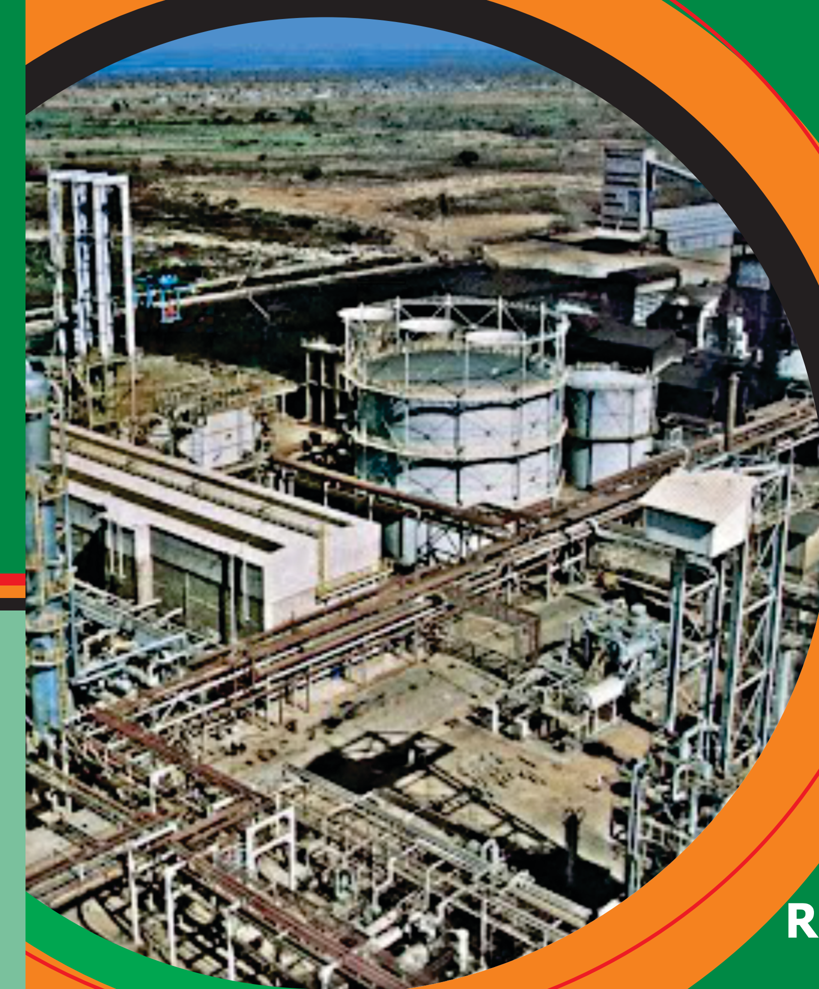
Republic of Zambia

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 2020

Shorthorn Printers Ltd.

REPUBLIC OF ZAMBIA

REPORT OF THE

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AND OTHER STATUTORY INSTITUTIONS

FOR THE

FINANCIAL YEAR ENDED

31st DECEMBER 2020

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 2020 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

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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, Public Finance Management Act No.1 of 2018, and International Standards for Supreme Audit Institutions (ISSAIs).

This Report contains paragraphs on twenty two (22) Parastatal Bodies and Other Statutory Institutions that were audited and remained with unresolved issues at the time of publication. During the audit process, there were several levels at which the Office interacted and communicated with those charged with management of the institutions whose accounts were audited and operations reviewed. The purpose of this interaction was to provide an opportunity for the responsible officers to clarify and take corrective action on the findings of the audits.

Some of the issues raised in this Report are as follows:

i. Weaknesses in Corporate Governance

Four (4) institutions did not have functioning governance bodies such as Board of Directors in place. In particular, Zambia Education Publishing House, National Science and Technology Council, Tobacco Board of Zambia and Mongu Trades Training Institute operated without governing bodies as at 31st August 2021.

ii. Failure to Produce Financial Statements

Ten (10) entities were not up to date with financial statements. In particular, the Copperbelt University, Kapasa Makasa University and National Housing Authority, and seven (7) State Owned Enterprise (S.O.Es) under the Industrial Development Corporation were not up to date with financial statements.

iii. Poor Operational and Financial Performance

State Owned Enterprises had continued to underperform in that out of thirty three (33) subsidiary companies that were operational under the Industrial Development Corporation (IDC), twenty five (25) companies recorded total net losses of K3,848,610,000 in 2018; K7,250,648,000 in 2019; and K17,355,258,000 in 2020. As a result of their loss making positions, the investee companies under IDC did not declare any dividends during the period under review.

In addition, the following had negative working capital as at 31st December 2020; Times of Zambia - K597,384,355, Zambia Railways K662,555,000, Zambia Daily Mail – K128,199,493 and ZSIC General Insurance- K22,452,000.

Other irregularities raised in this Report are shown in table 1 below.

Table 1: Summary of Other Irregularities

Details	2020 K	No. of Entities
Failure to Settle/Remit Statutory Obligations	3,390,539,523	13
Unsupported Payments	1,591,798	2
Unaccounted for Stores	848,829	2
Unretired Imprest	1,262,619	3
Missing Payment Vouchers	69,990,330	1
Wasteful Expenditure	21,977,765	6
Failure to Collect Funds	481,816,290	9
Questionable Payments	1,029,191,156	3
Irregular Payments	28,239,381	10
Failure to Recover Loans	440,930	2
Failure to Follow Procurement Procedures	510,185,489	6
Unaccounted for Revenue/Funds	190,371	2
Total	**5,884,415,780**	

In particular the following were observed:

i. Questionable Payments

Three (3) entities made several questionable payments in amounts totalling K1,029,191,156 namely; Nitrogen Chemical of Zambia (NCZ) Limited (K1,027,286,476), Zambia Railways Limited (K1,439,180) and Tobacco Board of Zambia (K465,500). The payments were questionable in that they were above the value of delivered goods, interest that was not included in contracts was charged, employees'

tax cost were incurred by employer and payments for goods and services were made without signed contracts.

ii. Failure to Follow Procurement Procedures

Six (6) entities procured various goods and services in amounts totalling K510,185,489 without following procurement procedures. From this amount, Road Transport and Safety Agency (RTSA) accounted for K473,637,703 for the design and commissioning of an Intelligent Transportation System and construction of motor vehicle examination centres.

iii. **Failure to Collect Funds**

Nine (9) entities failed to collect revenue in amounts totalling K481,816,290. The entities included ZSIC-GI that did not collect premiums in amounts totalling K337,973,241 and K35,211,607 for claims from reinsurance companies, and ZSIC Life that failed to collect rentals from various tenants in amounts totalling K36,884,795.

iv. **Wasteful Expenditure**

Six (6) entities had wasteful expenditure in amounts totalling K21,977,765. This included K16,369,812 spent by NHIMA on development of an information and communication technology (ICT) system whose components where already in another ICT system that the entity had procured earlier.

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 2020 contains paragraphs on twenty two (22) 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 2020. Although the Report is for the financial year ended 31st December 2020, it includes audits covering the financial years 2016, 2017, 2018 and 2019 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 BANGWEULU WATER TRANSPORT

4.1 BACKGROUND

a. Establishment

Bangweulu Water Transport (BWT) is established under the Department of Maritime and Inland Waterways of the Ministry of Transport and Logistics whose mandate is to promote the development and growth of the water transport sector on Lake Bangweulu in order to ease the movement of passengers and cargo, especially in wetland regions of Chilubi, Mbabala and Lunga Islands and swamps around lake.

b. Governance

Bangweulu Water Transport is governed by the directorate of Maritime and Inland Waterways under the Ministry of Transport and Logistics**.**

c. Management

The operations of the organisation is the responsibility of the Manager who is the Chief Executive Officer and is assisted by the Boat Captain, Accountant and Administrative Officer. The manager and assistants are employed on a permanent and pensionable basis by the Ministry.

d. Sources of Funds

Bangweulu Water Transport's source of income include funds from the Treasury, passenger and cargo transport charges, boat hire, parking, storage and loading fees.

4.2 Audit findings

An examination of financial and other records for the financial years ended 31st December 2019 and 2020 maintained at Bangweulu Water Transport in Samfya District revealed the following.

a. Budget and Income

During the period under review, Bangweulu Water Transport budgeted to generate and receive funds in amounts totalling K29,274,410 out of which amounts totalling K4,436,899 were received and generated resulting in a negative variance of K24,837,511. See table 4.1 below.

Table 4.1: Budget vs. Income

Details	2019		2020		Total Locally Generated Revenue K	Total GRZ Grants K	Grand Total K
	Locally Generated Revenue K	GRZ Grants K	Locally Generated Revenue K	GRZ Grants K			
Budget	9,234,700	6,774,736	8,572,800	4,692,174	17,807,500	11,466,910	29,274,410
Actual Amount Received	290,332	1,287,035	1,689,338	1,170,194	1,979,670	2,457,229	4,436,899
Variance	**8,944,368**	**5,487,701**	**6,883,462**	**3,521,980**	**15,827,830**	**9,009,681**	**24,837,511**

b. Operational Matters – Non-operational Cargo Vessel

During the period under review, Bangweulu Water Transport had only one cargo vessel namely, the Friendship which was donated by the People's Republic of China in 1986. The vessel was used for providing water transport services on the Chilubi, Mbabala and Lunga Islands and swamps around Lake Bangweulu. The entity depended on the vessel as one of its sources of revenue generated from passenger and cargo charges.

However, an inspection of the vessel carried out in September 2021 revealed that it was not operational as it's base had been eroded and weakened due to wear and tear.

Inquiries with management revealed that the vessel had not been operational since 2016 due to the bad state in which it was. Consequently, the institution was unable to ferry heavy cargo such as cement, metals and poles, resulting in constrained revenue base as the only locally generated income was from the passenger vessel charges, storage charges, boat hire, parking and loading fees.

c. Procurement Matters - Failure to Follow Procurement Procedures

Public Procurement Regulations 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, amounts totalling K78,100 were spent on the procurement of spare parts and other services for the passenger vessel without obtaining three (3) quotations.

d. Accounting Irregularities

i. Use of Private Printed Receipt Books

Financial Regulation No. 100 (1) and (2) stipulates that receipt forms should be obtained from the strong room Superintendent of the Ministry responsible for finance and that in no circumstances should any officer make arrangements for the printing or alteration of receipt forms other than through the Secretary to the Treasury.

In addition, Financial Regulation No.105 states that, "Receipt forms should be issued in consecutive order, within a sequence of numbers of receipts held by one (1) officer."

Contrary to the regulations, the following were observed:

- In 2020, the institution procured fifty nine (59) receipt books costing K4,960 from private printers which were used to collect revenue in amounts totalling K1,689,338 without authority from the Secretary to the Treasury; and
- Sixteen (16) receipt books had same serial numbers.

ii. Lack of a Safe

Financial Regulation No.155 defines a safe as a secure container issued by Government in which public moneys, articles and accountable documents are to be kept.

Contrary to the regulation, Bangweulu Water Transport operated without a safe during the period under review thereby rendering public funds, articles and accountable documents vulnerable to theft. As at 30th September 2021, the matter had not been addressed.

iii. Wasteful Expenditure

Section 33 (1) of the National Payment System Act No. 1 of 2007 stipulates that any person who wilfully, dishonestly or with intent to defraud issues a cheque on an insufficiently funded bank account commits an offence.

However, during the period from April to June 2020, management issued five (5) cheques in amounts totalling K34,996 on an insufficiently funded bank account, resulting in bank penalties in amounts totalling K4,200. In this regard, the payment of penalties of K4,200 was wasteful.

iv. Irregular Use of Accountable Imprest

Financial Regulation No.86 (c) states that, "Accountable imprest is imprest that is issued as payment to facilitate the purchase of goods and services whose value cannot be ascertained at the time."

Contrary to the regulation, imprest in amounts totalling K116,778 was issued to three (3) officers during the period under review to procure goods and services whose values were obtainable on the market.

e. Staff Related Matters

i. Irregular payments

- **Recruitment of Officers**

  In a minute dated 25th October 2007, the Director - Department of Maritime and Inland Waterways (DMIW), instructed the management of Bangweulu Water Transport to seek authority from the Permanent Secretary in the Ministry of Transport and Logistics when recruiting and making recommendations for promotions.

  However, during the period from October 2019 to May 2021, seven (7) officers were recruited and introduced on the payroll without the authority from the Permanent Secretary. In this regard, the officers were irregularly paid salaries in amounts totalling K138,593.

- **Acting Allowance**

  On 7th May 2017, a Cashier was appointed to act as an Accountant for administrative convenience without obtaining authority from the Permanent Secretary. In this regard, between the period from January 2019 to December 2020 amounts totalling K79,958 were irregularly paid to the officer as acting allowance.

ii. Failure to Deduct NHIMA Contributions

Section 15 (1) and (2) of the National Health Insurance Act No. 2 of 2018 states that, "An employer shall pay to the National Health Insurance Scheme an employee's contribution consisting of the employer's contribution and the employee's contribution at a prescribed percentage at the end of each month. The contributions are to be remitted to the National Health Insurance Management Authority (NHIMA)."

Contrary to the Act, salaries in amounts totalling K773,659 were paid to eighteen (18) officers without deducting contributions amounting to K7,737 during the period under review.

iii. Failure to Remit Pay As You Earn (PAYE)

Income Tax Act Chapter 323 of the Laws of Zambia requires that Pay As You Earn (PAYE) be deducted from employees' emoluments and be remitted to the Zambia Revenue Authority (ZRA).

Contrary to the Act, PAYE in amounts totalling K36,540 deducted from eleven (11) employees during the period from January to June 2019 had not been remitted to ZRA as at 30th September 2021.

iv. Under Deduction of PAYE

During the period under review, salaries in amounts totalling K345,076 were paid to two (2) officers and PAYE in amounts totalling K69,283 was to be deducted and remitted to ZRA. However, PAYE in amounts totalling K56,618 was deducted and remitted to ZRA resulting in an under deduction of K12,665.

As at 30th September 2021, the amount had not been remitted.

f. Asset Management

i. Missing Television Set – Lucheleng'anga Passenger Vessel

In 2018, the Ministry of Transport and Logistics handed over to Bangweulu Water Transport a 120-seater water transport vessel named, Lucheleng'anga. The vessel was handed over with accessories such as fridges, life jackets, bar compartment, sofas and two (2) plasma television (TV) sets.

However, an inspection of the vessel conducted on 17th September 2021, revealed that one television set whose value could not be ascertained was missing. An inquiry made with Management revealed that the TV set was stolen in April 2021.

As at 30th September 2021, there was no evidence that the matter had been reported to the police.

ii. **Failure to Insure Boats, Dredger and Passenger Vessel (Lucheleng'anga)**

Contrary to best practice, five (5) boats and one dredger whose values could not be ascertained and one (1) passenger vessel (Lucheleng'anga) valued at K15,000,000 had not been insured as at 30th September 2021.

g. **Infrastructure Development -Stalled Project – Construction and Rehabilitation of Maritime Infrastructure**

On 8th January 2015, Kawanzane Enterprises Limited of Lusaka was engaged by the Ministry of Transport, Works, Supply and Communications to construct and rehabilitate maritime infrastructure at Samfya Harbor in Samfya District at a contract price of K2,292,893. The contract period was nineteen (19) weeks commencing 9th February 2015 and ending on 17th June 2015 which was later extended to 20th January 2016.

The scope of works included the construction of ablution blocks, waiting shed and ticketing office; and rehabilitation of office block, accommodation block, storage room and goods shed. The contractor was also to rehabilitate and extend the kitchen and dining room.

As at 30th September 2015, the contractor had been paid a total amount of K709,685 out of the Interim Payment Certificates in amounts totalling K1,246,496 leaving a balance of K536,811.

A physical inspection of the site carried out in September 2021 revealed that the project had not been completed, sixty nine (69) months after the expected completion date and the contractor was not on site.

i. **Ablution block**

The structure had been roofed with the following works outstanding:

- Fitting of tiles, doors and door frames,
- Fitting of three (3) toilet pans and cisterns in female and five (5) cisterns in male block,
- Wiring and electrical fittings,
- Plastering and painting of interior and exterior, and
- Construction of septic tank and soak away.

  See pictures below.

Figure 4.1 Incomplete ablution block

ii. Waiting Shed and Ticketing Office

The structure had been roofed and plastered with the following works outstanding:

- Construction of concrete benches,
- Tiling,
- Fitting window frames and glazing,
- Completion of wiring,
- Plastering of four (4) pillars, and
- Painting interior and exterior walls.

See picture below.

Figure 4.2: Incomplete waiting shelter

iii. Rest House

The structure had been roofed with the following works outstanding:

- Plastering, painting and tiling, and
- Fitting of glass panes, ceiling boards and doors.

See pictures below.

Figure 4.3: Incomplete Rest House and Un-rehabilitated toilets

iv. Storage room

The structure had been roofed and plastered with the following works outstanding:

- Flooring and painting, and
- Fitting doors and grille gates.

v. Kitchen and Dining

The structure was fitted with trusses and partially roofed. However, the following works were outstanding:

- Roofing, fitting doors, window frames, glass panes and ceiling, and
- Plastering, wiring and electrical fittings. See picture below.

Figure 4.4: Partially roofed kitchen and dining block

h. Loss of Revenue - Incomplete Rest House and Restaurant

During the period from January 2014 to December 2014, prior to the commencement of rehabilitation of the restaurant and rest house, Bangweulu Water Transport generated annual revenue totalling K56,290 from (Rest House K48,515) and (Restaurant K7,775).

However, due to the stalled project, both the restaurant and rest house had not been operational for a period of six (6) years from January 2015 to December 2020. Consequently, estimated minimum annual revenues of K56,290 totalling K337,740 over a period of six (6) years had not been generated.

5 BANK OF ZAMBIA

5.1 Background

a. Establishment

The Bank of Zambia is the Central Bank of the Republic of Zambia and derives its powers and functions from Article 213 of the Constitution (Amendment) Act No.2 of 2016 and Section 4 of the Bank of Zambia Act No.43 of 1996, Chapter 360 of the Laws of Zambia.

The functions of the Bank include the following:

- To formulate and implement monetary, supervisory, and macro prudential policies;
- To implement the exchange rate policy;
- To hold and manage the international reserve assets of the Republic;
- To issue notes and coins that are sole legal tender in the Republic and regulate all matters relating to the domestic currency;
- To establish, conduct, monitor, regulate and supervise, and promote the soundness and security of payment systems;
- To act as banker and fiscal agent to the Government; and
- To act as banker to banks.

b. Governance – The Board of Directors

Section 13 (1) (a) of the Bank of Zambia (Amendment) Act No. 2 of 2016 provides for the appointment of the Governor as the chairman of the Board and subsection (b) of section 13 (1), provides for the Minister responsible for Finance by statutory order, to appoint the members of the Board of Directors and shall consist of not more than six other members from amongst individuals with professional or academic experience in business or financial matters and who are not officials or employees of the Bank. The tenure of office of the Directors shall be for a period not exceeding three (3) years and shall be eligible for re-appointment, on the expiry of such term, for a further three (3) years.

