii)	*Non-Disposal of obsolete Stocks*
2014 Para (22) (21) (h) (iii)	*Failure to pass Title of Assets to ZESCO Limited*

MINISTRY OF FINANCE

Development Bank of Zambia

2017 Para (5) (a)(i)	*Fluctuating Net Interest Percentage*
2017 Para (5) (a)(ii)	*Declining Profit Margins*
2017 Para (5) (a)(iii)	*Impairment Losses and Charges*
2017 Para (5) (b) (i)	*Weaknesses in Managing Equity and Return on Equity*
2017 Para (5) (b) (ii)	*Failure to Utilise Additional Government Capital Injection to Improve ROE*
2017 Para (5) (b) (iii)	*Deterioration of interest margins*
2017 Para (5) (c) (i)(ii)(iii)(iv)	*Weaknesses in managing Credit Appraisal, Monitoring of Projects & Loan Recoveries*

Industrial Development Corporation

2017 Para (6) (b)	*Lack of Financial Policies and Procedures Manual*
2017 Para (6) (e)(i)	*Staff Issues*
2017 Para (6) (f)	*Failure to Implement Board Resolutions*
2017 Para (6) (g)	*Unsupported Payments K 72,801*
2017 Para (6) (h)	*Unaccounted for Stores K 44,566*
2017 Para (6) (i)	*Lack of Transport Policy*

National Road Fund Agency

2017 Para (10) (10)(i)(ii)(iii)	*Other Road Projects*

National Savings and Credit Bank

2013, 2014, 2015, 2016 Para (12) (12) (12.2) (ii)Failure to Remit Pay As You Earn (PAYE)

K8,087,161

2013, 2014, 2015, 2016 Para (12) (12) (12.4) *Unrecovered Loans – K560,598*

2013, 2014, 2015, 2016 Para (12) (12) (12.5) *Non Recovery of Loans – Head Office*

K2,911.676

2013, 2014, 2015, 2016 Para (12) (12) (12.6) Failure to Adhere to Loan Agreement – Bunjimi Assets Plus, Loans K476,264

2013, 2014, 2015, 2016 Para (12) (12) (12.7) Failure to deliver Service

Pensions and Insurance Authority

2013, 2014, 2015, 2016 Para (16) (16) (16,2) Irregular payment of

Procurement Committee

Allowance – K123,362

2013, 2014, 2015, 2016 Para (16) (16) (16,3)(i)Failure to Surrender Original Title

Documents

2013, 2014, 2015, 2016 Para (16) (16) (16,3)(ii)Failure to Provide Collateral Equivalent to

house Loans Obtained

2013, 2014, 2015, 2016 Para (16) (16) (16,4)(i) Failure to Adequately Protect Members'

Interest

2013, 2014,,2015,2016 PARA (19)e(iii) Failure to Provide Collateral Equivalent to House

Loans Obtained.

2013, 2014,2015, 2016 PARA (19)f(iii) TAZARA pension Trust Scheme - Failure to

Adequately Protect Members' Interest

2013, 2014, 2015, 2016 PARA (20) a (ii) National Heritage Conservation Pension Trust Scheme

Public Service Pension Fund

2013, 2014, 2015, 2016 Para (17) (17) (17.1)(i) Excessive Number of Board Meetings-K8,817,846

2013, 2014, 2015, 2016 Para (17) (17) (17.3) (i)Irregular Inclusion Members to the Funds After Enactment of the NAPSA Act

2013, 2014, 2015, 2016 Para (17) (17) (17.4)(i)Equity Investment

2013, 2014, 2015, 2016 Para (17) (17) (17.5) (i)Irregularities in the Procurement of Standby Generator

Zambia National Building Society

2017 Para (16) (16)	*Irregularities in Administration of Mortgages K26,739,263*
2017 Para (16) (16)	*Management of Investment Properties-Vacant Properties*
2017 Para (16) (16)	*High Default Rates in Branches*
2017 Para (16) (16)	*Uncleared Suspense Accounts*
2017 Para (16) (16)	*Failure to Recover Loans - Kapiri Mposhi District Council K373,274*