Further, Section 13 (2) and (3) of the Act provides for;

- the Board to choose one of its members to be the Vice Chairman,
- the Secretary to the Treasury in the Ministry responsible for Finance, to be an ex-officio director.

The current Board members were appointed between September 2018 and October 2019 replacing the previous Board members.

c. Management

The Governor is the Chief Executive Officer and is responsible to the Board for the execution of the policy and management of the Bank and is assisted by two (2) Deputy Governors, one (1) in charge of operations and the other in charge of administration. The Governor and his deputies are further assisted by thirteen (13) Directors who are responsible for Economics, Financial Markets, Bank Supervision, Non-Bank Financial Institutions Supervision, Regional Office, Banking, Currency and Payments Systems, Board Services, Strategy and Risk Management, Finance, Procurement and Maintenance services, Information and Communication Technology, Human Resources and Internal Audit.

The Governor, Deputy Governors and some directors are on renewable contracts of five (5) years while other directors are on permanent and pensionable basis.

d. Sources of Funds

According to section 60 of the Bank of Zambia Act No.43 of 1996, the bank may charge fees and recover expenses incurred in the carrying out of duties or operations under this Act.

e. Information and Communication Technology Systems

During the period under review, the Bank of Zambia operated various ICT systems which included:

i. **Temenos T24**

The Bank used the T24 as the Core Banking System. The system interfaces with Sunsystems, Oracle e-Business Suite, RTGS, Cheque Truncation System and SWIFT.

ii. **SunSystems**

The Bank used the Sun Systems as the Bank's financial management information system and used it for preparation of Financial Statements, procurement and management of stores items. The system interfaces with the core banking system Temenos (T24).

iii. **Electronic Balance of Payment**

The Bank used the Electronic Balance of Payment for monitoring receipts and transmissions of information from commercial banks for purposes of determining balance of payments.

iv. **Oracle e-Business Suite**

The Bank used the Oracle e-Business Suite (EBS) for human capital management and management of payroll. The system interfaces with Taleo.

v. **Taleo**

The Bank used Taleo business solution for administering prospective employee recruitment processes. The system interfaces with the Oracle EBS Suite

vi. **Cheque Truncation System**

The Bank used the system for generating, receiving and processing electronic funds transfer for cheques and DDAC. The system interfaces with the core banking system T24.

vii. **Real Time Gross Settlement System**

The Bank used the Real Time Gross Settlement System (RTGS) for transferring funds between banks to customers and banks to banks as well as net settlements from clearing houses. The system interfaces with IFMIS, the ERP for GRZ, the core banking system and SWIFT.

viii. **Central Securities Depository**

The Bank used the Central Securities Depository (CSD) to facilitate trading of securities and open market operations of the bank.

ix. **SWIFT Alliance**

The Bank used the system to provide a platform for transfer of payment instructions to be acted upon by various players on the financial market.

x. **Website Content Management Server**

The Bank used the system to maintain its website and bank information such as exchange rates for information of stakeholders.

xi. **Business Supervision Application**

The Bank used the Business Supervision Application (BSA) to receive returns from financial service providers for analysis.

xii. **Bureau de Change**

The Bank used the system to monitor operations of Bureau de Changes.

xiii. **IBM MQ Series**

This is a messaging system that allows information to be transmitted between systems.

xiv. **ARIS**

The Bank used the system for modelling the Bank's business processes.

5.2 Audit Findings

An examination of financial and other records for the financial years ended 31st December 2018, 2019 and 2020 maintained at BOZ Head Office, Regional Office in Ndola and Sub chests in Southern, North Western and Western Provinces revealed the following.

a. Governance-Onerous Conditions of Service

A review of the Bank Governor and Deputy Bank Governors' contracts revealed that they contained a Security of Tenure clause which stipulated that in the event of premature termination of the contracts by the appointing authority (the President), the Governors would be entitled to be paid in full, remuneration and gratuity for the unserved period.

However, the contracts did not provide an option for the appointing authority to terminate the Governor and Deputy Governors' contracts in an event of poor performance without compensating the officers for unserved periods.

In this regard, the clauses in the contracts exposed the Central Bank to a potential loss of funds in amounts totalling K29,617,424 as at 30th September 2021, should the Governor and the Deputy Governors' contracts be terminated prematurely on account of poor performance or misconduct. See table 5.1 below.

Table 5.1: Potential Loss of Funds

No.	Position	Contract Duration	Possible Loss of Fuds in Case of Dismissal as at 31 August 2021 K
1	Governor	5 Years	11,989,598
2	Deputy Governor-Operations	5 Years	8,482,563
3	Deputy Governor-Administration	5 Years	9,145,263
	Total		**29,617,424**

b. Financial Analysis

i. Statements of Profit or Loss and Other Comprehensive Income

During the period 2018, 2019 and 2020, the Bank's statements of profit or loss and other comprehensive income were as shown in table 5.2 below.

Table 5.2: Statement of Profit or Loss and Other Comprehensive Income

Details	2020	2019	2018
	K'000	K'000	K'000
Interest income	3,771,442	1,517,627	1,067,041
Interest expense	(93,843)	(8,010)	(34,345)
Net interest income	**3,677,599**	**1,509,617**	**1,032,696**
Fees and commission income	266,241	193,836	203,595
Fees and commission expense	(8,830)	(6,809)	(5,089)
Net fees and commission income	**257,411**	**187,027**	**198,506**
Trading income	172,212	85,616	91,714
Other gains	5,315,797	1,914,019	2,723,879
	5,488,009	**1,999,635**	**2,815,593**
Total operating income	**9,423,019**	**3,696,279**	**4,046,795**
Depreciation and amortisation	(41,387)	(42,943)	(30,800)
Impairment	(585,246)	1,724	6,262
Personnel expenses	(635,406)	(494,637)	(456,730)
Operating expenses	(1,190,599)	(274,908)	(241,073)
Net expense	**(2,452,638)**	**(810,764)**	**(722,341)**
Profit for the year	**6,970,381**	**2,885,515**	**3,324,454**
Other comprehensive income			
Dividend converted to shares in Afreximbank		4,025	3,156
Fair value and exchange rate adjustment on equity investment in Afreximbank		54,349	26,626
Gain on revaluation of property		-	129,849
Changes in the fair value of equity investments	513,575	-	-
Net defined benefit obligation	(494,848)	-	-
Total other comprehensive income	18,727	58,374	159,631
Total comprehensive income for the year	**6,989,108**	**2,943,889**	**3,484,085**

Source: BOZ audited financial statements for the years ended 31st December 2018, 2019 and 2020.

The Central Bank's income included income from interest, realised gains, government securities trading, open market operations and overnight lending facilities.

As can be seen from table 5.2 above, the Bank's Total Comprehensive Income increased by K3,505,023,000 from K3,484,085,000 in 2019 to K6,989,108,000 in 2020.

Further analysis of the comprehensive income revealed the following:

- **Increased Income Due to Weakening of the Kwacha**

  The increase in Total Comprehensive Income of K3,505,023,000 from K3,484,085,000 in 2019 to K6,989,108,000 in 2020 was attributable to the exchange gains as a result of the depreciation of the kwacha against other major world currencies. In particular, the Kwacha depreciated against the US Dollar by 80% to K21.5/US$ in 2020 from K11.92/US$ in 2018.

  As such, excluding the net exchange gains which had increased to K5,208,595,000 in 2020 from negative K672,661,000 in 2018, the Central Bank's statements of profit or loss and other comprehensive Income had deteriorated by K2,376,233,000 from K4,156,746,000 in 2018 to only K1,780,513,000 in 2020. See table 5.3 below.

Table 5.3: Net Income in Foreign Exchange Movements

Details	2020 K'000	2019 K'000	2018 K'000
Total comprehensive income for the year	**6,989,108**	**2,943,889**	**3,484,085**
Net realised exchange gains / (loss)	6,727,203	3,303,584	626,088
Net unrealised exhange gains / (loss)	(1,518,608)	(1,410,366)	(1,298,749)
Total net exchange movement	**5,208,595**	**1,893,218**	**(672,661)**
Total comprehensive income less foreign exchange movement	**1,780,513**	**1,050,671**	**4,156,746**

- **Decrease in Interest Income-Foreign Currency Investments and Deposits**

  A review of the statements of profit or loss and other comprehensive income for the period under review revealed that the Central Bank's Interest income from foreign currency investments and deposits decreased by K84,603,000 from K285,469,000 recorded in 2018 to K200,866,000 in 2020. See 5.4 table below.

Table 5.4: Interest Income

Details	2020	2019	2018
Foreign Currency Cash and Bank			
Foreign currency cash and bank accounts(K'000)	25,460,219	20,469,918	18,756,737
Exchange Rate as at Year End	21.11	14.4	11.94
US$ Equivalent ($'000)	**1,206,074**	**1,421,522**	**1,570,916**
Interest Income			
Interest Income from Foreign Currency Investments & Deposits (K'000)	200,866	338,446	285,469
Exchange Rate as at Year End	21.11	14.4	11.94
US$ Equivalent ($'000)	**9,515**	**23,503**	**23,909**

As can be seen from table 5.4 above, the foreign currency cash and bank balances (in US$) reduced by 23% from US$1,570,916,000 in 2018 to US$1,206,074,000 in 2020 while the interest income on these assets reduced by 60% from US$23,909,000 in 2018 to US$9,515,000 in 2020.

ii. Statements of Financial Position

The statements of financial position of BOZ as at 31st December 2018, 2019 and 2020 were as shown in table 5.5 below.

Table 5.5: Statement of Financial Position

Details	2020	2019	2018
	K'000	K'000	K'000
Assets			
Domestic cash in hand	3,196	4,920	4,700
Foreign currency cash and bank accounts	25,460,219	20,469,918	18,756,737
Items in course of settlement	201	208	237
Financial assets at FVOCI	88,986	89,533	89,543
Loans and advances	2,527,520	662,361	7,038,575
Financial derivative asset	23,195	0	0
Financial assets at amortised cost	22,709,527	14,011,260	3,994,085
Prepayments and other assets	58,310	57,855	62,904
Equity investments at FVOCI	738,676	196,407	138,032
IMF funds receivable from Government	7,653,019	4,854,175	4,042,313
Property, plant and equipment	582,261	594,231	610,199
Intangible assets	57,247	12,293	2,166
Non-refined gold	59,701	0	0
Targeted Medium-Term Refinancing Facility	3,400,764	0	0
IMF subscriptions	24,961,309	17,242,617	13,748,378
Total assets	**88,324,131**	**58,195,778**	**48,487,869**
Liabilities			
Deposits from the Government	2,940,414	2,342,487	1,840,715
Deposits from financial institutions	15,192,959	8,366,209	5,222,163
Foreign currency liabilities to other institutions	53,043	32,229	26,689
Other deposits	105,428	134,916	76,041
Financial derivative liability	405,213	0	0
Notes and coins in circulation	12,391,883	8,627,031	8,297,047
Other liabilities	755,841	108,294	179,839
Provisions	973,677	160,558	46,159
Domestic currency liabilities to IMF	24,961,309	17,242,617	13,748,378
Foreign currency liabilities to IMF	58,640	237,625	729,444
SDR allocation	14,301,539	9,151,771	7,779,942
Total liabilities	**72,139,946**	**46,403,737**	**37,946,417**
Equity			
Capital	500,020	500,020	500,020
General reserve fund	2,550,373	2,261,822	1,929,377
Property revaluation reserves	325,738	340,161	354,584
Retained earnings	12,808,054	8,690,038	7,757,471
Total equity	**16,184,185**	**11,792,041**	**10,541,452**
Total liabilities and equity	**88,324,131**	**58,195,778**	**48,487,869**

Source: BOZ audited financial statements for the years ended 31st December 2018, 2019 and 2020

c. Operational Matters

i. Weaknesses in Management of the International Reserves

The management of international reserves at the Central Bank is aimed at ensuring adequate security and liquidity so as to meet the calls on reserves and support the achievement of the objectives of the Bank. The operational objectives as provided by the Strategic Asset Allocation policy seek to prioritise the following:

- ✓ Preserve capital of the international reserves portfolio;
- ✓ Ensure liquidity in order to meet various uses for which reserves are held; and
- ✓ Earn a reasonable return subject to capital preservation and liquidity objectives as stated above.

A review of the financial statements and other documents, however revealed the following:

- **Diminishing Balances on the International Reserves**

  Section 39(2) Part V of the Bank of Zambia Act provides that the Bank shall use its best endeavours to maintain the international reserves referred to in subsection (1) at a level which is adequate for achieving the objectives of the Bank. The objectives of the Bank as indicated in the Bank of Zambia Act are to formulate and implement monetary and supervisory policies that will ensure the maintenance of price and financial systems stability so as to promote balanced macro-economic development.

  However, it was observed that the International Reserves decreased from US$1,569,204,051 in 2018 to US$1,203,422,071 in 2020 representing a decline of 23%. See table 5.6 below.

Table 5.6: Diminishing balances in International Reserves

No.	Description	2020 US$ Equivalent	2019 US$ Equivalent	2018 US$ Equivalent
1	Bank & Cash Balance	347,300,426	408,369,700	366,346,981
2	Investments	391,586,449	397,650,193	455,986,062
3	Fixed Term Deposit	442,929,053	622,293,595	726,666,166
	Sub Total	**1,181,815,929**	**1,428,313,488**	**1,548,999,209**
4	Tied Balances	21,606,142	21,447,248	20,204,842
	Total Available Reserves	**1,203,422,071**	**1,449,760,736**	**1,569,204,051**

- **Failure to Maintain International Reserves of at least 6 months of Import Cover**

  According to the Strategic Plan for the period 2016 to 2019, the Bank set strategic initiative to have a reserve accumulation of at least six (6) months import cover by the end of 2019.

  A review of International Reserves Management Reports by the Central Bank revealed that during the period under review, the international reserves were maintained at below the targeted six (6) months of import cover. See table 5.7 below.

Table 5.7: International Reserves vs. Import Cover

Reserve Balance	Target Import Cover	01/07/2021 US$' Million	December 2020 US$' Million	December 2019 US$' Million	December 2018 US $ Million
Gross International Reserve		1,600	1,200	1,450	1,570
Gross International Reserve (exclusive of SDR)		1,420	1,020	1,200	1,330
Gross International Reserves(excl SDR and FX Stats)		1,080	720	1,050	1,180
Import Cover (Months)	**6**	**2.9**	**2.4**	**2.1**	**1.8**
Statutory Reserves for Commercial Banks (FX Stats)		340	300	210	153
Special Drawing Right		180	180	190	240
Total SDR + FX Stats		**520**	**480**	**400**	**393**

  As can be seen from table 5.7, although there was an improvement in the import cover between December 2018 and July 2021, the improvement was associated with the Special Drawing Rights disbursed by the International Monetary Funds and Statutory International Reserves for Commercial Banks which increased from US$393 million in 2018 to US$520 million in July 2021.

- **Increase in Debt Servicing Payments as a Percentage of International Reserves**

  The Bank of Zambia in line with the Strategic Asset Allocation is mandated to hold and manage international reserves for among other things to meet the Governments' foreign exchange needs and obligations including servicing of foreign exchange liabilities and other public debt obligations.

An analysis of the relationship between the International Reserve balances at the year-ends and external debt service payment as shown in the Annual Economic Report for 2020 revealed an increase in Debt Servicing as a percentage of International Reserves of 5% from 48% in 2018 to 53% in 2020. See table 5.8 below

Table 5.8: Debt Service payments as a percentage of International Reserves

No.	Description	2020 US$ ' Million Equivalent (Actual)	2019 US$ ' Million Equivalent	2018 US$ ' Million Equivalent
1	**Total Available Reserves**	**1,203**	**1,450**	**1,569**
2	External Debt Service			
3	Principal	309	629	319
4	Interest	331	463	441
5	**Total Debt Service**	**640**	**1,092**	**760**
6	**Debt Service as % of International Reserves**	**53**	**75**	**48**

- **Failure to Meet International Reserve Benchmarks – Strategic Asset Allocation**

The goal of the Strategic Asset Allocation (SAA) is to create an asset mix that provides an optimal balance between expected risk and return over the investment horizon. In doing so, the SAA sets benchmarks on the different tranches that must be adhered to in order to mitigate liquidity risk, currency risk and market risk. The SAA also seeks to combine various asset classes in a way that attempts to match portfolio-level risk with the risk tolerance of the Bank of Zambia.

In line with the International Reserve policy, liquidity risk refers to the risk of being unable to meet short term financial demands and debt obligations, which may result into the Country incurring exceptionally large losses. This usually occurs as a result of not being able to convert one's current assets into cash without incurring capital losses.

In order to mitigate this risk, the international reserves were divided using percentages into three (3) tranches namely working capital, liquidity and investment tranches. A review of the International Reserve Quarterly Reports revealed that the Bank did not meet the set benchmarks as shown in tables 5.9 and 5.9 below.

Table 5.9: Liquidity risk benchmarks 2018 - 2019

No	Reserve Balance	Target		December 2019	December 2018	Variance 2019	Variance 2018
1	Working Capital Tranche	15%	+/-10%	28%	12.20%	3%	
2	Liquidity Tranche	75%	+/-10%	42%	58.60%	-23%	-6.4%
3	Investment Tranche	10%	+/-10%	30%	29.20%	10%	9.2%

As can be seen from the table above, for the period 2018 to 2019, the Central Bank operated with working capital tranche within the benchmark of the international reserves in 2018 while in 2019 it was above the upper limit of 25% by 3%. In the liquidity tranche, the international reserves were below the minimum prescribed by 6.4% in 2018 which worsened to 23% as of 2019. In the investment tranches the International Reserves operated above the maximum prescribed tranche of 20%, by 9.2% in 2018 which further worsened to 10% as of December 2019.

Further, the Bank did not meet its strategic allocation on working capital tranches by 0.4% in December 2020 which worsened to 6.9% as of July 2021. In terms of the liquidity tranche benchmark, the Central Bank failed to meet its minimum allowable investments by 6.3% as of December 2020 which worsened to 8.7% as of July 2021, while the investment tranche was within the prescribed benchmarks. See table 5.10 below.

Table 5.10: Liquidity Risk Benchmarks 2020-2021

No.	Reserve Balance	Target		31st July 2021	31st December 2020	Variance as of July 2021	Variance 2020
1	Working Capital Tranche	20%	+/-10%	36.9%	30.4%	6.9%	0.4%
2	Liquidity Tranche	70%	+/-10%	51.3%	53.7%	-8.7%	-6.3%
3	Investment Tranche	10%	+/-10%	11.8%	15.9%		

ii. **Management of Sub Chest Operations - Failure to Adhere to Prescribed Minimum Cash Holding for the Sub-chest**

Part 2.5.2 of the sub-chest procedure manual states that, "The custodian shall check and verify that the stock at the sub-chest is not less than 25% of the total holding limit at any given time."

The sub-chests were also allowed a minimum holding of cash at 25% of the Maximum translating into K62,500,000.

A review of ABSA Bank Choma, Zambia National Commercial Bank -Livingstone and Mongu sub-chest's Parcel and Stock books revealed that the Central Bank failed to enforce the Minimum Cash Holding clause as shown in table 5.11 below.

Table 5.11: Minimum cash holding

No.	Date	Sub-chest	Minimum holding (25%) K	Actual Holding K	Variance K
1	31.07.2021	Livingstone	62,500,000	23,635,500	(38,864,500)
2	31.08.2021	Livingstone	62,500,000	3,113,500	(59,386,500)
3	31.07.2021	Choma	62,500,000	44,483,500	(18,016,500)
4	31.08.2021	Choma	62,500,000	7,645,000	(54,855,000)

6 THE COPPERBELT UNIVERSITY

6.1 Background

a. Establishment

The Copperbelt University (CBU) is a public university which was established by the University Act of 1987 and came into effect on 1st December 1987. The Act was repealed and replaced by the Higher Education Act No.4 of 2013. The principal activities of the university are to;

- provide university education,
- promote research and advancement of learning,
- disseminate knowledge without discrimination, and
- hold out to all persons, who meet all the stipulated academic or professional qualifications, the opportunity of acquiring university education.

b. Governance

The Higher Education Act No. 4 of 2013 provides for the establishment of the University Council which is a body corporate with powers, subject to the provisions of the Act, and is responsible for the governance, control and administration of the university and shall at all times, act in the best interest of the university.

The Council consists of the following members appointed by the Minister of Higher Education:

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 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 recognised 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.

Members of the Council elect the Chairperson and the Vice Chairperson of the Council from among themselves.

c. Management

Section 35 of the Act states that "The Senate is the supreme academic authority of the university and is responsible for organising, controlling and directing the academic work of the university both in teaching and research."

The Senate comprises the Vice Chancellor as Chairperson; the Deputy Vice Chancellor; the Deans of Schools; not more than fourteen Professors and Associate Professors of the CBU; the Librarian; Directors of the Centres, Institutes, Bureaux or other similar bodies of the University; not more than fourteen non-professorial academic staff of the university; two students and four other persons appointed by the Vice Chancellor.

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, contributions, grants or donations, and
iii. otherwise vest in or accrue to the public higher education institution.

Further, the university may with the approval of the Minister;

i. accept monies by way of grants or donations from any source in or outside Zambia, and
ii. borrow by way of loan 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 the following management information systems:

i. OPUS

This is an in-house developed software that was used for managing student records and information such as applications, registration, accommodation and result management.

ii. Access Dimensions

This is an off the shelf package that was used in financial management.

iii. Pay Master General

This is an off the shelf package that was used for processing the general and management payroll.

iv. Human Resources System

This is the system that was used for all human resource management such as leave computation and maintenance of staff listing.

6.2 Audit Findings

A review of financial and other records for the financial years ended 31st December 2018, 2019 and 2020 conducted at the Copperbelt University revealed the following.

a. Governance - Failure to Prepare Annual Reports

Section 12, Second Schedule 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. Further, Clause 2 and 4 of Part 1 of the Second Schedule of the Act requires that audited accounts be presented to the Minister not later than 90 days after the end of the financial year.

However, as at 31st October 2021, the financial statements and the annual report for the year 2020 had not been prepared.

b. Budget and Income

During the period under review, CBU budgeted to receive operational grants from the Treasury and generate funds from various sources in amounts totalling K918,395,000 against which amounts totalling K873,261,000 were received and generated resulting in a negative variance of K45,134,000 as shown in table 6.1 below.

Table 6.1: Budget vs. Income

Details	Budget K'000	Income K'000	Variance K'000
2019	476,573	435,239	(41,334)
2018	441,822	438,022	(3,800)
Total	**918,395**	**873,261**	**(45,134)**

c. Failure to Account for Revenue from Bed Spaces

A review of the CBU Housing Inventory Report revealed that there were 2,332 bed spaces in various hostels of the University and twenty six (26) houses were converted into students' accommodation. However, the following were observed:

i. There was no disclosure of the number of bed spaces created and the charge for bed spaces in the houses that had been converted into student hostels,

ii. During the period under review 1,996 bed spaces were budgeted for leaving a balance of 336 bed spaces, and

iii. Income recorded in respect of accommodation was not matched with the bed spaces. Further, the income was posted to the same ledger with tuition fees therefore, it was not possible to ascertain whether all the bed spaces were accounted for.

d. Financial Analysis-Statement of Comprehensive Income - Operating Deficits

The Statement of Comprehensive Income for the years ended 31st December 2018 and 2019 were as shown in table 6.2 below.

Table 6.2: Statement of Comprehensive Income

Statement of Comprehesive Income	**2019 K'000**	**2018 K'000**
Income		
Government grants	106,870	130,277
Revenue collections	331,070	304,962
Total Income	**437,940**	**435,239**
Expenditure		
Staff salaries	412,565	371,984
Buildings, vehicles and grounds maintenance	28,222	38,330
Examination and graduation expenses	1,056	1,463
Repairs and maintenance of equipment	813	1,178
Student welfare and equipment	621	2,598
General expenses	120,581	106,674
Penalties and interest on unremitted statutory	39,637	37,488
Research	638	422
Staff training expenses	4,274	4,472
Guest house	-	363
Saw mill expenses	217	2,288
Africanza expenses	419	632
Impairement loss	439	
Total expenditure	**609,482**	**567,892**
Total comprehensive loss for the year	**(171,542)**	**(132,653)**

Source: Copperbelt University audited financial statements for 2018 and 2019

As can be seen from the table above, the University had deficits of K132,653,000 and K171,542,000 in 2018 and 2019 respectively.

e. Operational Matters

i. Results Entered by NULL Users

ISO/IEC 27002: 9.2.1 User registration requires that the process for managing user identities (ID) should include using unique user IDs to enable users to be linked to and held responsible for their actions.

A review of the results database on the Opus Reloaded System revealed that final marks results for 2,599 students in respect of 2,898 subjects issued during the period under review were entered by users with no user name specified (NULL users). In this regard, it was not possible to ascertain the identity or validity of the entered results. See table 6.3 below.

Table 6.3: Results entered by Null Users

Period	No. of Subjects	No. of Students
2018	1,864	1,690
2019	844	818
2020	190	91
Total	**2,898**	**2,599**

ii. Final Mark Entered Without Original Mark

According to CBU procedures for processing examination results, results in the OPUS System are processed at three (3) stages starting with the entry of original marks by examiners, entry of moderated marks by the Board of Examiners and the final mark entered after the first two (2) processes had been completed.

However, a scrutiny of the database revealed that final marks for 3,002 subjects in respect of 1,531 students were entered without the original marks being processed in the system. As a result, it was not possible to ascertain whether subject examiners were involved in the awarding of marks. See table 6.4 below.

Table 6.4: Final Mark without Original Mark

Period	No. of Subjects	No. of Students
2018	1,373	857
2019	496	271
2020	1,133	403
Total	**3,002**	**1,531**

In response, management indicated that the single entry under final mark was as a result of an appeal for "Missing Grade" made by students online. After resolving the query for a missing grade, the final grade entry was made as a single entry. Hence the record for only final Mark entry in the database.

However, no evidence was availed confirming that the queried results were missing grades on appeal.

f. 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 shall ensure that all public properties under the Controlling Officer's charge are secured with title deeds. However, the University had not secured title deeds for nine (9) of its properties such as a house located along Choma Avenue, the School of Medicine and 123.55 acres of land in Kamfinsa all valued at K328,273,000.

ii. Poor Maintenance of University Assets

The University premises has various buildings such as staff houses and student hostels. A physical inspection of selected infrastructure conducted in September 2021 revealed the following dilapidation among others:

- **Staff house**
  - ✓ Broken doors and windows
  - ✓ Dirty walls
  - ✓ Falling ceiling board and leaking roof
  - ✓ Broken floor tiles and bathtubs

  See pictures below.

Figure 6.1: Living room for dilapidated house and Worn off paint on staff house

- **Female Hostels**
  - ✓ Broken bathroom taps, gutter pipe and falling off roof gutters
  - ✓ One side of the hostel had no electricity

  See pictures below.

Figure 6.2: Broken gutter pipe and falling off gutters

iii. Construction of the Entrance Canopy, Doors and Windows for Gate 1-Delayed Completion of Works

On 15th August 2019, the University engaged Trammel Engineering for the construction of an entrance canopy, doors and windows for Gate 1 at a contract sum of K420,180 with a delivery period of thirty (30) days.

The scope of works included the following:

- ✓ Excavation works,
- ✓ Anti-termite treatment,
- ✓ Construction of a concrete plinth and floor slab,
- ✓ Reinforcement to the slab,

- ✓ Construction of sawn framework including making good exposed surfaces after removal of the sides of concrete column plinths and sides of the floor slab,
- ✓ Block work,
- ✓ Fitting of structural steel works, aluminum doors and windows for the guard house, and
- ✓ Roof covering and painting of all steel members.

A physical inspection carried out in September 2021 revealed that the works had not been completed twenty four (24) months after the expected completion date with the following works outstanding:

- ✓ Fitting of structural steel works, aluminum doors and windows for the guard house,
- ✓ Roof covering and painting of all steel members.

As at 30th September 2021, amounts totalling K285,228 had been paid leaving a balance of K134,952 unpaid and the contractor was not on site at the time of audit.

iv. Failure to Collect Rentals

A review of accounting records revealed that thirteen (13) tenants owed the University amounts totalling K1,140,419 in respect of unpaid rent.

Despite all lease agreements providing for either monthly or quarterly advance payments, some balances had been outstanding for periods of over ninety (90) days.

g. Staff Related Matters

i. Failure to Remit Statutory Contributions

As at 31st December 2020, CBU owed amounts totalling K1,227,206,795 to the Zambia Revenue Authority (K1,213,247,714) and National Pension Scheme Authority (K13,959,081), in respect of taxes and of statutory contributions. See table 6.5 below.

Table 6.5: Delayed Remittance of Statutory Obligations

Institution	2018 K	2019 K	2020 K	October 2021 K
ZRA	917,215,328	1,057,009,662	1,213,247,714	1,371,034,913
NAPSA	17,270,739	13,710,717	13,959,081	15,168,774
Total	**934,486,067**	**1,070,720,379**	**1,227,206,795**	**1,386,203,687**

As at 31st October 2021, the amount had increased to K1,386,203,687.

ii. Outstanding Gratuity Payments

Clauses 16,18,19 and 21 of the CBU Collective Agreement provides for payment of retirement, redundancy, death and resignation gratuity for the period served.

However, CBU owed amounts totalling K340,208,875 as gratuity to members of staff as at 31st December 2020. As at 31st October 2021, the amount had reduced to K167,530,036.

7 INDUSTRIAL DEVELOPMENT CORPORATION

7.1 Background

a. Establishment

The Industrial Development Corporation (IDC) Limited is a State-Owned Enterprise (SOE) mandated to spearhead the Government's commercial investments agenda aimed at strengthening Zambia's industrial base and job creation.

The IDC was incorporated on 21st January 2014 and is wholly owned by the Government through the Minister of Finance pursuant to the Minister of Finance (Incorporation) Act Cap 349 of the Laws of Zambia. The IDC was established to create and maximize long term shareholder value as an active investor and shareholder of state-owned enterprises, as well as undertake industrialization and rural development activities through the creation of new industries.

IDC has an investment portfolio of forty one (41) companies comprising of thirty three (33) subsidiaries and eight (8) associates. See tables 7.1 and 7.2 below.

Table 7.1: Subsidiaries

No.	Name of Entity	Shareholding (%)	Year of Incorporation/ Acquisition by IDC
1	Indeni Petroleum Refinery	100	8/24/2015
2	Lusaka South Multi Facility Economic Zone Limited	100	8/24/2015
3	Mpulugu Harbour Corporation Limited	100	8/24/2015
4	Mukuba Hotel Limited	100	8/24/2015
5	Mulungushi International Conference Centre	100	8/24/2015
6	Mulungushi Village Complex Limited	100	8/24/2015
7	Nitrogen Chemicals of Zambia Limited	100	8/24/2015
8	Zambia Daily Mail Limited	100	8/24/2015
9	Zambia Electricity Supply Corporation (ZESCO)	100	8/24/2015
10	Zambia Forestry and Forestry Industries Company	62.60	8/24/2015
11	Zambia International Trade Fair	100	8/24/2015
12	Times Printpak Zambia Limited	100	8/24/2015
13	Zambia Railways Limited	100	8/24/2015
14	ZSIC - Life	100	8/24/2015
15	ZSIC - General	100	8/24/2015
16	Zamtel Limited	100	8/24/2015
17	ZCCM Investment Holdings PLC	60.28	8/24/2015
18	Infratel Corporation Limited	100	8/23/2018
19	Zambia Power Corporation Limited	100	11/12/2015
20	Zambia Cargo and Logistics	100	7/20/2019
21	Zambia Airways Limited	55	6/16/2020
22	Zampalm Limited	90	9/17/2017
23	Kawambwa Tea Industries Limited	100	1/29/2019
24	Zambia Fruit Company Limited	100	8/27/2018
25	Superior Milling Company Limited	76	11/23/2017
26	Mununshi Fruit Company Limited	100	7/8/2019
27	Zambia Industrial Commercial Bank	71.18	8/31/2017
28	Medical Stores Limited	100	8/24/2015
29	Zambia Mulungushi China Textiles	100	8/24/2015
30	Niec Business School	100	8/24/2015
31	ZSIC Holding Limited	100	8/24/2015
32	Zambia Printing Company	100	8/24/2015
33	Engineering Services Corporation	100	8/24/2015

Table 7.2: Associates

No.	Name of an Entity (2015 to 2017)	Shareholding (%)	Year of Incorporation/ Acquisition
1	Indo - Zambia Bank Limited	40%	8/24/2015
2	Kagem Minerals Limited	25%	8/24/2015
3	Lusaka Trust Hospital	45%	8/4/2015
4	ZANACO PLC	25%	8/24/2015
5	Marcopolo Tiles Company Ltd	22.6%	6/4/2020
6	Zambia Reinsurance	28.17%	8/11/2016
7	Bangweulu Power Company	20%	12/6/2016
8	Ngonye Power Company	20%	12/12/2016

The strategic objectives of the corporation include the following:

i. Reposition all SOEs through improved management, financial viability and sustainability and bring loss-making entities to profitability;
ii. Catalyse sector investment by co-investing in business ventures with the private sector across the forestry, fisheries, agro-processing, renewable energy, mining value addition and tourism sectors;
iii. Identify and undertake high risk investments that add value to the country's natural resources;
iv. Ensure a balanced and secured return on investment and enhance the capacity of the Corporation to deliver growth to the portfolio;
v. Enhance the legal, institutional and group oversight framework in accordance with tenets of good corporate governance; and
vi. Identify and mitigate risks in the group portfolio and strengthen the credibility and creditworthiness of the Corporation.

b. Governance

According to Part 12 clause 57 of the Articles of Association of the IDC and Part 3.2 of the Board Charter, the Board of Directors should consist of the following members: 'His Excellency the President of the Republic of Zambia, three (3) Cabinet Ministers appointed by the President, the Secretary to the Treasury, the Permanent Secretary responsible for Industry, seven (7) members from the private sector and civil society, and Group Chief Executive Officer (GCEO)'.

c. Management

The Group Chief Executive Officer (CEO) appointed by the Board of Directors is responsible for the operations of the Corporation and is assisted by the Chief Corporate Services Officer, Chief Financial Officer, Legal Counsel/ Company Secretary, Chief Portfolio Officer and Chief Investments Officer, who are appointed on three (3) year renewable contracts.

d. Sources of Funds

IDC is a self-funding institution which draws its funds from leveraging its portfolio of companies and project finance which consist of such moneys as;

i. income from the sale of shares in investments,

ii. dividends received from profitable state enterprises,
iii. management fees,
iv. income from treasury activities; and
v. interest on placed deposits.

7.2 Audit Findings

An examination of IDC financial and other records for the financial years ended 31st December 2018, 2019 and 2020 revealed the following.

a. Governance – Lack of Prescribed Tenure of Office for Board Members

Section 12 (57) of the Corporation's Articles of Association and part 3.2 of the Board Charter indicate that the Board shall comprise of His Excellency the President of the Republic of Zambia, three (3) Cabinet Ministers appointed by the President, the Secretary to the Treasury, the Permanent Secretary responsible for industry, seven (7) members from the private sector and civil society, and Group Chief Executive Officer (GCEO).

A review of information for the board members revealed that both the Articles of Association and the Board Charter did not prescribe the tenure for members who served on the IDC Board. As a result only two (2) board members' appointment letters prescribed the tenure.

b. Budget and Income

During the period under review, IDC budgeted to generate and receive income of K1,111,523,184 from dividends, disposal of assets, interest on short term investments and shareholder loans, and rental income against which amounts totalling K570,313,000 were realized resulting in a negative variance of K541,210,184 as shown in table 7.3 below.

Table 7.3: Budget vs. Income

Year	Budgeted Revenue K	Actual Revenue K	Variance K
2018	292,175,363	163,232,000	(128,943,363)
2019	354,438,531	167,504,000	(186,934,531)
2020	464,909,290	239,577,000	(225,332,290)
Total	**1,111,523,184**	**570,313,000**	**(541,210,184)**

An analysis of revenue generated revealed that 78.12% was from dividends received from portfolios and associated companies while 21.88% was revenue generated from other income. See table 7.4 below.

Table 7.4: Revenue Sources in Comparison with Budgeted Amounts

Year	Source of Revenue	Budgeted Revenue K	Actual Revenue K	Variance K	Revenue Source %
2018	Dividends	103,580,000	154,109,000	50,529,000	
	Other Income	188,595,363	9,123,000	(179,472,363)	
	Subtotal	**292,175,363**	**163,232,000**	**(128,943,363)**	
2019	Dividends	123,474,110	148,226,000	24,751,890	
	Other Income	230,964,421	19,278,000	(211,686,421)	
	Subtotal	**354,438,531**	**167,504,000**	**(186,934,531)**	
2020	Dividends	191,373,108	143,198,000	(48,175,108)	
	Other Income	273,536,182	96,379,000	(177,157,182)	
	Subtotal	**464,909,290**	**239,577,000**	**(225,332,290)**	
Total Revenue		**1,111,523,184**	**570,313,000**	**(541,210,184)**	
Total Dividends			445,533,000		78.12%
Total Other Income			124,780,000		21.88%

c. Financial Analysis – Failure to Produce Consolidated Audited Financial Statements

Section 267 (1) of the Companies Act of 2017 stipulates that a company that has one or more subsidiaries shall prepare, within six (6) months after end of its financial year, Consolidated Financial Statements.