Zambia Revenue Authority

2015 Para (21) (21) (a)	*Lack of Tile Deeds – Non-Current Assets*

Zambia State Insurance Corporation

2012 Para (22) (24) (a) (iii)	*Delayed Projects Implementation*
2012 Para (22 (24) (b) (i)	*Government Indebtedness to ZSIC*
2012 PARA (22) (24) (b)(iii)	*Non-remittance of Statutory Contributions*
2012 Para (22) (24) (b) (vii)	*Review of Internal Audit Reports on Investments*
2012 Para (22) (24) (b) (vii)	*Failure to conduct Risk Assessment*
2012 Para (22) (24) (b) (vii)	*Failure to monitor the Investment*
2012 Para (22) (24) (b) (vii)	*Investment in Circle Pharmaceuticals Africa US$700,000*

2012 Para (22) (24) (b) (vii)	*Investments in Freshpikt*
	Investments in Non-Performing Projects – Kitwe Development Limited

ZSIC General Insurance Limited

2017 Para (18) (a)	*Administration of the Infoins Insurance System Contract-US$ 1,154,288 - Delayed Completion of the Project*
2017 Para (18) (c) (i)	*Liquidity*
2017 Para (18) (c) (ii)	*The Solvency Ratio*
2017 Para (18) (c) (iii)	*Receivables Collection Period*
2017 Para (18) (d)	*Intercompany Indebtedness K 14.9 million*
2017 Para (18) (e)	*Failure to Collect Rental Income K1,330,491*
2017 Para (18) (j)	*Non Payment of Terminal Benefits and Gratuity K12,651,206*
2017 Para (18) (q)	*Unsupported Payments K149,364*

ZSIC Life

2017 Para (19) (a)	*Failure to Avail Appointment Letters for the Board of Directors*
2017 Para (19) (b)	*Outstanding Claims*
2017 Para (19) (d)	*Questionable Payments K 989,789*
2017 Para (19) (e)	*Statement of Financial Position for the financial years ended 31st December 2014 to 2017*
2017 Para (19) (f) (ii)	*Receivable Turnover Days*
2017 Para (g)	*Failure to Collect Rental Income K2,738,036*
2017 Para (f)	*Failure to Change Ownership of Properties from ZSIC Limited to ZSIC Life*

2017 Para (i)	*Poor state of Infrastructure–ZSIC Life*
2017 Para (j)	*Unsupported Payments K 2,390,800*
2017 Para (l)	*Missing Payment Vouchers K546,688*

Zambia State Insurance Pension Trust Fund

2017 Para (19) (m) (i)	*Valuation of Pension Schemes – Failure to Undertake Actuarial Valuations*
2017 Para (19) (m) (iii)	*Inactive Pension Schemes K33, 561,875*
2017 Para (19) (m) (v)(i)	*Questionable Due Diligence US$17,785,011.83 and K3,600,000*
2017 Para (19) (m) (v)(ii)	*Failure to Recover Loans US$4,044,400.00 and K773, 349*
2017 Para (19) (m) (v)(iii)	*Failure to Collect Rental Income K49,481,562*
2017 Para (19) (m) (v)(v)	*Deteriorating Infrastructure –ZSIPTF*

MINISTRY OF GENERAL EDUCATION

Zambia Education Publishing House

2017 Para (14) (a)	*Lack of Strategic Plan*
2017 Para (14) (b)	*Operating without a Board of Directors*
2017 Para (14) (c)	*Irregular Payment of Board Allowances K140,000*
2017 Para (14) (d)	*Failure to Prepare Financial Statements*
2017 Para (14) (e)	*Failure to Achieve set Production Targets–Printing*
2017 Para (14) (f)	*Failure to Fill Vacant Positions*
2017 Para (14) (g)	*Failure to Pay Terminal Benefits K 7,342,130*
2017 Para (14) (h)	*Failure to Settle Statutory Obligations K 84,555,775*
2017 Para (14) (i)	*Lack of Asset Management Policy*
2017 Para (14) (j)	*Properties without Title Deeds*

2017 Para (14) (k)	*Failure to Insure Assets*
2017 Para (14) (m)	*Unsupported Payments K 4,675,582*
2017 Para (14) (o)	*Lack of Disposal Details K 2,759,464*