It was however, observed that as at 30th September 2021, the Corporation had not prepared consolidated financial statements for the years ended 31st December 2018, 2019 and 2020 due to seven (7) subsidiaries' failure to prepare audited financial statements.

d. Operational Matters

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

A review of the 2020 fourth quarter management accounts revealed that IDC's investment interests in its thirty three (33) subsidiaries was K19,150,274,000 and K2,419,844,000 in its eight (8) associate companies.

According to the Corporation's approved budgets for 2018, 2019 and 2020, the Corporation expected to generate dividend income in amounts totalling K418,427,218. However, an analysis of the dividends trend for the period 2018 to 2020 revealed that a total of K443,230,803 was collected as dividends from only six (6) subsidiaries and two (2) associates. See table 7.5 below.

Table 7.5: Dividends Trend for the Period 2018 – 2020

No.	Company	2018 K	2019 K	2020 K	Total K
1	Indo-Zambia Bank Limited	-	24,000,000	24,310,000	48,310,000
2	Indeni Petroleum Refinery Limited	28,014,000	30,788,010	52,288,000	111,090,010
3	Zambia National Commercial Bank Plc	1,227,188	9,200,000	18,720,000	29,147,188
4	Mulungushi Village Complex Limited	202,188	-	462,000	664,188
5	ZCCM Investments Holdings Plc	81,421,546	59,125,268	31,651,618	172,198,432
6	Zambia Forestry and Forest Industries	40,200,000	25,112,000	16,166,607	81,478,607
7	Zambia Railways Limited	100,000	-		100,000
8	ZEPRE	242,378	-		242,378
	Total	**151,407,300**	**148,225,278**	**143,598,226**	**443,230,803**

In addition, twenty nine (29) investee companies did not declare any dividends to IDC during the period under review as they recorded total net losses of K3,848,610,000 in 2018; K7,250,648,000 in 2019; and K17,355,258,000 in 2020 whilst the remaining four (4) either prepared their first accounts in 2020 or were not fully operational. See table 7.6 below.

Table 7.6: Dividend Payment Profile

No.	Enterprise / Associate	IDC Shareholding	Dividend History	Year of Acquisition /Incorporation by IDC
1	ZESCO	100%	No dividends paid in last 5 years	8/24/2015
2	Mulungushi Village Complex Limited	100%	No dividends paid since 2018	8/24/2015
3	ZAMTEL	100%	No dividends paid in the last 5 years	8/24/2015
4	INFRATEL	100%	No dividends paid in last 5 years	8/23/2018
5	ZAMPALM	90%	No dividends paid in last 5 years	9/12/2017
6	Zambia Railways	100%	Paid dividend of K100,000 for FY2014.	8/24/2015
7	Zambia Cargo and Logistics Company Limited	100%	No dividends paid in last 5 years	7/20/2019
8	Zambia Daily Mail Limited	100%	No dividends paid in the last 5 years.	8/24/2015
9	Times Printpak Zambia Limited	100%	No dividends paid in last 5 years	8/24/2015
10	Zambia International Trade Fair Limited	100%	No dividends paid in the last 5 years	8/24/2015
11	Mukuba Hotel Limited	100%	No dividends paid in the last 5 years.	8/24/2015
12	Mulungushi International Conference Center Limited	100%	No dividends paid in last 5 years	8/24/2015
13	ZSIC Life Limited	100%	No dividend since 2018	8/24/2015
14	ZSIC General Insurance Limited	100%	No dividends paid in last 5 years	8/24/2015
15	Zambia Industrial Commercial Bank Limited	71.18%	No dividend paid since 2018	8/31/2017
16	Nitrogen Chemicals of Zambia Limited	100%	No dividends paid in last five years	8/24/2015
17	Superior Milling Company Limited	76%	No dividend paid since acquisition in 2017	11/23/2017
18	Lusaka Trust Hospital Limited	50%	Declared dividend in 2014 of K2mn	8/24/2015
19	Lusaka South Multi-Facility Economic Zone Limited	100%	No dividends paid since incorporation (2013)	8/24/2015
20	Kawambwa Tea Industries	100%	1st Set of Accounts	1/29/2019
21	Zambia Airways	55%	Not operational	6/16/2020
22	Zambia Power Company	100%	Not operational	11/12/2015
23	Marcopolo Tiles Company Limited	22.60%	Incorpoarted in 2020	6/4/2020
24	Mpulungu Harbour Corporation Limited	100%	No dividends paid in last 5 years	8/24/2015
25	Medical Stores Limited	100%	No dividends paid in last 5 years	8/24/2015
26	Zambia Mulungushi China Textiles	100%	No dividends paid in last 5 years	8/24/2015
27	Niec Business School	100%	No dividends paid in last 5 years	8/24/2015
28	ZSIC Holding Limited	100%	No dividends paid in last 5 years	8/24/2015
29	Zambia Printing Company	100%	No dividends paid in last 5 years	8/24/2015
30	Engineering Services Corporation	100%	No dividends paid since incorporation	8/24/2015
31	Ngonye Power Company	20%	No dividends paid since incorporation	12/12/2016
32	Bangweulu Power Company	20%	No dividends paid since incorporation	12/6/2016
33	Kagem Minerals Limited	25%	No dividends paid in last 5 years	8/24/2015

ii. Loss Making Investee Companies

According to Part 1.1 of the 2017 to 2021 Strategic Plan, as a way of attaining the Government objective, IDC devised a corporate strategic assumption among others of ensuring that companies representing fifty percent (50%) of the value of IDC 's portfolio would remain profitable and declare dividends during its five (5) year strategic planned period.

However, a review of the state owned enterprise (SOEs) Situational Analysis Brief issued in September 2021 revealed that out of the thirty nine (39) companies that were operational, twenty five (25) companies reported losses during the period under review as indicated in table 7.7 below.

Table 7.7: Loss Making Investee Companies

No.	Subsidiary/ Associate	Shareholding	Portfolio Net Asset Value	Profitability/ (Loss)		
				2018	2019	2020
			K'000	K'000	K'000	K'000
1	ZESCO	100%	19,900,000	(1,600,000)	(4,000,000)	(15,594,000)
2	Kagem Mining	25%	442,000	(670,000)	(5,900)	(218,349)
3	ZAMTEL	100%	(800,000)	(546,000)	(304,000)	(1,152,000)
4	Infratel	100%	(667,800)	-	-	(128)
5	ZAMPALM	90%	124,000	(18,600)	(44,600)	-
6	Zambia Railways	100%	1,600,000	(271,000)	(252,000)	(103,000)
7	Zambia Cargo and Logistics Company Limited	100%	2,600,000	(370,000)	(2,400,000)	-
8	Zambia Daily Mail Limited	100%	(66,700)	(11,300)	(9,000)	(11,000)
9	Times Printpak Zambia Ltd	100%	(526,900)	(27,000)	(60,600)	-
10	Zambia Int. Trade Fair Ltd	100%	87,000	(8,100)	(3,500)	(2,500)
11	Mukuba Hotel Limited	100%	3,000	(2,100)	(1,900)	(1,400)
12	Mulungushi International Conference Center Limited	100%	545,000	(12,000)	(4,000)	(26,000)

No.	Subsidiary/ Associate	Shareholding	Portfolio Net Asset Value	Profitability/ (Loss)		
				2018	2019	2020
			K'000	K'000	K'000	K'000
13	ZSIC Life Limited	100%	(53,200)	24,000	(18,000)	9,000
14	ZSIC General Insurance Limited	100%	(94,800)	6,000	(4,000)	4,500
15	Zambia Ind. Commercial Bank Limited	71.18%	159,000	(12,000)	(34,000)	(44,000)
16	Nitrogen Chemicals of Zambia Limited	100%	(1,100,000)	(286,900)	(69,900)	-
17	Superior Milling Company Limited	76%	(47,000)	(20,700)	(20,100)	-
18	Lusaka Trust Hospital Ltd	50%	14,500	(4,100)	(4,100)	(51,700)
19	Medical Stores Limited	100%	128,200	(27,589)	9,643	7,100
20	Mulungushi Textiles Ltd	33%	(405)	-	-	-
21	ZSIC Holdings	100%	1,901	-	-	-
22	Niec School of Business	100%	627	-	-	-
23	Zambia Printing Company	100%	11,187	-	-	-
24	Bangweulu Power Company	20%	(223,631)	22,368	(40,183)	(166,969)
25	Ngonye Power Company	20%	148,210	(13,589)	15,492	(4,812)
	Net Losses			**(3,848,610)**	**(7,250,648)**	**(17,355,258)**

iii. Investment in Loss Making Companies

Section 2.2 of the IDC Investment Policy and Guidelines stipulates among others that the IDC will not engage in equity investments or direct lending in companies that have not operated profitably for three (3) consecutive years.

Further, section 2.3.3 - Investment Eligibility Criteria, stipulates the following among others:

i. The target firm should demonstrate good earnings potential over the long term with potential to unlock hidden value;

ii. The target firm should have unique capabilities or resources (Strategic value);

iii. The business should have good return on equity while employing little debt;
iv. The business should have good corporate governance in place; and
v. The business must have a realistic prospect of becoming commercially successful.

However, it was observed that IDC made investments in two (2) companies, ZAMPALM Limited and Superior Milling Company Limited, that were prohibited investments in line with section 2.2 of the IDC Investment Policy and Guidelines in that the two (2) companies had not been operating profitably for three (3) consecutive years prior to their acquisition by IDC.

In addition, the following were observed.

- **ZAMPALM Limited**

  ZAMPALM Limited is an agricultural and milling company of oil which was incorporated in September 2017.

  The company has a total of 20,000 hectares of land dedicated to palm plantation development in Kanchibiya District in Muchinga Province of which 7,350 hectares is in Kopa area and 12,650 hectares in Kabinga areas respectively. As at 30th September 2021, the total hectares planted was 3,688.6 with a population of 527,470 palm trees.

  IDC acquired 90% shareholding in ZAMPALM Limited at a value of US$22 million out of which US$18million was paid in September 2017. The remaining 10% shares are held by Zambeef Products PLC.

  As at 31st December 2020, amounts totalling K97,502,441 (K34,718,226 in 2018, K36,241,809 in 2019, and K26,542,406 in 2020) had been advanced by IDC to Zampalm towards working capital support, which was an indication that the entity's operations were being financed by loans.

  In addition, the Financial Statements for ZAMPALM for the year ended 31st December 2020 were not ready as at 30th September 2021. As such the company's financial position could not be ascertained.

- **Superior Milling Company Limited**

  Superior Milling Company Limited is in the manufacturing industry whose business operations are focused on mealie - meal and its by-products

  On 23rd November 2017, a sale and purchase agreement was signed in which IDC acquired 76% ordinary shareholding in Superior Milling Company Limited at a consideration sum of K52,000,000 with an initial payment of K2,500,000.

  A review of records for the Company for the period under review revealed the following:

  - **Irregular Acquisition of the Company**

    According to the Transaction Advisory Report on Superior Milling Company Limited issued on 24th August 2017 by the Advisory firm engaged to carry out a due diligence on the Company, the following were the key findings:

    - "the Company was in urgent need of working capital injection in that from a reviewed 2017 financial performance, it was noted that the Company had defaulted on its payment obligations to its suppliers and that it was totally dependent on the overdraft facility which was almost fully utilised as of March 2017."

      This was contrary to section 2.3.3 (v) - Investment Eligibility Criteria.

    - "If no major restructuring was to be done to the Company's balance sheet in the short-term, the Company would fail to continue as a going concern." This was contrary to Section 2.2 of the IDC Investment Policy and Guidelines.

    - "The company had limited Corporate Governance structures in place as it had a characteristic of family owned business."

      This was contrary to section 2.3.3 (iv) - Investment Eligibility Criteria

    - "The Company had pending penalties for non or late submission and non or late payment of taxes which included NAPSA, personal levy and workers compensation in amount totalling K344,224.66 as of March 2017. The Company also had undeclared WHT and PAYE arising from WHT on commissions and non-payment of PAYE on director's fees, amounts that could not be established due to non-availability of accurate figures.”

This was contrary to section 2.3.3 - Investment Eligibility Criteria

- “The Company recorded losses before tax of K5,697,000 in 2014; K12,168,000 in 2015; K9,355,000 in 2016 ; and K4,897,000 in 2017.”

  This was contrary to Section 2.2 of the IDC Investment Policy and Guidelines.

In this regard, the acquisition of the Superior Milling Company was irregular.

- **Failure to prepare Financial Statements**

  The financial statements for Superior Milling for the financial year ended 31st December 2020 were not ready as at 30th September 2021. In this regard, the entity’s current financial position could not be ascertained.

iv. Weaknesses in Management of Brown Field Projects

- **Munushi Fruit Company Limited**

  Munushi Fruit Company Limited was incorporated on 9th July 2019 as a Company limited by shares and is wholly owned by Industrial Development Corporation (IDC). It is made up of a 313-ha fruit estate in Mwense District of Luapula Province. The initial development of the farm was banana production targeting the local and regional markets. The total project investment cost was estimated at US$9 million which would be needed over a 3-year horizon to finance growth and full-time production.

  In 2020, IDC procured 48,000 William Variety banana suckers which were planted on 30 hectares of land. The first harvest was on 25th August 2021.

  However, the following were observed:

- **Failure to Avail Information on Rehabilitation of Infrastructure and Associated Works**

  On 18th May 2020, Industrial Development Corporation (IDC) engaged BD Hardware and Construction Company Ltd to undertake the rehabilitation of the support infrastructure and associated works and remedy defects therein in conformity in all respects with the provisions of the contract at Munushi

Estates at a fixed contract price of K3,705,399 VAT inclusive for a duration of twelve (12) weeks.

However, management failed to avail the advance payment guarantee and the new performance bond following the extension of the contract duration as the earlier bond expired on 18th May 2021.

- **Failure to avail Accounting Information**

  During the site visit to Munushi Fruit Company conducted in September 2021, it was established that the accounting function was being done by Industrial Development Corporation.

  However, information such as cost of investment in the project, budgets and expenditure details and amounts invested by IDC as at 30th September 2021, was not availed for audit.

- **Kawambwa Tea Industries Limited - Failure to Maintain a Non – current Assets Register**

  On 5th August 2016, ZAFFICO Tea Company was created as a Special Purpose Vehicle (SPV) following a Presidential directive to compulsorily acquire Kawambwa Tea Company's assets and land (under receivership until July 2015 when the pronouncement to liquidate were made).

  On 12th April 2018, ZAFFICO Tea Company was dissolved and subsequently de – registered. In its place, the Kawambwa Tea Industries Limited was incorporated as a Company Limited by shares on 29th January 2019 and is wholly owned by the Industrial Development Corporation (IDC).

  On 22nd October 2019, a management agreement was signed between Kawambwa Tea Industries Limited and Zambia Forestry and Forest Industries Corporation Limited (ZAFFICO) for a duration of five (5) years in which ZAFFICO was to manage Kawambwa Tea Industries Limited.

  In this regard, on 9th April 2020, IDC wrote a letter to ZAFFICO PLC directing it to put in place systems that would ensure that Kawambwa Industries Limited was separated from ZAFFICO PLC and that all the assets of the estate were vested in the newly formed company (Kawambwa Tea Industries).

A review of the minutes of the 1st Board meeting of the Board of Directors of Kawambwa Tea Industries Limited held on 31st March 2021, revealed that the subsidiary did not maintain a fixed asset register twenty seven (27) months from the time it was incorporated.

As at 30th September 2021, the assets register was not in place. In this regard, the value of assets transferred from Kawambwa Tea Company and those procured when the entity was under the management of ZAFFICO could not be established.

- **Kaleni Hills Fruit Company and Eastern Tropical Fruits**

  Zambia Fruit Company Limited (ZFC) was incorporated in 2017 to serve as a holding company for IDC's interests in the agro-processing sector. ZFC wholly owns Kalene Hills Fruit Company Limited ("KH") in Mwinilunga District and 70% of Eastern Tropical Fruits ("ETF") while Vita Plus Foods owns 30% of ETF which is situated in Katete District.

  The two (2) fruit companies were financed by the debt instruments amounting to K230,000,000 as shown in table 7.8 below.

Table 7.8: Debt Instruments

No.	Type of Facility	Financier	Facility Amount K
1	Corporate Bond	NAPSA	60,000,000
2	Corporate Loan	NATSAVE	40,000,000
3	Corporate Bond	NAPSA	100,000,000
4	Corporate Bond	WCFCB	30,000,000
	Total		**230,000,000**

The following were observed:

- **Delayed Implementation**

  According to the Business Case for Eastern Tropical Fruits and Kaleni Hills Fruit Company, the two (2) plants were expected to be commissioned in the Third (3rd) Quarter of 2020.

  An inspection of the project sites conducted on 20th September 2021, revealed that the plants were still under construction with Eastern Tropical Fruits at 75% completion while Kaleni Hills Fruit Company was at 85% completion.

  In this regard, the projects were behind schedule by 12 months.

e. Staff Related Matters

i. Irregular Procurement of Personal to Holder Vehicle – Group Chief Executive Officer

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."

Contrary to the above provision, a review of the employment contracts revealed that the Group Chief Executive Officer was appointed to this office in August 2017 and among other provisions in his contract of employment conditions was the benefit of owning a personal to holder.

Contrary to the Circular, IDC procured a personal to holder vehicle for the CEO on 1st August 2018.

8 THE JUDICIARY

8.1 BACKGROUND

a. Establishment

The Judiciary of Zambia was established under Articles 120, 124, 127, 130 and 133 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:

i. A judge nominated by the Chief Justice;
ii. The Attorney-General, with the Solicitor-General as the alternate;
iii. The Permanent Secretary responsible for public service management;
iv. A magistrate nominated by the Chief Justice;
v. A representative of the Law Association of Zambia nominated by that Association;
vi. The Dean of a Law School of a public higher education institution, nominated by the Minister responsible for justice; and
vii. One (1) member appointed by the Republican President.

Members of the Commission are appointed for a renewable term 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, or
iii. vest in or accrue to the Judiciary from investments, fees or levies administered by the Judiciary.

8.2 Audit findings

An examination of financial and other records for the financial year ended 31st December 2020 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 2020, a provision of K516,346,304 was made to cater for the operations of the Judiciary out of which K480,805,295 was released resulting in an underfunding of K35,541,009.

b. Accounting Irregularities

i. Irregular Use of Accountable Imprest – Client Account Kitwe

Financial Regulation No.86 (c) stipulates that accountable imprest is issued as payment to facilitate the purchase of goods and services whose value cannot be ascertained at the time.

Contrary to the regulation, an amount of K63,005 was issued as accountable imprest to an officer to procure goods such as safety boots, work suits, reflective vests, and helmets whose values could be ascertained and procured directly from the suppliers.

ii. Non-Remittance of VAT

The Value Added Tax (VAT) Amendment Act No. 12 of 2017 read together with the Treasury and Financial Management Circular No. 6 of 2017 directed all institutions which were appointed as tax agents to withhold VAT from payments to suppliers of goods and services and remit the VAT withheld to Zambia Revenue Authority. However, the Judiciary did not deduct and remit VAT in amounts totalling K46,871 on payments made to five (5) suppliers who supplied goods and services costing K339,813 to three (3) courts during the period under review. See table 8.1 below.

Table 8.1: Unremitted VAT

No.	Station	Amount VAT inclusive K	VAT K
1	Kitwe	15,644	2,158
2	Livingstone	99,341	13,702
3	The Sheriff - Lusaka	224,829	31,011
	Total	**339,814**	**46,871**

c. Staff Related Matters

i. Failure to Fill Vacant Positions

A scrutiny of the staff establishment register for the Judiciary revealed that there were 4,193 approved positions out of which a total of 3,245 were filled leaving 948 positions vacant as at 31st December 2020. See table 8.2 below.

Table 8.2: Vacant Positions

No.	Province	Establishment Register	Filled Positions	Vacant Positions
1	Headquarters and Lusaka	596	522	74
2	Eastern	475	380	95
3	Southern	455	357	98
4	Copperbelt	523	391	132
5	Central	315	293	22
6	Northwestern	339	272	67
7	Northern	288	236	52
8	Muchinga	270	169	101
9	Luapula	344	244	100
10	Western	588	381	207
	Total	**4,193**	**3,245**	**948**

ii. Irregular Payment of Rural and Remote Hardship Allowances

Terms and Conditions of Service for Public Service No. 166, read together with Public Service Management Division (PSMD) Circular No. B5 of 2010 require an officer serving in an area declared to be in a rural and remote area to be entitled to receive rural and remote hardship allowances at rates as maybe determined by Government from time to time.

Contrary to the Terms and Conditions of Service and Circular, allowances in amounts totalling K86,263 (Rural Hardship - K65,727 and Remote Hardship - K20,536) were paid to twelve (12) officers at ten (10) stations who were not entitled to receive the allowances as their work stations did not qualify for payment of such allowances.

iii. Failure to Deduct and Remit NAPSA Contributions

Section 15 (1) of the National Pensions Scheme Act No. 40 of 1996 stipulates that a contributing employer should pay contributions to the Authority at the end of each month and such employer should 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 Act, eighteen (18) officers at eleven (11) stations were paid salaries in amounts totalling K985,139 without deducting 5% employees' contributions. In this regard, minimum employee and employer contributions in amounts totalling K98,514 comprising employee's contribution (K49,257) and employer's contribution (K49,257) had not been deducted and remitted to NAPSA during the period under review.

As at 30th September 2021, the position had not changed.

d. Asset Management

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, the Judiciary did not secure title deeds for several parcels of land at sixteen (16) stations located in two (2) provinces. See table 8.3 below.

Table 8.3: Stations without Title Deeds

No	Province	District	Station
1	Copperbelt	Ndola	Ndola High Court
			Ndola Subordinate Court
			Ndola Small Claims Court
			Ndola Main Local Court
			Chifubu Local Court
			Chipulukusu Local court
			Kabushi Local Court
		Mufulira	Mufulira Subordinate Court
			Mufulira Main Local Court
			Kamuchanga Local Court
			Butondo Local court
			Kwacha Local Court
2	Luapula	Samfya	Samfya Subordinate Court
		Mwense	Mwense Subordinate Court
		Kawambwa	Kawambwa Subordinate Court
			Mukanta Local Court

ii. Failure to Insure Property – Real Estate Account Headquarters

The Judiciary did not insure fifty nine (59) residential properties in seven (7) provinces thereby risking losses in the event of calamities.

A physical inspection of selected assets carried out in August 2021 revealed that the official residence of the Chief Justice situated at plot No. 4743-341 Independence Road Lusaka was gutted by fire in 2013. See pictures below.

Figure 8.1: Parts of the Walls and Roof Gutted by Fire

The official residence was not insured, and it was observed that as at 30th September 2021 the residence had not been rehabilitated.

iii. Failure to Complete Valuation of Properties

On 23rd August 2018, the Judiciary engaged the Government Valuation Department to value its properties. However, only two (2) out of 59 residential properties had been valued as at 30th September 2021. See table 8.4 below.

Table 8.4: Status of Residential Properties

No.	Province	District	Station	Type of Residence	No. of Units	Market Value K	Occupation Status
1	Central	Kabwe	Kabwe High Court	Residential House	1	Not valued	Occupied
2	Copperbelt	Ndola	Ndola High Court	Residential House	2	Not valued	Vacant
3	Copperbelt	Kitwe	Kitwe High Court	Residential House	2	Not valued	Vacant
4	Luapula	Samfya	Samfya Subordinate Court	Residential House	1	Not valued	Occupied
5	Lusaka	Lusaka	ThornPark and Kabwata Flats	Residential Flats	48	Not valued	Occupied
6	Lusaka	Lusaka	High Court - Lusaka	Chief Justice Lodge	1	Not valued	Dilapidated
7	Muchinga	Chinsali	Chinsali Subordinate Court	Residential House	1	Not valued	Occupied
8	Southern	Livingstone	Livingstone High Court	Residential House	1	Not valued	Vacant
9	Northern	Mbala	Mbala Local Court	Residential House	1	368,454	Occupied
10	Northern	Kasama	Kasama High Court	Residential House	1	1,042,313	Occupied
			Total		**59**	**1,410,766**	

iv. Poor Maintenance of Properties

A physical inspection of selected real estate properties in five (5) districts revealed that the properties were dilapidated due to lack of maintenance. In particular, the following were observed:

- **Lusaka District – Lusaka Thorn Park (Stand No. Lus/8138) and Kabwata Flats (Stand No. Lus/10068)**
  - ✓ The walls had developed multiple cracks and paint was peeling off,
  - ✓ Some window panes were broken, and
  - ✓ Some doors had no mortice locks. See pictures below.

Figure 8.2: Cracked, Peeling off Walls and Broken Window Pane

- **Ndola District**
  - **Judges Residence, House-No.6**
    - ✓ The ceiling was damaged due to leaking roof,
    - ✓ The wooden floor tiles were damaged,
    - ✓ Paint on the walls was peeling off.

  See pictures below.

Figure 8.3: Poorly maintained Judges Residence with Damaged Ceiling due to Leaking Roof

  - **House No.18**
    - ✓ The roof was leaking,
    - ✓ The floor tiles were peeling off,
    - ✓ Cracks had developed on the walls in the kitchen and on the floor screed,
    - ✓ Window panes in the kitchen were broken,
    - ✓ Part of the walls of the servants' quarter had collapsed. See picture below.

Figure 8.4: Collapsed Wall at Servant Quarters

It was further observed that due to the poor state of the infrastructure, the two (2) residential houses were not occupied and inquiries made with management revealed that the houses had been vacant since 2017.

- **Samfya Residential House - House No. 1**
  - The roof was leaking,
  - Ceiling board in one of the bedrooms had fallen off,
  - The ceiling board in the main bedroom and sitting room were infested with bats and therefore causing damage,
  - The fisher board was dilapidated
  - Grille door for the kitchen door, manhole cover and window handles were missing.
- **Chibombo District - Liteta Local Court Building**
  - ✓ Cracked walls and floor
  - ✓ Damaged roof
  - ✓ Damaged timber by termites.

  See pictures below.

Figure 8.5: Cracked Walls and Damaged Roof Timber

- **Mumbwa District - Mumbwa Urban Local Court**
  - Damaged roof and ceiling boards
  - Cracked floors and walls
  - Damaged floor edges

e. Delayed Completion of Infrastructure Projects

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2020, a provision of K2,617,006 was made to cater for completion of infrastructure projects which were at least 80% complete and the whole amount was released. As at 31st December 2020 amounts totalling K2,216,386 had been spent leaving balance of K400,620.

However, a scrutiny of the engineer's status report prepared by Judiciary Infrastructure Unit dated 31st March 2021 revealed that out of sixteen (16) projects that were at least 80% complete, eight (8) were completed leaving eight (8) projects valued at K15,599,450 not completed. See table 8.5 below.

Table 8.5: Projects not Completed

No.	Project Name	Name of Contractor	Station	Start Date	Contract Sum K	Amount Certified K	Paid Amount K	Balance on Contract Sum K	Balance on Certified Amount K	% Completion as at 30.09.21
1	Construction of Provincial Local Court Offices	Chusaka Construction Company & General dealers	Choma	11/2013	2,317,909	1,075,547	1,075,547	1,242,361	-	98%
2	Construction of Mwense Urban Local Court	K.B.M. Contractors Ltd	Mwense	10/2012	1,139,381	121,495	-	1,139,381	121,495	98%
3	Construction of Nchelenge Urban Local Court	K.B.M. Contractors Ltd	Nchelenge	10/2012	1,180,925	138,203	138,203	1,042,723	-	98%
4	Construction of Chavuma Urban Local Court	Instalec Engineering Limited	Chavuma	9/2012	1,422,750	164,218	82,109	1,340,641	82,109	85%
5	Construction of Chikupili Local Court	Hench Enterprises Limited	Mkushi	10/2013	719,614	201,618	151,214	568,401	50,405	80%
6	Rehabilitation of Chikenge Local Court	WKP Enterprises Limited	Kabompo	12/2017	178,875	66,407	64,592	114,283	1,815	98%
7	Construction of Chama Subordinate Court in Chama District	Jonda Contractors Limited	Chama	3/2017	4,520,786	822,691	-	4,520,786	822,691	85%
8	Construction of Chirundu Subordinate Court	Conquest Limited	Lusaka	11/2013	4,119,209	594,857	-	4,119,209	594,857	85%
	Total				**15,599,450**	**3,185,037**	**1,511,664**	**14,087,785**	**1,673,373**	

In this regard, some local and subordinate court structures have remained incomplete from as far back as 2012 and as at 30th September 2021 the status remained the same.

A physical inspection of construction works at Chavuma Urban Local Court carried out in August 2021 revealed that the project had stalled, and the contractor had abandoned the site with the following works outstanding:

i. Urban Local Court Building

- ✓ Fitting of the Magistrate's bench, 16 interior doors, Litigant's docks and window panes,
- ✓ Electrical fittings, plumbing works and floor screed,
- ✓ Painting of interior walls, construction of the spoon drain around the building, and
- ✓ Water reticulation.

ii. Ablution Block and Holding Cell

- ✓ Plumbing works, windows and electrical fittings,
- ✓ Ceiling board and fitting of interior doors, and
- ✓ Floor screed, soak away and septic tank.

iii. Poor Workmanship

It was further observed that the main entrance door that was fitted was defective in that it had gaps. See picture below.

Figure 8.6: Fitted Double Doors with Visible Gaps

f. Other Incomplete Projects

A physical inspection of selected infrastructure in Lusaka, Luapula and Copperbelt Provinces carried out in August 2021 revealed that in some cases there was poor workmanship and that some projects had stalled at various stages since 2012. In particular, the following were observed:

i. Construction of Matero Urban Local Court

On 26th December 2012, the Judiciary entered into a contract with Habitech Building Construction and Maintenance for the construction of Matero Urban Local Court at a contract sum of K1,145,720. The contract duration period was four (4) months and the project was expected to be completed on 26th April 2013.

The scope of works included, construction of sub and super structures, roofing, fitting of windows, doors and ceiling board, painting, flooring and plumbing installations.

External works included construction of a car park, water reticulation, electrical installations, landscaping, drainage works and connecting of manholes into the existing sewerage system.

As at 30th September 2021, a total amount of K669,827 had been spent leaving a balance of K475,893.

A physical inspection carried out in April 2021 revealed that the contractor had delayed to complete works for a period of eight (8) years after the expected date of completion and the contractor had abandoned the site with the following outstanding works;

- ✓ Fitting of the ceiling board,
- ✓ Electrical fittings such as switches, sockets and lights,
- ✓ Plastering and painting of walls in the toilet and the car park,
- ✓ Water reticulation, and
- ✓ Landscaping and drainage works.

See pictures below.

Figure 8.7: Ceiling Board not Completely Fitted and Uninstalled Tank Stand on the Ground

It was further observed that the window frames were falling off the main building due to poor workmanship and there was no security provided resulting in vandalism of the structure. See pictures below.

Figure 8.8: Missing Window Panes Stolen and Loose Window Frames almost Falling off

ii. Construction of Two Low Cost Houses at Mumbezhi – Kabompo District

On 1st October 2013, the Judiciary entered into a contract with Teelisy Investment Ltd for the construction of two (2) low cost staff houses at a contract sum of K440,519. The contract duration period was six (6) months and the project was expected to be completed on 1st April 2014.

The scope of works included, construction of sub and super structures, roofing, fitting of windows, doors and ceiling board, painting, flooring and plumbing installations for the two houses, construction of two VIP latrines, installation of wire fence and drilling and equipping of borehole. As at 30th September 2021, a total amount of K163,980 had been spent leaving a balance of K276,539.

A physical inspection carried out in April 2021 revealed that the contractor had delayed to complete works for a period of seven (7) years and the project stalled. Further, the contractor abandoned the site after only completing construction of slabs for the two (2) houses with all other works outstanding. See pictures below.

Figure 8.9: Staff House No.1 and 2 at Slab Level

9 KAPASA MAKASA UNIVERSITY

9.1 Background

a. Establishment

Kapasa Makasa University was established as a faculty of the Copperbelt University (CBU) in June 2016 and became operational on 10th October 2016 as a campus of the Copperbelt University until June 2021 when it was weaned off.

The University is governed under the Higher Education Act No. 4 of 2013 and the principal functions of the University are to;

i. provide higher education,
ii. create conditions for learners to acquire qualifications and pursue excellence and promote the full realisation 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 Act provides for the establishment of the University Council which is a body corporate with powers, subject to the provisions of the Act, and is responsible for the governance, control and administration of the University. During the period under review, the University operated under the Council of the Copperbelt University.

c. Management

During the period under review, the University operated under the Management of the Copperbelt University.

d. Sources of Funds

According to Part II Clause 7 (1) and (2) of the Higher Education Act No. 4 of 2013, the sources of funds for the university shall 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, contributions, grants or donation, and
iii. otherwise vest in or accrue to the public higher education institution.

Further;

i. the university may, with the approval of the Minister, accept monies by way of grants or donations from any source in or outside Zambia,

ii. the university may borrow, by way of loan 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 System

During the period under review, the University depended on Copperbelt's University information and communication technology systems for processing accounting transactions and staff payroll matters.

9.2 Audit Findings

An examination of financial and other records for the financial years ended 31st December 2019 and 2020 revealed the following.

a. Budget and Income

During the period under review, the University budgeted to receive grants from the Treasury and generate funds from various sources in amounts totalling K25,086,451 against which amounts totalling K24,075,325 were received and generated resulting in a negative variance of K1,011,126 as shown in table 9.1 below.

Table 9.1: Budget vs. Income

Year	Description	Budget K	Income K	Variance K
2019	General Administration	12,054,132	10,045,062	(2,009,070)
	Other	537,006	533,006	(4,000)
2020	General Administration	12,054,132	13,058,576	1,004,444
	Other	441,181	438,681	(2,500)
Total		**25,086,451**	**24,075,325**	**(1,011,126)**

b. Failure to Prepare Financial Statements

Section 12, second schedule of the Higher Education Act No.4 of 2013 provides for submission of the annual report which should include financial statements, to the Minister not later than six (6) months after the expiry of the financial year.

Contrary to the Act, the university did not prepare financial statements for inclusion in the Copperbelt University's annual report for the financial years ended 31st December 2019 and 2020.

c. **Operational Matter - Failure to Operationalise the Library**

The university was operating without a library as the structure that was intended for use as a library had not been furnished and equipped with book shelves. Consequently, books were kept in boxes in a store room from which students would collect and thereafter go to lecture rooms to read. See pictures below.

Figure 9.1: Library not Furnished with Books in Boxes on the Floor of a Storeroom

d. **Accounting Irregularities**

i. **Unretired Accountable Imprest**

Copperbelt University Financial Regulation No. 6.5.9.6 stipulates that imprest shall be retired immediately the purpose for which it was issued had been fulfilled. Contrary to the regulation, accountable imprest in amounts totalling K50,993 issued to nine (9) officers during the period under review had not been retired and no recoveries had been effected as at 30th September 2021.

ii. **Use of Imprest to Procure Goods and Services**

Financial Regulation No 86 (c) stipulates that accountable imprest is imprest that is issued as payment to facilitate the purchase of goods and services whose value cannot be ascertained at the time.

Contrary to the regulation, in 2019, accountable imprest in amounts totalling K14,000 was issued to an Assistant Accountant to procure items such as chemicals and kitchen utensils whose values were obtainable on the market.

iii. **Unsupported Payments**

Financial Regulation Nos. 45 and 52 stipulates that all payments by cheque or cash for goods, services and works should be supported by cash sale receipts and that vouchers relating to purchase should be supported by an official order and the supplier's invoices.

Contrary to the regulation, forty nine (49) payments in amounts totalling K1,508,589 processed during the period under review were not supported by the relevant documents such as contracts and receipts.

iv. **Unaccounted for Stores**

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 must keep and maintain record of the receipt and issue of such public stores.''

Contrary to the regulation, various stores items costing K627,589 that were procured during the period under review were not accounted for in that disposal details to show how the items were utilized were not availed for audit.

v. **Failure to withhold Value Added Tax**

The Value Added Tax (VAT) amendment Act No.12of 2017 read together with the Ministry of Finance through Treasury and Management Circular No.6 of 2017 directed all institutions which were appointed as tax agents to withhold and remit Value Added Tax (VAT) from payments to suppliers of goods and services and remit the VAT withheld to ZRA.

Contrary to the Act and Circular, the university paid amounts totalling K2,061,314 to nine (9) suppliers without withholding VAT in amounts totalling K284,319. See table 9.2 below.