MINISTRY OF HEALTH

Medical Stores Limited

2017 Para (8) (a) (iv)	*Lack of Risk Management Policy*
2017 Para (8) (a) (v)	*Lack of Disaster Recovery Site (DRS)*
2017 Para (8) (d) (i)	*Failure to collect service fees*
2017 Para (8) (e)	*Returned Medicines and Medical Supplies due to wrong/excess supply, short expiry or product not ordered K615,169*

MINISTRY OF HIGHER EDUCATION

Copperbelt University (CBU)

2014 Para (7) (6) (c) (ii)	*Failure to state Specifications for the Marquee*

Kwame Nkrumah University

2015 Para (10) (10) (g)	*Lack of Title Deeds*

Mulungushi University

2012 Para (8) (10) (a)	*Non-Remittance of Statutory Contributions*
2012 Para (8) (10) (b)	*Lack of Title Deed for Water Works Land*
2015 Para (12) (12) (c) (iii)	*Un-receipted Deposits for More than 12 Months*
2015 Para (12) (12) (f) (i)	*Civil Works, Construction of Phase One of Alternative Sources-Chindwin*

University of Zambia

2012 Para (9) (11) (a) (b)	*Statement of Financial Position – Unaccounted for Income*

2012 Para (10) (12) (b) (i) *Statement of Financial Position – Failure to Collect Receivables*

MINISTRY OF HOUSING AND INFRASTRUCTURE

National Housing Authority

2015 Para (14) (14) (c) (iii)	*Breach of Conditions of the Scheme*
2015 Para (14) (14) (f) (iii)	*NHA-CJI Joint Venture*
2015 Para (14) (14) (h)	*Non-Remittance Statutory Contributions*
2017 Para (9) (i)	*Failure to Maintain Sondashi Flats – Ndola*

MINISTRY OF INFORMATION AND BROADCASTING

Times Printpak Zambia

2017 Para (11) (b) (i) (ii)	*Procurement of Goods, Works and Services*
2017 Para (11) (c)	*Government Ministries' and Parastatal Bodies' Debt K7,566,369*
2017 Para (11) (d)	*Non-Remittance of Taxes and Statutory Contributions- K670,496,682*
2017 Para (11) (e)	*Failure to Collect Rental Income K 150,000*

Zambia Daily Mail

2017 Para (13) (a)	*Financial Performance-Statement of Comprehensive Income for the years ended 31st December 2015 to 2017*
2017 Para (13) (b)(i)	*Current Ratio*
2017 Para (13) (b)(ii)	*Insufficient Working Capital*
2017 Para (13) b)(iii)	*Poor Management of Receivables*
2017 Para (13) (c)(i)	*Procurement of Goods and Services*
2017 Para (13) (e)	*Non-Remittance of Taxes*
2017 Para (13) (f)	*Failure to Remit Pension Contributions to NAPSA K4,412,804*

Zambia Institute of Mass Communication Education Trust

2013, 2014, 2015, 2016 Para (22) (22) (22.2) Lack of an Internal Audit Function

2013, 2014, 2015, 2016 Para (22) (22) (22.8) Obsolete Studio Equipment

Zambia National Broadcasting Corporation

2013, 2014, 2015, 2016 Para (24) (24) (24.2) (i) Agreement Star Times Weaknesses in the Joint Borrowing with Top-Star Communications Company Ltd US$232,181,138.85

2013, 2014, 2015, 2016 Para (24) (24) (24.2) (ii) Failure to produce Escrow Account Management Agreement

2013, 2014, 2015, 2016 Para (24) (24) (24.3) Financial Performance-Statement of Comprehensive Income Negative Profits . Margins

2013, 2014, 2015, 2016 Para (24) (24) (24.3) (i) Staff Costs Compared to Revenue Generated

2013, 2014, 2015, 2016 Para (24) (24) (24.3(a)(ii) Statement of Financial Position as at 31st December 2014

2013, 2014, 2015, 2016 Para (24) (24) (24.3) (b) Current Ratio Receivable Days

2013, 2014, 2015, 2016 Para (24) (24) (24.3) (c) Negative Equity (from-K942,693,851 in 2012 to K1,078,529,639 in 2016)