Table 9.2: Payments Made without withholding VAT

No.	Year	No. of Suppliers	Amount Paid K	VAT Due K
1	2019	6	776,684	107,216
2	2020	3	1,284,629	177,103
	Total	**9**	**2,061,314**	**284,319**

e. Administrative Matters – Failure to Complete the Development of a Website

In October 2020, eight (8) students were engaged to develop the University website at a cost of K19,636 which was paid in December 2020. However, as at 30th September 2021, the work had not been completed.

f. Asset Management

i. Failure to Secure 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, the University had not secured title deeds for parcels of land on which the campus, thirty five (35) staff houses and farms were located.

In addition, the University buildings were not insured as at 30th September 2021.

ii. Failure to Maintain Houses

The university owns fifteen (15) high cost houses and twenty (20) low cost houses. However, a physical inspection carried out in September 2021 revealed that two (2) high cost and three (3) low cost houses had developed defects such as leaking roofs as evidenced by water marks on ceiling boards, damaged electrical fittings and water taps.

It was further observed that four (4) low cost houses that had collapsed had not been rehabilitated. See pictures below.

Figure 9.2: One of the Unrehabilitated Houses and Water Marks on Ceiling of a House

iii. **Failure to Re-drill a Borehole**

On 8th May 2019, the University engaged the Department of Water Resources to drill a borehole at a sum of K15,401 and the contractor was paid in full. According to the terms of agreement, where a drilled borehole was dry, the contractor was required to redrill it at 50% of the cost of fuel which was K5,700.

It was observed that the borehole that was drilled was dry and the University requested the contractor to re-drill it as per contract terms. However, as at 30th September 2021, the contractor had not returned to redo the borehole.

iv. **Delayed Construction of a Laboratory**

On 10th February 2017, the University engaged Chamasam General Dealers to construct a 1 x 3 block of laboratories for biology, chemistry and physics at a total contract sum of K2,899,788. The contract period was thirteen (13) weeks commencing on 6th March 2017 and ending on 12th June 2017 which was extended to May 2019.

The scope of works included construction of substructure and superstructure, roofing, plumbing and electrical installation, painting, glazing, drainages, tiling, supply and fitting of laboratory equipment and basins, doors and landscaping.

As at 30th September 2021, the contractor had been paid amounts totalling K1,917,143.

A physical inspection of the site carried out in September 2021 revealed that the works had not been completed. The outstanding works included;

- ✓ completion of painting, wall and floor tiling,
- ✓ tilling of laboratories work tops with terrazzo tiles,
- ✓ electrical fittings and plumbing works,
- ✓ supply and fitting of laboratory equipment and basins, and
- ✓ landscaping.

Further, part of the wall at the male ablution block had developed a crack due to poor workmanship. See pictures below.

Figure 9.3: Incomplete Works Inside the Laboratory and Crack on the Wall

v. **Delayed Construction of Water Reservoirs**

On 20th March 2020, the University engaged Chaka Builder and Manufacturing Company Limited to erect and install three (3) water tanks at the University at a contract sum of K275,000 for a duration of three (3) weeks. The scope of works included installing and erecting the tanks and connecting pipes to the tanks. As at 30th September 2021, the contractor had been paid in full.

A physical inspection carried out in September 2021 revealed that erection and installation of tanks had been completed. However, the underground pipes connecting the tanks had not been completed and the pipes had not been buried. Further, the contractor was not on site. See picture below.

Figure 9.4: Pipe not Buried

g. Staff Related Matters

i. Failure to Recover Salary Advances

The Collective Agreement for the University for 2019 and 2020 stipulates that salary advances to staff should be recovered within a period not exceeding six (6) months. Contrary to the agreement, salary advances in amounts totalling K14,800 issued to six (6) officers during the period under review had not been recovered for periods ranging from 12 to 17 months as at 30th September 2021.

ii. Failure to Fill Key Positions

A scrutiny of the staff establishment revealed that the University had 52 positions out of which 11 were filled leaving 41 vacant as at 30th September 2021. The vacant positions included Dean of Students, Chief Internal Auditor and Librarian which were key for operations of the University.

iii. Failure to Settle Outstanding Bills

As at 30th September 2021, the University was owing amounts totalling K2,346,276 in respect of terminal benefits that accrued in October 2020.

10 LUANSHYA TECHNICAL BUSINESS COLLEGE

10.1 Background

a. Establishment

Luanshya Technical and Business College (LTBC) was established as a training institution in 1958 and in 1972, it was converted into a Trades Training Institute. In 1998, the Government enacted the Technical Education, Vocational and Entrepreneurship Training (TEVET) Act No.13 which provided for the creation of independent Management Boards for training institutions under the Ministry of Science, Technology and Vocational Training. In this regard, in 2005 a Management Board was appointed to run the affairs of the College. The core business of the College is to provide Technical and Vocational Training. The mandate of the College included;

i. to provide training in technical education, vocational and entrepreneurship training,
ii. to ensure that standards prescribed by the College are maintained by the institution,
iii. subject to the approval of the Minister, charge and collect fees for tuition, boarding and other services provided by the institution, and
iv. to do all such things as the management board may consider necessary to promote technical education, vocational and entrepreneurship training.

b. Governance

The Institute is governed by a Management Board constituted by the Minister under the TEVET Act. Section 10 (2) of the Act provides for the appointment of not more than eleven (11) Board members who are appointed on three (3) years renewable terms.

c. Management

The operations the College is the responsibility of the Principal who is assisted by the Vice Principal, the Training Manager and three (3) Heads of Department. All members of staff including management are engaged on two (2) to three (3) years renewable contracts.

d. Source of Funds

According to Section 9, Part II of the Second Schedule of the Act, the funds of the College consist of such moneys as may;

i. be appropriated by Parliament for the purpose of the Management Board;

ii. be paid to the institution by way of fees, levy, grants or donations;
iii. 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
iv. vest in or accrue to the institution.

Further, the College may also;

i. 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;
ii. raise by way of loans or otherwise, such moneys as it may require for the discharge of its functions; and
iii. in accordance with the regulations made under this Act, charge and collect fees for services provided by the management board.

e. Information and Communication Technology Systems

During the period under review, the College operated two (2) management information systems namely Pastel Accounting package for financial management and Dove Payroll for managing payroll.

10.2 Audit Findings

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

a. Budget and Income

During the period under review, the College budgeted to generate and receive funds in amounts totalling K27,077,797 out of which K17,597,048 was received resulting in a budget deficit of K9,480,749. See table 10.1 below.

Table 10.1: Budget vs. Income

Year	Source	Budget K	Income K	Variance K
2019	Fees	9,619,500	7,904,491	(1,715,009)
	GRZ Support	1,584,075	660,028	(924,047)
	Production (Projects)	2,070,140	1,036,300	(1,033,840)
	Others (Cateen Sales)	461,317	172,143	(289,174)
	SubTotal	**13,735,032**	**9,772,962**	**(3,962,070)**
2020	Fees	8,660,595	6,053,433	(2,607,162)
	GRZ Support	1,584,076	1,452,066	(132,010)
	Production (Projects)	2,447,779	309,102	(2,138,677)
	Others (Cateen Sales)	650,316	9,485	(640,831)
	SubTotal	**13,342,765**	**7,824,086**	**(5,518,679)**
	Total	**27,077,797**	**17,597,048**	**(9,480,749)**

b. Accounting Irregularities

i. Failure to Collect Fees

During the period under review, user fees in amounts totalling K6,295,934 were expected to be collected out of which amounts totalling K5,305,663 were collected leaving a balance of K990,271 uncollected as at 30th September 2021.

ii. Unsupported Payment Vouchers

Financial Regulation Nos. 45 and 52, require that all payments by cheque or cash for goods, services and works are supported by cash sale receipts and that vouchers relating to purchases should be supported by an official order and the supplier's invoices.

Contrary to the regulations, ten (10) payment vouchers in amounts totalling K83,209 were not supported with documents such as receipts and distribution lists.

iii. Overpayment of Allowances

On 30th June 2020, the College signed an agreement with Commonwealth of Learning of Canada to provide workplace and online training to students at the College who were involved in furniture making. According to the agreement, lecturers from the College were to be paid consultancy fees.

In this regard, in July 2020, the College received amounts totalling K213,503 (CAD 16,000) from the Commonwealth of Learning to finance the programme. According to Clause 8.2 of the College Condition of Service, consultancy fees at a rate of 60% were to be paid to a member of staff while 40% was to be retained by the college.

Contrary to the Condition of Service, amounts totalling K180,488 were paid as allowances to five (5) lecturers representing 85% of the amount instead of K128,102 at 60% resulting in an over payment of K52,386.

As at 30th September 2021, the amount had not been recovered from the officers.

c. Administrative Matters

i. 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 College did not secure title deeds for parcels of land on which the College and thirty one (31) staff houses were located. In addition, the College had not insured the properties as at 30th September 2021.

ii. Failure to Inscribe Government Assets

Public Stores Regulation No. 154 states that, "All items or furniture and equipment belonging to the Government must be clearly marked with distinguishing letters/numbers."

Contrary to the regulation, office equipment such as laptops, desktops, printers and a projector costing K46,995 had not been marked with the government inscription as at 30th September 2021.

iii. Failure to Remit Statutory Obligations

Contrary to Income Tax Act Chapter 323 of the Laws of Zambia and National Pension Scheme Authority (Amendment) Act No. 7 of 2015, amounts totalling K1,098,039 deducted from employees and due to Zambia Revenue Authority (K964,343) and National Pension Scheme Authority (K133,696) had not been remitted to the respective Institutions as at 30th September 2021.

11 MONGU TRADES TRAINING INSTITUTE

11.1 Background

a. Establishment

Mongu Trade Training Institute (MTTI) was opened on 15th May 1996 as a Trade School under the Ministry of Science, Technology and Vocational Training. In 2000, MTTI was hived off from Government to pave way for its creation as a Management Board.

The Institute is a public institution established under the Technical Education, Vocational and Entrepreneurship Training Act No.13 of 1998. The Institute is regulated by the Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA).

The mandate of the Institute includes to;

i. provide training in technical education, vocational and entrepreneurship training,
ii. ensure that standards prescribed by the Authority are maintained by the institution,
iii. subject to the approval of the Minister, charge and collect fees for tuition, boarding and other services provided by the institution; and
iv. do all such things as the management board may consider necessary to promote technical education, vocational and entrepreneurship training.

b. Governance

The Institute is governed by a Management Board constituted by the Minister under the TEVET Act. Section 10 (2) of the Act provides for the appointment of not more than eleven (11) Board members who are appointed on three (3) years renewable terms.

c. Management

The operations of the Institute is the responsibility of the Principal who is assisted by the Vice Principal and four (4) Heads of Departments. The management team is appointed on four (4) years renewable contracts.

d. Sources of Funds

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

i. be appropriated by Parliament for the purpose of the management board;
ii. be paid to the institution by way of fees, levy, grants or donations;

iii. subject to the approval of the Minister responsible for finance, be paid to the institution from levy which may be imposed and collected for the purpose of technical education, vocational and entrepreneurship training; and
iv. vest in or accrue to the institution.

Further, the Institution may also;

i. 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;
ii. raise by way of loans or otherwise, such moneys as it may require for the discharge of its functions; and
iii. in accordance with the regulations made under this Act, charge and collect fees for services provided by the management board.

11.2 Audit Findings

An examination of financial and other records for the financial year ended 31st December 2020 maintained at MTTI revealed the following.

a. Lack of Management Board

Section 10 (2) of the TEVET Act No. 13 of 1998 provides for the appointment of members of the management board. Contrary to the Act, MTTI operated without the management board from 1st May to 31st December 2020 as the mandate of the previous board expired in April 2020. As at 30th September 2021, the board had not been appointed.

b. Budget and Income

During the period under review, the Institute received grants and generated income in amounts totalling K8,666,859 against a budget of K6,165,890 resulting in a positive variance of K2,500,969. See table 11.1 below.

Table 11.1: Budget vs. Income

No.	Income Category	Budget K	Actual K	Variance K
1	Government Grants	1,980,890	2,029,009	48,119
2	User Fees	3,985,000	6,611,245	2,626,245
3	Other Income	200,000	26,605	(173,395)
	Total	**6,165,890**	**8,666,859**	**2,500,969**

c. Accounting Irregularities

i. Misappropriation of Funds - Production Unit

Mongu Trades Training Institute (MTTI) operated a production unit which involved activities such as aquaculture, rearing of animals (cattle and goats) and chickens.

In this regard, on 7th August 2020, the Institute procured 408 broiler chicks from the National Milling Company at a cost of K2,780 and a total amount of K23,575 was realised from the sale of chickens. The following were however observed:

- **Alteration of Receipts**

  Financial Regulation No. 113 (2) states that, "Counterfoils or copies of receipt forms should contain exactly the same details as those appearing on the original receipt form." Further, Section 3 states that, "Äll copies of receipt forms should be date stamped at the time of issue and not altered in anyway."

  Contrary to the regulations, during the period from 15th October to 6th November 2020, four (4) receipts issued for sales of chickens were altered by the Assistant Accountant, from the original total amount of K11,995 to K350 thereby defrauding the Institute of K11,645. Although an amount of K7,065 was paid back by the officer on 3rd September 2021, the balance of K4,580 had not been settled and the matter had not been reported to the police as at 30th September 2021.

- **Unaccounted for Revenue**

  Financial Regulation No. 129 requires that collectors of revenue bring to account daily the whole amount of their collections.

  Contrary to the regulation, out of K23,575 realised from the sale of chickens, a total amount of K8,395 was not accounted for in that the funds were not banked nor was cash found on hand.

ii. Failure to Collect User Fees – Mongu Trade Secondary School

During the period under review, school fees in amounts totalling K337,145 were expected to be collected by the Institute. However, the Institute collected amounts totalling K242,291 leaving a balance of K94,854 uncollected as at 31st December 2020.

As at 30th September 2021, the position had not changed.

iii. Unaccounted for User Fees

Financial Regulation No.129 requires that collector of revenue bring to account daily the whole amount of their collections. Contrary to the regulation, out of K242,291 collected as user fees, a total amount of K25,848 could not be accounted for in that the funds were not banked nor was cash found on hand.

iv. Failure to Tag and Brand Animals

Clause 6 (1) of the Animal Identification Act No.28 of 2010 requires owners of animals to mark them with an identification mark.

Contrary to the Act, thirty four (34) animals (25 Goats and 9 Cattle) whose value could not be ascertained, had not been tagged and branded with markings as at 30th September 2021.

d. Administrative Matters

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 30th September 2021 the Institute had not secured title deeds for two (2) parcels of land on which the MTTI and the Secondary School are located.

ii. Failure to Remit Statutory Obligations

Contrary to Income Tax Act Chapter 323 of the Laws of Zambia and National Pension Scheme Authority (Amendment) Act No. 7 of 2015, amounts totalling K144,951 deducted from employees and due to Zambia Revenue Authority (K62,507) and National Pension Scheme Authority (K82,444) had not been remitted to the respective Institutions as at 31st December 2020.

As at 30th September 2021, the debt which included amounts that had been outstanding from as far back as 2018, had not been settled.

e. Staff Related Matters

i. Failure to Deduct National Health Insurance

Section 15 (1) of the National Health Insurance Act No. 2 of 2018, stipulates that an employer must pay to the Scheme an employee's contribution consisting of the employer's contribution and the employee's contribution at a prescribed percentage.

Contrary to the Act, salaries in amounts totalling K2,119,609 were paid to thirty eight (38) officers without deducting health insurance contributions in amounts totalling K21,196.

ii. Weaknesses in Management of Salary Advances

According to Terms and Conditions of Service as contained in the Collective Agreement between MTTI and unionized workers of National Union of Technical Education Lecturers and Allied Workers for the period from 2020 to 2021, an employee is entitled to an advance of salary of an amount not exceeding the gross salary. The advanced amount is recoverable within three (3) months and the deductions should not exceed 50% of the monthly income.

In addition, the Terms and Conditions of Service No. 91 (b) stipulates that an officer may not get a salary advance while another advance is still outstanding.

Contrary to the Terms and Conditions of Service, the following were observed:

- **Non-Recovery of Salary Advances**

  During the period from April to December 2020, amounts totalling K12,617 were paid to eight (8) officers as salary advances.

  However, as at 30th September 2021 the amount had not been recovered.

- **Payment to Officers with Outstanding Advances**

  During the period from August to November 2020, salary advances in amounts totalling K11,600 were paid to four (4) officers whose previous advances were still outstanding.

12 NATIONAL HEALTH INSURANCE MANAGEMENT AUTHORITY

12.1 Background

a. Establishment

The National Health Insurance Management Authority (NHIMA) was established by the National Health Insurance Act No. 2 of 2018 as part of the Health Care Financing Strategy of the Ministry of Health. It was aimed at providing sound financing of the national health system and enhancing universal access to affordable quality healthcare services for all Zambians. The Act established the National Health Insurance Scheme and provided for its systems, procedures and operations. Further, the Act also established the National Health Insurance Fund and provided for contributions to and payments from the Fund.

b. Governance

The National Health Insurance Act No. 2 of 2018 provides that the Board of the Authority shall consist of the following part-time members appointed by the Minister:

i. A representative each of the-
   - Attorney General;
   - Health Professionals Council of Zambia;
   - Ministry responsible for social services;
   - Ministry responsible for health;
   - Ministry responsible for finance;
   - Ministry responsible for labour;
   - Associations for employees in the public sector;
   - Associations for employees in the private sector;
   - Associations for employers in the public sector;
   - Associations for employers in private sector;
   - Associations for religious groupings in Zambia; and
   - Zambia Institute of Chartered Accounts.

ii. Two other persons, one of whom has experience in health insurance.

c. Management

The operations of NHIMA is the responsibility of the Director General who is appointed by the Board and is assisted by Directors for Legal Services, Finance and Investment, Quality and Accreditation, Health Insurance Services and the Authority Secretary.

The management team is appointed on three (3) to five (5) years renewable contracts.

d. Sources of Funds

Section 45 of the National Health Insurance Act No. 2 of 2018 stipulates the following:

i. The funds for the Authority shall consist of such monies as may;

- be appropriated to the Authority by Parliament for the purposes of the Authority,
- be paid to the Authority by way of fees, loans, grants or donations, and
- otherwise vest in or accrue to the Authority.

ii. The Authority may, subject to the approval of the Minister;

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

e. Information and Communication Technology Systems

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

i. IFRATEL - used for provision of various services such as hosting of the virtual storage for the accounting package, hosting of web site, provision of data management and monthly fees;

ii. e-NHIMA - used for the administration of members, returns, contribution and payments; and

iii. Sage Accounting - used by NHIMA for administration of all accounting functions.

12.2 Audit Findings

An examination of financial and other relevant records maintained at NHIMA for the period from 1st July 2019 to 31st December 2020 revealed the following:

a. **Budget and Income**

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2019 and 2020, provisions amounting to K18,277,268 were made to cater for the activities of NHIMA against which amounts totalling K11,968,802 were released resulting in underfunding of K6,308,466. See table 12.1 below.

Table 12.1: Budget vs. Income

Year	Budget K	Released K	(Under)/Over funding K
2019	9,187,271	2,878,803	(6,308,468)
2020	9,089,997	9,089,999	2
Total	**18,277,268**	**11,968,802**	**(6,308,466)**

In addition, internally generated income in amounts totalling K80,064,797 was raised during the period under review bringing the total available funds to K92,033,599. See table 12.2 below.

Table 12.2: Internally Generated Income

No.	Details	Receipts K
1	Management Fees	77,755,932
2	Accreditation Fees	1,584,000
3	Interest on Fixed Deposits	477,075
4	Other Income	247,790
	Total	**80,064,797**

b. **Weaknesses in the Management of Information and Communication Technology Systems**

i. **Lack of Governance Framework**

There are several standards and frameworks, which are applicable internationally and generally used in the implementation, operation and auditing of the Information and Communication Technology (ICT) environment. These include the following:

- ✓ Information System Audit and Control (ISACA) - Control Objectives for Information and related Technologies (CoBIT);
- ✓ The Information Technology Infrastructure Library (ITIL);
- ✓ ISO 27001 Information Security Management Systems; and
- ✓ ISO/IEC 20000 – Information Technology Security Management Standard.

Despite the availability of these frameworks, NHIMA did not adopt any ICT Standards and frameworks for managing its ICT operations during the period under review. As a result, there was no clear road map for the implementation of ICT solutions.

ii. Questionable Implementation of ICT Solutions

In October 2019, NHIMA engaged IFRATEL to install and implement an information system that was used for collection of membership collections. In addition, in June 2020, less than a year after using the INFRATEL system, NHIMA migrated from the INFRATEL system after engaging Probase Limited for the development and implementation of the National Health Insurance Management Authority Membership and contribution portal at a contract sum of K16,369,812.

Further, in 2020 NHIMA engaged IFRATEL to provide additional services of which amounts totalling K515,059 were paid.

The implemented ICT systems have a life span of five (5) to ten (10) years.

Best practice requires that an organisation should clearly outline its user requirement specifications based on organisational needs and assessment of several available solutions so as to identify the cost-effective solution.

However, NHIMA had been implementing systems and other ICT solutions without clearly identifying user needs and cost-effective means of implementing ICT services. This resulted in the Authority moving from one system to another in less than a year, implementing systems on temporal basis.

iii. Administration of ZSIC LIFE Contract / Engagement of Probase Limited

On 13th February 2020, the NHIMA awarded a contract to ZSIC Life Limited for the supply of a system. The scope of works included design, implementation, deployment and support of the operational infrastructure for NHIMA at a contract sum of K790,000,000. Among the modules to be implemented were member registrations, payment portal and benefit management modules.

The contract was for a period of five (5) years from the effective date of the contract. As at 31st December 2020, NHIMA had paid the ZSIC Life Ltd amounts totalling K144,833,333 leaving a balance of K645,166,667.

Further, on 18th June 2020, the National Health Insurance Management Authority awarded a contract to Probase Limited for the development and implementation of the

National Health Insurance Management Authority Membership and contribution portal at a contract sum of K16,369,812.

The scope of works for Probase Limited included development of employer registration module, main member registration module, contribution management and payment portal.

However, it was questionable why management had engaged another vendor to develop components which had already been included in the ZSIC Life contract. This resulted in duplication of works and wasteful expenditure on the works already included in the ZSIC Life Limited contract.

c. Operational Matters

i. Failure to Collect Accreditation Fees

Section 11 (1) of the Statutory Instrument No. 63 of 2019 on Application for Accreditation states that, "A health care provider that wishes to provide an insured health care service to a member shall apply to the Authority for accreditation on Form VI set out in the First Schedule on payment of the fee set out in the Second Schedule."

However, a review of documentation availed for audit revealed that the Authority had failed to collect accreditation fees in amounts totalling K288,578 as at 31st August 2021.

ii. Failure to issue Biometric Membership Cards

The National Health Insurance Act No. 2 of 2018 states that, "The Authority shall register a person as a member of the Scheme and issue a membership card in accordance with Section 19 (1)."

Further, Section 5 (1) of the Statutory Instrument No. 63 of 2019 prescribes that the Authority shall within sixty (60) days of receipt of the registration form issue a membership card to a Scheme member which should have a biometric code.

Contrary to the provisions, the Authority had not issued biometric membership cards to all 1,131,705 Scheme members as at 31st August 2021.

iii. Unregistered Members

The Inception Strategic Plan of May 2019 outlined six (6) objectives, one of which was to rapidly grow membership and facility accreditation in the first 12 months to at least one (1) million members whilst ensuring close collaboration with key stakeholders for sustained public good will.

A review of the NHIMA register revealed that NHIMA had registered 1,131,705 Scheme members as at 31st August 2021 and had met the one (1) million member target set in the Inception Strategic Plan of May 2019.

Although the target set in the Inception Strategic Plan was met, a review of the minutes of the Executive Committee meeting held on 25th January 2021 revealed that a comparison made between the NHIMA database with that from Zambia Revenue Authority (ZRA) indicated that over 30,364 employers were not registered with NHIMA. See table 12.3 below.

Table 12.3: ZRA Employer Database

Total Number of Employers	35,191
Matched with NHIMA database	4,827
Employers not on NHIMA database	30,364

iv. Lack of a Debt Collection Policy

A debt collection policy sets out a clear, equitable, accountable and transparent process that an institution should follow for its debt management and collection practices. The Policy should aim to ensure that all debts owed to the institution are received by the due date or followed up within specified timeframes.

However, a review of the NHIMA procedures guidelines revealed that the Authority did not have a debt collection policy as at 31st August 2021.

v. Payment of Claims Advance Payments to Health Care Providers without Capacity to Pay Back

Clauses 3.5, 3.6 and 3.7 of the NHIMA Claims Advance Payment Concept Note state that, "A facility will be allowed to apply for Claims Advance Payment (CAP) subject to it being in good standing with the NHIMA. The Authority will recover the money through deductions from the Health facility claim reimbursements in twelve (12) equal monthly installments, at most. The recovery of the money will be effected 30 days after the disbursement of the advanced payment and claim payment whichever is earlier."

However, a review of selected health care providers revealed that NHIMA had issued claims advance payments to seven (7) health care providers that did not have capacity to pay back as their respective annual claims were not sufficient to cover the claims advance payments made resulting in amounts totalling K2,602,623 not being recovered as at 31st December 2020. See table 12.4 below.

Table 12.4: Health Care Providers Insufficient Claims to Cover CAPs

No.	Health Care Providers	CAPS Paid K	Claims Paid K	Date - Claims Paid K	Amount not Covered by Claims K
1	Kalomo District Hospital	209,441	1,505	24.08.20	
	Kalomo District Hospital	209,441	3,080	16.12.20	
	Kalomo District Hospital		2,748	23.10.20	
	Total	**418,883**	**7,333**		**418,883**
2	Arthur Davison Children's Hospital	517,494	77,845	16.12.20	
	Arthur Davison Children's Hospital	517,494	10,180	23.10.20	
	Arthur Davison Children's Hospital		141,666	04.11.20	
	Total	**1,034,988**	**229,691**		**805,297**
3	Thompson District Hospital	195,088	2,030	15..09.20	
	Thompson District Hospital		2,258	23.10.20	
	Thompson District Hospital		4,445	24.08.20	
			1,470	04.11.20	
	Total	**195,088**	**10,203**		**184,885**
4	Chipata District Hospital	58,028	5,316	22.07.20	
	Chipata District Hospital	5,316	840	15.09.20	
	Chipata District Hospital		1,015	16.12.20	
		63,344	**7,171**		**63,344**
5	Mansa General Hospital	373,412	7,550	22.07.20	
	Mansa General Hospital	373,412	185,198	23.10.20	
		746,825	**192,748**		**554,077**
6	Mbala General Hospital	203,794	98,933	22.07.20	
	Mbala General Hospital	203,371	21,622	15.09.20	
	Mbala General Hospital	203,794			
		610,959	**120,555**		**490,404**
7	Michael Chilufya Sata	103,732	455	15.09.20	
	Michael Chilufya Sata		16,024	23.11.20	
	Michael Chilufya Sata		1,519	16.12.20	
		103,732	**17,998**		**85,734**
	Total	**4,388,765**	**1,535,709**		**2,602,623**

d. Accounting Irregularities-Unretired Funds

Financial Regulation No. 96 (1) requires that imprest be retired within 48 hours after the purpose for which it was obtained is completed.

Further, Financial Regulation No. 96 (3) stipulates that where imprest is not retired within two working days of the officers' return to the station, the issuing officer shall notify the

Controlling Officer of the imprest holder's failure to retire the imprest within the specified period.

Between 9th July and 23rd October 2019, NHIMA paid the Ministry of Health amounts totalling K1,176,386 for the Ministry officials' fuel and allowances in order to conduct sensitisation meetings, NHI workshops and finalisation of the NHIMA benefit package among others. See table 12.5 below.

Table 12.5: Unretired Funds

No	Date	Payee	Details	Amount Per Ledger K
1	7/19/2019	Ministry of Health officials	Town hall meetings and media engagement - sensitisation	322,445
2	7/9/2019	Ministry of Health officials	NHIMA NHI workshop -Regulations 2019	92,560
3	10/8/2019	Ministry of Health officials	Finalisation of benefit package for NHIMA	187,668
4	10/23/2019	Ministry of Health officials	Utilisation data collection	383,443
5	8/29/2019	Ministry of Health officials	Fuel allowances for officers attending Chongwe workshop	190,270
			Total	**1,176,386**

Contrary to Financial Regulation No. 96 (1) and (3), the imprest had not been retired by the Ministry of Health as at 31st August 2021.

e. Staff Related Matters

i. Irregular Conditions of Service –Payment of Gratuity

According to Section 3 of the Employment Code Act No. 3 of 2019, "gratuity" means a payment made to an employee in respect of a person's service on the expiry of a long-term contract of employment based on basic pay earnings that have accrued to the employee during the term of service.

However, Section 3.13.1 of the Conditions of Service of NHIMA Employees states that, "Employees on fixed contracts and whose contracts so provide for gratuity shall be paid gratuity at the end of their contracts at the rate of thirty percent (30%) of the basic salary and allowances earned during the period of the contract."

In this regard, amounts totalling K871,200 were paid in June, August and October 2020 to four (4) employees as gratuity calculated on basic pay and allowances, resulting in an overpayment of K223,200.

The overpayment was caused by irregularly including the allowances in the contract when calculating gratuity which is not provided for in the Employment Code Act No. 3 of 2019.

ii. Questionable Procurement of Personal to Holder Motor 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 to the conditions of service."

Contrary to the above provision, a review of Section 12 of the employment contracts for employees in salary grades NHA01 and NHA03, and Section 5.2 of the Car/Motor Vehicle Policy for the Authority revealed that the employees were entitled to personal to holder motor vehicles.

In addition, Section 12.1 of the contracts provided for the employees to obtain self-liquidating loans to purchase vehicles.

Further, Section 12.2 of the contracts provided that the monthly liquidation amount be payable from commencement of the contract and be matched to the contract term or depreciable life whichever is shorter.

In this regard, the Authority procured five (5) personal to holder motor vehicles for the staff in the mentioned grades in amounts totalling K6,971,364 during the period under review.

iii. Failure to Adhere to Directive arising from the First Meeting of Permanent Secretaries

At the 1st Management Meeting of Permanent Secretaries held on 31st May 2019, it was resolved that cost saving measures be observed. In particular, it was resolved that the purchase of top of the range vehicles such as GX and VX, particularly V8 models be banned. The addressees of the Minute included statutory institutions such as NHIMA.

However, NHIMA procured a Toyota Land Cruiser GX V8 registration number GRZ 423CV costing K1,771,365 for the NHIMA Director General on 23rd November 2020.

iv. Unfilled Key Positions

Section 40 (1) of the NHIMA Act states that, "The Authority shall, in consultation with the Council, and the Registrar responsible for Pensions and Insurance, appoint inspectors for purposes of this Act." According to sub sections (2), (3) and (4), the responsibilities of inspectors were as follows:

- ✓ An inspector may, at all reasonable times, enter and inspect any premises, which are being used by an accredited health care provider to ensure compliance with this Act and regulations issued under this Act;
- ✓ An inspector shall, on entering the premises of an accredited health care provider, present that inspector's identity card to a person in charge;
- ✓ An inspector may inspect a patient's records, treatment, diagnosis and fees sheet to ascertain the validity of any billing, except that an inspector shall, in so doing, pay particular regard to ethical procedures, privacy and confidentiality.

A review of NHIMA's approved organogram for the period 2020 to 2024 revealed that the structure provided for the recruitment of three (3) Senior Inspections/Audit Officers, nine (9) Inspections/Audit Officers and five (5) Inspectors/Compliance Officers under the Directorates of Legal and Quality Assurance and Accreditation.

However, as at 31st August 2021, more than two (2) years after its establishment, the Authority had not recruited inspectors in both directorates to carry out inspections at 132 Accredited Health Care Providers and eight (8) accredited facilities. See table 12.6 below.

Table 12.6: Unfilled Key Positions

DIRECTORATES	ESTABLISHMENT	FILLED POSITIONS	VARIANCE
Senior Inspections/Audit Officers - Quality Assurance & Accreditation Directorate	3	0	3
Inspections/Audit Officers - Quality Assurance & Accreditation Directorate	9	0	9
Inspectors/Compliance Officers - Legal & Board Services Directorate	5	0	5
Total	**17**	**0**	**17**

13 NATIONAL HOUSING AUTHORITY

13.1 BACKGROUND

a. Establishment

The National Housing Authority (NHA) was established by an Act of Parliament in 1971 under Cap 195 of the Laws of Zambia with the objective of providing, securing and promoting the provision of housing throughout the Republic of Zambia. NHA also provides accommodation by;

i. the erection of houses on any land acquired,
ii. the conversion of any building into houses,
iii. acquiring, enlarging and repairing any house or building,
iv. management and control of houses owned by any person,
v. clearing squatter areas and thereafter making necessary improvements and redevelopment of such areas.

b. Governance

The NHA is governed by an Authority whose members are appointed by the Minister responsible for housing. The Authority is composed of eleven (11) members appointed from both private and public institutions as follows:

i. The Commissioner for Town and Country Planning;
ii. Two members from the Local Government Association of Zambia;
iii. One member representing the Ministry responsible for local government;
iv. Two District Secretaries;
v. One member representing the Zambia National Building Society;
vi. One member representing the University of Zambia;
vii. One member representing the National Council for Scientific Research;
viii. One member from the Zambia Federation of Building Co-operatives; and
ix. One other member who is not a public officer.

The Minister designates the Chairperson and Vice-chairperson from the members of the Authority.

c. Management

Section 14 (1) and (2) of the NHA Act Cap 195 of the Laws of Zambia, stipulates that the Authority shall appoint a person nominated by the Minister responsible for housing to hold the office of Chief Executive for such period and upon such terms and conditions of service as the Authority may, with the prior consent and approval of the Minister, fix at the time of his appointment. The Chief Executive Officer (CEO) is responsible for the operations of the Authority and is assisted by the Authority Secretary and Directors in charge of Finance, Construction, Real Estates and Sales and Consultancy who are appointed on three (3) year renewable contracts.

d. Sources of Funds

According to section 30 of the NHA Act, the funds of the NHA shall consist of such moneys as may be;

i. payable to the NHA from moneys appropriated by Parliament for the NHA, and
ii. vest in or accrue to the NHA, whether in the course of its operations or otherwise.

e. Information and Communication Technology Systems

During the period under review, the National Housing Authority operated two (2) Information and Communication Technology (ICT) systems namely; the Sun System for financial management and Micro Payroll System for managing the payroll.

13.2 Audit findings

An examination of financial and other records for the financial years ended 31st December 2018, 2019 and 2020 and physical inspections of selected stations revealed the following.

a. Budget and Income

During the period under review, NHA budgeted to receive operational grants and generate funds from various activities in amounts totalling K551,037,805 against which amounts totalling K246,314704 were received and generated resulting in a negative variance of K304,723,101. See table 13.1 below.

Table 13.1: Budget vs. Income

Details	Budget K	Actual K	Variance K	Variance %
2020	255,794,917	47,856,319	**(207,938,598)**	**(81)**
2019	146,090,088	116,728,537	**(29,361,551)**	**(20)**
2018	149,152,800	81,729,848	**(67,422,952)**	**(45)**
Total	**551,037,805**	**246,314,704**	**(304,723,101)**	**(55)**

b. Failure to Submit Annual Reports and Audited Financial Statements

Clause 56 (1) and (2) of the NHA Act Cap 195 of the Laws of Zambia requires the NHA to submit to the Minister an annual report on the activities of the Authority not later than six (6) months after the end of the financial year. The annual report should include the financial statements and the report of the auditor.

Contrary to the Act, NHA had not submitted the annual reports with audited accounts for the period under review as at 30th September 2021.

c. Operational Matters

i. Failure to Produce the Annual Housing Report

In their Report for the 4th Session of the 12th National Assembly, the Committee on Parastatal Bodies urged NHA to explore the use of secondary data to formulate the housing report and further to consider conducting a housing census over a period of three (3) to five (5) years as opposed to conducting yearly census as the parameters did not drastically change within a year and this would be a cost serving measure.

However, as at 30th September 2021, NHA had not produced any Housing Report during the period under review resulting in lack of information on housing accommodation requirements.

ii. Failure to Establish the Housing Revolving Fund

In paragraph 9(c)(ii) of the Auditor General's Report on Parastatal Bodies and Other Statutory Institutions for the year ended 31st December 2017, mention was made that contrary to section 19(2)(k) of the National Housing Act Cap 195, NHA failed to establish the Housing Revolving Fund. In response to the Interim Management Letter, NHA submitted that it had commenced the process of raising funds through a

Revolving Commercial Paper Programme (RCPP) which was a platform to set up the Housing Revolving Fund in future.

However, as at 30th September 2021, NHA had not established the Housing Revolving Fund.

d. Administrative Issues-Asset Management

i. Failure to Collect Rental Income

Rental income in amounts totalling K14,595,877 remained uncollected as at 31st December 2020 some of which had been outstanding from as far back as 2018. See table 13.2 below.