2013, 2014, 2015, 2016 Para (24) (24) (24.4) Failure to Generate Positive Cash Flows from Operating Activities

2013, 2014, 2015, 2016 Para (24) (24) (24.4) (a) Analysis of Net Increase in Cash and Cash Equivalent

2013, 2014, 2015, 2016 Para (24) (24) (24.5)(iii) Declining Cash Inflows from Investment in an Associate From K49,980,000 in 2014 to . K13,506,500 in 2016

2013, 2014, 2015, 2016 Para (24) (24) (24.5) (iv)Non-Remittance of Statutory Contributions - K458,824,474

2014 Para (23) (22) (h) *Misapplication of Funds-Digital Television Migration*

2014 Para (23) (22) (I) (ix) *Failure to Re-Master Tapes, Outdated Storage Media*

MINISTRY OF LABOUR AND SOCIAL SECURITY

National Pension Scheme Authority

2012 Para (21) (23) (b) (i) *Outstanding Contribution Payments – Arrears*

2012 Para (21) (23) (b) (ii) *Employers who ceased operations*

2012 Para (21) (23) (b) (iii) *Employers who changed locations*

2012 Para (21) (23) (c) (i) *Management of Levy Business Park – (Questionable Payment - K8,526,101,801) maintenance expenditure and K2,056,364,260 – (Wages on behalf of Liberty Properties)*

2012 Para (21) (23) (c) (i) *Unremitted Funds*
2012 Para (21) (23) (d) *Undischarged Guarantee*

2012 Para (21) (23) (e) *Outstanding Rent Debtors*

2013, 2014, 2015, 2016 Para (11) (11) (11.2) (ii) Irregularities in the Management of Contributions Defaulting Employers

2013, 2014, 2015, 2016 Para (11) (11) (11.4) (i)Failure to claim funds from the Council paid for the Encroachment

Para (11) (11) (11.4) (ii) Failure to Secure refund for construction of the Twenty- Seven manholes

2013, 2014, 2015, 2016 Para (11) (11) (11.5) *Absentee Tenants- Mongu*

2013, 2014, 2015, 2016 Para (11) (11) (11.6) *Duplicated Payments*

Workers' Compensation Fund Control Board

2013, 2014, 2015, 2016 Para (20) (20) (20.4) Car Park- Questionable Procurement/ idle Property

MINISTRY OF MINES

Ndola Lime Co. Ltd

2013, 2014, 2015, 2016 Para (13) (13) (13.1) Financial Performance-Statement of Profit *and Loss And Other Comprehensive Income for the Financial Year Ended 31 March, 2014, 2015 and 2016*

2013, 2014, 2015, 2016 Para (13) (13) (13.3) Inefficient Structuring of Engineering and Procurement Contracts (EPC)

2013, 2014, 2015, 2016 Para (13) (13) (13.4) (i) Defective Mining Equipment

2013, 2014, 2015, 2016 Para (13) (13) (13.4) (ii) Lack of Refectory Bricks for Vertical Kiln

2013, 2014, 2015, 2016 Para (13) (13) (13.6) (i) Contract for the Supply of 2000 Replica Jerseys-Yesu Sports

2013, 2014, 2015, 2016 Para (13) (13) (13.7) (b) Non-Payment of Terminal Benefits

MINISTRY OF TOURISM AND ARTS

Hotel and Tourism Training Institute (HTTI)

Para (12) (11) (a) Failure to Constitute the Board of Trustee

2014 Para (12) (11) (b) Lack of Audit Committee

2014 Para (12) (11) (d) Failure to complete works

2014 Para (12) (11) (e) Failure to secure Title Deeds

Mulungushi Village Complex

2015 Para (13) (13) (e) Failure to collect Rentals from Government

2015 Para (13) (13) (b) Failure to Settle internal frozen Terminal Benefits

2015 Para (13) (13) (i) Failure to Rehabilitate and Maintain Investment Property

National Heritage Conservation Commission

2014 Para (14) (13) (a) (i) Weaknesses in the Operations of the Board

	Lack of Board/Governance Charter
2014 Para (14) (13) (b)	*Lack of a Heritage Policy*
2014 Para (14) (13) (e)	*Lack of Title Deeds*
2014 Para (14) (13) (h) (ii)	*Failure to Adhere to Site Instruction*
2014 Para (14) (13) (i) (ii)	*Extension and Alteration of the Curio Market and Paving of the Visitor's Car Park- Kalomo Contractors Hardware Enterprises*
2014 Para (14) (13) (k) (i)	*South West Regional Office Kalomo Administrator's House- Dilapidated state*
2014 Para (14) (13) (k) (ii)	*Livingstone Railways Museum-Non-Maintenance Rented Properties*
2014 Para (14) (13) (I) (i)	*Construction of a Boundary Wall at Railway Museum and Painting two Historic Buildings-the Anglican Church and Jewish Synagogue Imaza Building Contractors* *Delayed Completion and failure to claim liquidated Damages*
2014 Para (14) (13) (I) (ii)	*Unsatisfactory work*
2014 Para (14) (13) (m) (ii)	*Construction of Visitor's Toilets at Embassy Park National* *Monument Ailito Cleaning Services, Delayed Completion/Lack of Handover Irregular Payment*
2014 Para (14) (13) (m) (iii)	*Tourism Concession Agreement – Lundazi Castle Hotel*
2014 Para (14) (13) (n) (i)	*Northern Regional Office, The Lumangwe/Kabwelume Falls* *Tourism Infrastructure Development Project, Failure to Remit Funds*
2014 Para (14) (13) (n) (ii)	*Failure to Rehabilitate Director's Residence*

Construction of the Proposed Tourism Development Infrastructure at Kalambo Falls -Curve Contractors, Delayed Completion and unclaimed Liquidated Damages

2014 para (14) (13) (n)(iii) Irregular Variation, Weaknesses identified in the Site Handover Report.

National Parks

2015 Para (22) (22) (c) Questionable Presence of a South African Company in Lusaka National Park

2015 Para (22) (22) (d) Undelivered Materials

2015 Para (23) (23) (b) Failure to Remit Statutory Contributions

Zambia Wild Life Authority

2012 Para (23) (25) (e)	*Failure to Collect Revenue from Masebe Game Ranch*
2012 Para (23) (25) (f) (ii)	*Failure to Remit Loan Recoveries to Financial Institutions*
2012 Para (23) (25) (f) (ii)	*Failure to remit Statutory Contributions*
2012 Para (23) (25) (g) (i)	*Questionable issuance of Local Purchase Order (LPO)*
2012 Para (23) (25) (g) (ii)	*Failure to Execute Contract in Full*
2012 Para (23) (25) (g) (iii)	*Failure to Declare Interest*
2012 Para (23) (25) (h)	*Lack of Proper Armory Building- Area Management Units*
2012 Para (23) (25) (h) (i)	*Encroachment into Game Management Area Mumbwa East/Lower Zambezi National Park*
2012 Para (23) (25) (h) (ii)	*Companies Operating without Tourism Concession Agreements*

2012 Para (23) (25) (h) (iii)	*Failure to Collect Debt Related to Fixed Lease and variables Fees*

MINISTRY OF WATER DEVELOPMENT, SANITATION AND ENVIRONMENTAL PROTECTION

Chambeshi Water and Sewerage Company Limited

2015 Para (7) (7) (a)	*Failure to prepare Audited Financial Statements*
2015 Para (7) (7) (d)	*Questionable Board Expenses*
2015 Para (7) (7) (g)	*Lack of Title Deeds for surrendered Assets*
2015 Para (7) (7) (j)	*Non-Remittance of Statutory Contributions*
2015 Para (7) (7) (k) (i)	*Projects and Contracts. Delayed Completion of Works*
2015 Para (7) (7) (k) (iii)	*Falling Walls on the Spillway-Lubu Earth Dam-Chinsali*

Eastern Water and Sewerage Company

2012 para (12) (14) (e)	*Un-accounted for Water*
2012 para (12) (14) (f)	*Failure to remit Statutory Contributions*
2013, 2014,2015, 2016 Para (2) (2) (2.1) (iv)	*Lack of Board of Directors*
2013, 2014, 2015, 2016 Para (2) (2) (2.4) (iv)	*Sanitation Coverage*
2013, 2014, 2015, 2016 Para (2) (2) (2.4) (v)	*Staff Cost in Relation to Billing and Collection*
2013, 2014, 2015, 2016 Para (3) (3) (3,1)	*Delay in Paying Suppliers and Allowances to Officers*
2013, 2014, 2015, 2016 Para (3) (3) (3.8) (i)	*Misapplication of Funds*

Lukanga Water and Sewerage Company Limited

2012 Para (13) (15) (a) (i)	*Company Performance Unaccounted for Water (Non-Revenue Water)*
2012 Para (13) (15) (c) (ii)	*Collection of Trade Receivables*
2012 Para (13) (15) (d)	*Non-payment of Statutory Obligations*
2012 Para (13) (15) (e) (i)	*Revenue cancelled Receipts Wrongly Posted to Customer Accounts*
2012 Para (13 (15) (e) (ii)	*Failure to avail Cancelled Receipts*
2012 Para (12) (14) (e)	*Un-accounted for Water*
2012 Para (12) (14) (f)	*Failure to Remit Statutory Contributions*
2012 Para (14) (16) (e)	*Failure to remit Statutory Contributions*
2015 Para (11) (11) (d) (ii)	*Properties without Title Deeds/Lack of Statutory Instrument To Transfer Assets*
2015 Para (11) (11) (e) (i)	*Irregularities in Revenue Collection, Missing cancelled/Void Receipts*
2015 Para (11) (11) (e) (ii)	*Gaps Receipt Sequences*
2015 Para (11) (11) (f)	*Non-payment of Statutory Obligations*

Mulonga Water and Sewerage Company Limited

2013, 2014, 2015, 2016 Para (9) (9) (9.3)	*Failure to Produce Audited Financial Statements*
2013, 2014, 2015, 2016 Para (9) (9) (9.6) (i)	*Properties without Title Deeds*
2013, 2014, 2015, 2016 Para (9) (9) (9.6) (ii)	*Failure to Value MWSC Properties*
2013, 2014, 2015, 2016 Para (9) (9) (9.8) (a.i)	*Delayed Implementation of Kasumbalesa Project*
2013, 2014, 2015, 2016 Para (9) (9) (9.8) (b.i)	*Failure to avail Variation Order*
2013, 2014, 2015, 2016 Para (9) (9) (9.8) (b.ii)	*Stalled Works*

2013, 2014, 2015, 2016 Para (9) (9) (9.8) (b.iii) Delayed implementation of Repair Works Collapsed Embankment

2013, 2014, 2015, 2016 Para (9) (9) (9.9) Failure to Replace Water Testers

North Western Water and Sewerage Company

2014 Para (15) (14) (c)	*Poor Administration of Backups – Lack of Backup Policy*
2014 Para (15) (14) (i)	*Failure to Utilize Modules Paid for in SAGE Evolution ERP*
2014 Para (15) (14) (j) (ii)	*Irregular Rate of Board Allowances*
2014 Para (15) (14) (k)	*Internal Audit Weaknesses, Lack of Internal Audit Charter*
2014 Para (15) (14) (o) (i)	*Irregularities in Billing Systems Administration Customer Accounts with Incomplete Details on the System*
2014 Para (15) (14) (o) (ii)	*Unbilled Customer Account*
2014 Para (15) (14) (o) (iii)	*Customers with Duplicate Account Numbers*
2014 Para (15) (14) (o) (iv)	*Customers with Zero and Negative Water Consumption, Negative Consumption*
2014 Para (15) (14) (o) (v)	*Customers Billed on Average Consumption Over Three Months*
2014 Para (15) (14) (o) (vi)	*Failure to Disconnect Past Due Customer Accounts*
2014 Para (15) (14) (o) (vii)	*Metered Customers on Meter Reading Report not on the Customer Master*
2014 Para (15) (14) (o) (viii)	*Metered customers on the customer Master not on the Meter Reading Report*
2014 Para (15) (14) (o) (viii)	*Metered Customers on the customer Master not on the Meter Reading Report*
2014 Para (15) (14) (p) (v)	*Weaknesses in Managing Staff Costs- Questionable Recruitments*

Nkana Water and Sewerage Company

2013, 2014, 2015, 2016 Para (14) (14) (14.1) Expiry of the Tenure of the Board

2013, 2014, 2015, 2016 Para (14) (14) (14.2) Operating Losses – Statement of Comprehensive Income

2013, 2014, 2015, 2016 Para (14) (14) (14.7) Casualization of Labour

Southern Water and Sewerage Company

2015 Para (16) (16) (e) Questionable Acquisition of a House

2015 Para (16) (16) (f) Failure to Remit Withholding Tax

2015 Para (16) (16) (e) Failure to Pass Title of Assets to SWSC

Water Resources Management Authority

2014 Para (20) (19) (a) (ii) Questionable Payment of Allowances to Board Members

2014 Para (20) (19) (a) (iii) Questionable Payment of Allowances

Western Water and Sewerage Company

2014 Para (21) (20) (o) (ii) Wasteful Expenditure-Mwandi Water Project

2014 Para (21) (20) (o) (iii) Kaoma Rehabilitation and Extension Water Supply Network-Collapsed Borehole

2014 Para (21) (20) (f) (i) Internal Control Weaknesses, Lack of the Risk Management Policy

2014 Para (21) (20) (k) (iii) Lack of interface between the Billing and Accounting System, Failure to Collect Debt

2014 Para (21) (20) (m) Failure to Meet Water and Sanitation Sector Benchmarks Reduction in Sanitation Coverage, Water Services Coverage, Hours of Supply

MINISTRY OF WORKS AND SUPPLY

Roads Development Agency (RDA)

2014 Para (17) (16) (a)	*Lack of Board*
2014 Para (17) (16) (b)	*Irregular Investment of K3,000,000*
2014 Para (17) (16) (e)	*Irregular Sales of Motor Vehicles to Officers*

MINISTRY OF YOUTH AND SPORT

National Youth Development Council

2014 Para (16) (15) (a) (i)	*Irregularities in the Payment of Allowances and Overpayment Of Council Allowances*
2014 Para (16) (15) (a) (ii)	*Double Payment of Allowances*
2014 Para (16) (15) (a) (iii)	*Irregular payment of Council Allowances*
2014 Para (16) (15) (b)	*Irregular Recruitment of Staff*
2014 Para (16) (15) (c)	*Misapplication of Funds for Terminal Benefits*
2014 Para (16) (15) (f)	*Lack of Title Deeds for Council Properties, Plot 10423/196 And 179, Chainama Great East Road*

MINISTRY OF LOCAL GOVERNMENT

Local Authorities Superannuation Fund

2013, 2014, 2015, 2016 para (6) (6) (6.1) - Lack of segregation of duties – Director Finance and Pensions Administration.

APPENDIX 4 - Glossary of Terms

Audit Finding	The result of audit procedures and tests conducted by the auditor.
Committee on Parastatal Bodies	A sessional committee of the National Assembly established in terms of the standing orders. The committee examines the Reports of the Auditor General, as part of its mandate of examining the accounts of Parastatal Bodies and Other Statutory Institutions.
Controlling Officer	An officer designated as such by the Secretary to the Treasury to maintain accounts of a Ministry, Province or Agency.
Irregularity	Breach of laws, regulations or rules.
Imprest	Funds or moneys issued out to facilitate payments of a minor nature, meet expenses when the officer is travelling on duty or to facilitate the purchase of goods and services whose value cannot be ascertained at the time.
Outstanding Issues	Audit queries that remain unresolved in the Treasury Minutes (Action Taken Reports) prepared by the Ministry of Finance on the Reports of the Auditor General.
Parliament	Legislative organ of Government.
Statutory Obligations	Obligations that do not arise out of a contract but are imposed by law
Unaccounted for Revenue	Revenue collected but neither banked nor cash found on hand.
Unretired Accountable Imprest	Imprest not accounted for.
Unaccounted for Stores	Missing stores items without evidence of how they were received and utilised.
Wasteful Expenditure	Expenditure incurred without benefits derived.

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