Table 13.2: Outstanding Rental Income

No	Property	Location	Outstanding rentals as at 31st December 2020 K
1	Findeco House	Lusaka	5,388,302
2	Indeco House	Lusaka	3,334,273
3	Kulima Tower	Lusaka	2,726,918
4	Zimco House	Lusaka	1,362,578
5	Luangwa House	Kafue	546,760
6	Indeni House	Ndola	84,398
7	Findeco House	Kasama	150,510
8	Findeco House	Solwezi	26,327
9	Findeco Carpark	Lusaka	298,803
10	Sapele Carpark	Lusaka	188,048
11	Residential Properties	Lusaka	481,522
12	Kafue houses	Kafue	7,440
	Total		**14,595,877**

As at 30th September 2021, the amount had increased to K17,651,977.

ii. Failure to Effect Direct Payroll Deductions - Sale of Housing Units to Ministry of Finance Staff

During the period from 28th November 2018 to 6th May 2019, NHA offered sixty (60) housing units located at Northgate Gardens (50) and Kafue (10) for sale to Government officials from which K33,200,500 was expected to be realised.

The terms and conditions among others were that the offer was a rent to own allowing the purchaser to pay monthly instalments towards the purchase price over a period of 240 months.

The offers were issued on the basis that Ministry of Finance would facilitate direct payroll deductions from the beneficiaries. As at 31st January 2021, all the housing units had been handed over.

However, the direct deductions had not been effected instead, the officers were making individual cash payments resulting in failure by twenty five (25) officers to honor their monthly instalments in amounts totalling K372,448 as at 30th September 2021.

iii. Poor Maintenance of Investment Properties

NHA had several investment properties some of which were leased out to various tenants. A review of records and physical inspection conducted in July 2021 revealed the following:

- **Findeco House - Lusaka**
  - ✓ Obsolete urinal and toilet flashing system;
  - ✓ Obsolete standby generator;
  - ✓ Old bituminous surfacing which was cracked resulting in leakages on the mezzanine, 1st and 23rd floors, and
  - ✓ Obsolete centralised air conditioning system.

  See pictures below.

Figure 13.1: Cracked and Leaking Roof Surfaces

- **Poor Maintenance of Indeco House - Lusaka**
  - ✓ Non-functioning urinal and toilet flushing system;
  - ✓ Obsolete fire suppression system and equipment;
  - ✓ Cracked old bituminous surfacing on the roof;
  - ✓ Obsolete centralised air conditioning system, and

✓ Faulty water faucets.

See pictures below.

Figure 13.2: Obsolete Urinals and Cracked Bitumen Surface

- **Poor Maintenance of ZIMCO House - Lusaka**

✓ Obsolete fire suppression system and equipment;

✓ Corroded overhead and reserves tank;

✓ Old bitumen surfacing on the roof resulting in leakages flowing onto the 2nd floor, and

✓ Obsolete air-condition units.

See pictures below.

Figure 13.3: Leaking Pipe to Corroded Tank and Obsolete Fire Suppression System

- **Poor Maintenance of Kulima Tower - Lusaka**

✓ Obsolete fire suppressions systems and equipment;

✓ The asbestos slates laid on bitumen surfacing were old and damaged;

✓ Only one (1) lift out of the three (3) was operational, and

✓ Leaking pipes causing corrosion of the overhead tanks.

See pictures below.

Figure 13.4: Leaking pipes on overhead tanks and damaged bitumen surfacing

- **Poor Maintenance of FINDECO House - Solwezi**
  - ✓ The NHA plot had no boundary fence resulting in encroachment. See picture below.

Figure 13.5: No Boundary Fence

As at 30th September 2021, no documents were availed to show that corrective action was taken against the encroachers.

  - ✓ Poor maintenance of toilets which had resulted in one of the tenants constructing a makeshift toilet outside the building and three (3) manholes without manhole covers. See Pictures Below.

Figure 13.6: Make shift toilet and no manhole covers

- **Failure to Mount Water Tank**

  During the period under review, the NHA procured a water tank costing K14,750 to replace the damaged one. However, as at 30th June 2021, the tank had not been mounted as the tank stand had not been procured.

Figure 13.7: Old tank stand and un-mounted new tank

- **Poorly Maintained Building - FINDECO House - Chipata**
  - ✓ Broken windows;
  - ✓ Poor water supply;
  - ✓ Leaking hand basins;
  - ✓ Cracks in the walls, and
  - ✓ Shared electricity meters.

  NHA renovated the roof in 2020 at a cost of K97,339. However, the roof was leaking as evidenced by leakage marks on the ceiling boards.

  See pictures below.

Figure 13.8: Cracks in the Wall and Leakage Marks on the Ceiling

e. Staff Related Matters

i. Failure to Remit Statutory Contributions

As at 31st December 2020, NHA owed National Pensions Scheme Authority (NAPSA), Zambia Revenue Authority (ZRA), Workers Compensation Fund Control Board (WCFCB) and Local Authority Superannuation Fund (LASF) amounts totalling K248,078,891 in respect of statutory contributions. As at 30th September 2021, the amount had increased to K249,498,128. See table 13.3 below.

Table 13.3: Failure to Remit Statutory Obligations

No.	Institution	2018 K	2019 K	2020 K	Current K
1	ZRA	33,905,848	44,061,277	47,577,559	50,281,757
2	NAPSA	63,406,879	72,134,324	193,006,984	193,783,125
3	WCFCB	1,625,615	1,809,601	1,990,561	630,389
4	LASF	4,403,564	5,095,687	5,503,786	4,802,857
	Total	**103,341,906**	**123,100,890**	**248,078,891**	**249,498,128**

ii. Outstanding Gratuity Payments

Clause 2.3 of the NHA conditions of service stipulates that gratuity shall be paid at thirty five percent (35%) of the basic salary for the period served at the end of the contract period. However, NHA owed amounts totalling K4,341,729 as gratuity to members of staff as at 31st December 2020 which had only reduced to K3,902,311 as at 30th September 2021.

14 NATIONAL SCIENCE AND TECHNOLOGY COUNCIL

14.1 Background

a. Establishment

The National Science and Technology Council (NSTC) was established by the Science and Technology Act No.26 of 1997.

The mandate of the Council as prescribed in the Act is to promote science and technology so as to improve the quality of life in Zambia. The functions of the Council include the following:

i. Promote the development of an indigenous and environmentally friendly technological capacity;
ii. Regulate research in science and technology in Zambia;
iii. Register institutes and centres;
iv. Advise the Government on science and technology policies and activities in Zambia;
v. Recommend to the Government for the establishment of new research institutes and Centres; and
vi. Promote the use of science and technology in industry.

b. Governance

According to Part II Section 5 (1) and (2) of the Science and Technology Act No.26 of 1997, the council shall consist of thirteen (13) members appointed by the Minister as follows:

i. two (2) members from any research institute or centre established under this Act;
ii. two (2) members from any public or private university;
iii. a member from a technical college;
iv. an engineer from industry;
v. a member with rich business and commercial experience in the private sector; and
vi. a member each from the ministries responsible for science and technology, environment and natural resources, health, commerce and trade, agriculture and mines.

The Chairperson and Vice Chairperson of the Council shall be selected by the members amongst themselves and the tenure of office for Council members shall be for a period of three (3) years and may be reappointed for a further term of three (3) years.

c. Management

The operations of the Council are the responsibility of the Executive Secretary who is the Chief Executive Officer and is assisted by the Manager - Administration and Finance and Manager - Programme Development and Implementation. The management team is appointed by the Board on three (3) year renewable contracts.

d. Source of Funds

According to Part II Section 9 (1) and (2) of the Act, the funds of the Council shall consist of such money as may;

i. be appropriated by Parliament for the purposes of the Council,

ii. be paid to the Council by way of grants and donations, and

iii. vest or accrue to the Council.

The Council may;

i. 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,

ii. raise moneys by way of loans or otherwise, from any source in Zambia and subject to the approval of the Minister, from any source outside Zambia, such moneys as it may require for the discharge of its functions, and

iii. in accordance with the regulations made under this Act, charge and collect fees for the services provided by the Council.

14.2 Audit Findings

An examination of the financial and other records for the financial years ended 31st December 2019 and 2020 maintained at the National Science and Technology Council (NSTC) revealed the following:

a. Governance

i. Operating without a Council/Board

Part II Section 5 (1) to (2) of the Science and Technology Act No.26 of 1997 provides for the appointment of thirteen (13) Council members.

Contrary to the Act, the National Science and Technology Council operated without a Council from 15th May 2020 to the time of audit in September 2021.

ii. **Lack of a Board/Council 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, the National Science and Technology Council had been operating without a Board /Council Charter since inception.

iii. **Failure to Provide Minutes of Council Extra Ordinary and Board Meetings**

Second Schedule Part 1 Section 4 (2) of the Act states that, "A Management Board shall meet for the transactions of business, at least once in every three months at such places and at such times as the Chairperson of the Management Board may decide."

A scrutiny of the registers of the Board and its Committees revealed that the Council held a total of sixteen (16) Board and Committee meetings between 14th May 2019 and 13th December 2019 and a total amount of K291,013 was paid out as Board and subcommittee allowances. See table 14.1 below.

Table 14.1: Meetings Held

No.	Details	Required by Act	Meetings Held	Board Members Allowances K
1	Finance and Administration Committee	4	5	80,450
2	Science Technology Technical Committee	4	2	69,065
3	Audit Risk and Committee	4	2	25,655
4	Full Board Committee	4	7	115,843
	Total		**16**	**291,013**

However, as at 30th September 2021, minutes were not availed for audit in respect of eight (8) extra ordinary meetings held between 12th June 2019 and 4th October 2019 for which amounts totalling K94,640 were spent. In this regard, it was not possible to confirm whether the meetings took place.

iv. **Failure to Recruit the Executive Secretary**

The Council had been operating without an Executive Secretary since 1st July 2020 despite having interviewed and recommended three (3) candidates from whom one should have been appointed. As of 31st October 2021, the position had not been filled.

b. Budget and Income

In the Estimates of Revenue and Expenditure for the financial years ended 31st December 2019 and 2020, provisions of K21,802,704 and K19,821,966 were made to cater for various activities against which amounts totalling K9,217,928 and K17,055,207 were released resulting in underfunding of K12,584,776 and K2,766,759 respectively. See table 14.2 below.

Table 14.2: Budget vs. Income

No	Details	2019 Budget K	2019 Actual Released K	2019 Variance K	2020 Approved Budget K	2020 Actual Released K	2020 Variance K
1	Operational Grant	5,821,968	3,244,313	2,577,655	5,821,966	5,821,968	(2)
2	Strategic Research Fund	10,000,000	3,643,873	6,356,127	7,000,000	4,666,665	2,333,335
3	Science , Technology and Innovation Youth Fund	2,000,000	350,000	1,650,000	5,000,000	3,689,502	1,310,498
4	Zambia Academy of Science	1,999,992	1,000,000	999,992	2,000,000	1,833,332	166,668
5	Kasempa Centre of Excellence	1,980,744	979,742	1,001,002	-	-	-
6	STPS Grant	-	-	-	-	996,320	(996,320)
7	IAEA	-	-	-	-	47,420	(47,420)
	Total	**21,802,704**	**9,217,928**	**12,584,776**	**19,821,966**	**17,055,207**	**2,766,759**

c. Operational Matters

i. Wasteful Expenditure – Formulation of Salary Increments Exercise

On 15th January 2019, seven (7) members of the NTSC General Terms and Conditions of Service Committee were paid sitting allowances in amounts totalling K21,300 for three (3) meetings held between 14th August 2018 and 23rd August 2018. The purpose of the meetings was to formulate salary notches, develop a concept note and come up with proposed salary increments. The road map was as shown in table 14.3 below.

Table 14.3: Road Map for Revision of Conditions of Service

No	Task	Duration	Start Date	End Start	Deliverables
1	Formulate the salary notches	1	14/08/18	21/08/18	Salary notches formulated
2	Develop concept note, salary notches and come up with proposed salary increments	2	21/08/18	23/08/18	concept note, salary notes, salary increments

The following were observed:

- There were no minutes for the three (3) meetings and therefore it was not possible to confirm whether the meetings took place; and
- No documents were developed to indicate the position taken by the Council on the exercise and as a result the Council was still operating without salary notches, the concept note and increased salaries as at 30th September 2021 rendering the expenditure wasteful.

ii. Failure to Publish the National Science Centre JETS Strategic Plan

On 27th June 2019, NSTC transferred amounts totalling K211,510 to the National Science Centre, for validation and finalisation of the Junior Engineers, Technicians and Scientists (JETS) concept/strategic plan and launch which was expected by 31st December 2019.

A scrutiny of payment records revealed that as at 31st December 2020, out of the K211,510 a sum of K135,291 was spent on subsistence allowances and fuel for validation and finalisation of the Junior Engineers, Technicians and Scientists (JETS) concept/strategic plan leaving a balance of K76,419.

However, as at 30th September 2021, the JETS Strategic Plan was not approved twenty six (26) months after it was drafted. Consequently, the JETS School was operating without an approved Strategic Plan.

iii. Delayed Completion of Research Projects – Local Research Projects

Section 3.1 of the Science and Technology Innovation Youth Fund guidelines and Section 2.7 of the Strategic Research Fund guidelines stipulate that the duration for research projects shall be up to a maximum of three (3) consecutive years, subject to six (6) months extension only.

A review of project progress reports and payment details revealed that twelve (12) research projects were launched at a cost of K2,008,277 during the period from January 2014 to June 2019 with completion periods ranging from May 2016 to December 2020. As at 31st December 2019 amounts totalling K1,547,776 had been paid to the researchers leaving a balance of K460,501.

However, the projects had not been completed as at 31st August 2021 despite the completion dates being extended in some cases for twelve (12) months from December 2019 to December 2020.

iv. Stalled Projects

Section 3.12.1 of the (Strategic Research Fund) SRF guidelines and Section 3.10.1 of the Science and Technology Innovation Youth Fund (STIYF) guidelines stipulate that where the project does not reach its milestones over three (3) consecutive progress reports and the grant innovator becomes incapacitated, the Council may terminate the grant agreement and recover the remaining funds.

A review of minutes of the 57th Ordinary Meeting of the Audit and Risk Committee (ARC) dated 7th June 2019 revealed that seven (7) researchers on seven (7) projects that had been funded amounts totalling K772,661 by the Council had stopped conducting their research activities at percentage progress rates ranging from 20% to 40% of delivery as at 7th June 2019.

Although the ARC made recommendations that all stalled projects either be considered for termination, have funds recovered from institutions and alternative executors or funds be released to complete any outstanding works, no action had been taken as at 30th September 2021.

v. Joint Research Projects - Southern Region

During the period under review, the Council entered into joint research collaborations with other researchers outside the country.

A review of records revealed the following:

- **Failure to Undertake Spatial Geothermal Analysis-Spatial Analysis of Geothermal Resources Project**

  On 29th March 2019, the National Science and Technology Council and UNZA – School of Engineering signed an agreement to identify existing geothermal resource sites with exact coordinate locations, ground truth soil and water composition of at least seven (7) hot springs and compile the hot springs data in geo-sciences information system (GIS) at a cost of K225,000.

  The fund allocations were spread over a period of three (3) years as follows: K66,616 (Year 1), K80,624 (Year 2) and K77,760 (Year 3).

The initial phase of the project costing K73,838 was released to cater for a period commencing in April 2019 and ending in December 2019 and deliverables were as follows:

- ✓ Assemble team and literatures from 1st April to 30th June 2019;
- ✓ Consultation with geothermal resource industries and government agencies from 1st April to 30th June 2019;
- ✓ Meeting with the South African Council of geo-sciences from 9th May to 11th May 2019;
- ✓ Hot spring site visits from 1st May to 31st October 2019;
- ✓ Compilation in GIS of the data collected from 1st October to 30th December 2019; and
- ✓ Review work progress from 1st August to 2nd December 2019.

A scrutiny of records revealed that out of the K73,838 received by University of Zambia (UNZA), amounts totalling K72,431 were paid between 20th February 2019 and 14th May 2019, to UNZA – School of Engineering to cater for the purchase of materials, allowances and fuel to undertake the spatial of geothermal resources analysis project and site some identified eastern block geothermal sites.

A review of accounting records at UNZA revealed that amounts totalling K71,024 were utilised leaving a balance of K1,407 as at 30th September 2021.

A review of records and enquiries with management revealed that the project had delayed for twenty two (22) months as at 30th September 2021 as the project materials such as the Geological Information System to be used for testing the soil samples and compilation of data had not been procured.

Further, no progress report to show sites identified from field visits conducted from 1st August to 2nd December 2019 was availed for audit as at 30th September 2021.

- **Irregular Variation of Funds - The Bar Coding the Aquatic Biodiversity of South –Eastern Africa Project**

On 26th November 2018, the National Science and Technology Council and UNZA – School of Biological Sciences signed an agreement for a project titled "The bar – coding the aquatic biodiversity of South – Eastern Africa project of the trilateral strategic research fund" at a cost of K225,000. The project was to be financed by the Strategic Research Fund through the Council.

The initial phase of the project was for a period of three (3) years commencing on 1st January 2019 and ending 31st December 2021. The funding was spread over a period of three (3) years as follows: K125,000, K70,000 and K30,000 for the first, second and third years respectively.

Section 4.4.1 of the bilateral scaling up fund agreement stipulates that the recipient shall not make any variation to the scope of work and /or the budget of the project as described in the approved project proposal without obtaining prior written approval from the Council. Further, Section 4.4.1.2 stipulates that the Council shall not be obliged to approve any proposed variation and shall have an absolute discretion in deciding whether or not to grant its approval.

As at 31st December 2019, amounts totalling K135,000 had been released to UNZA to cater for allowances for an inception workshop and air tickets for trips abroad and procurement of equipment, apparatus and chemicals for the project.

However, a review of progress reports on the utilisation of funds revealed that out of the funded K135,000, an amount of K125,000 which was allocated towards the procurement of equipment was varied to cater for field allowances without approval from the Council.

- **Failure to Produce Gender Test Kit - Gender Test Project**

  On 11th September 2014, the National Science and Technology Council and UNZA –School of medicine –UTH Perth Study signed an agreement of K150,000 which was revised on 9th February 2017 to K234,000 to carry out a research on gender test. The project commenced in October 2014 and was expected to end in February 2019 but was revised to December 2019.

  The major project deliverable was to scale up the product (the gender test kit) to commercialization that could be instrumental in the provision of maternal health services by December 2019.

  A scrutiny of payment details revealed that as at 31st December 2019, amounts totalling K234,000 had been released to UNZA School of Medicine and the whole amount was utilised.

However, as at 31st August 2021 the project had not been completed, twenty (20) months after the expected delivery date. Outstanding works included data analysis, biochemical evaluation of the results and the production of the gender test kit to be published and disseminated to stakeholders.

Further, there was no evidence of extension of the project as 30th September 2021.

d. Procurement Matters – Delayed Completion of Construction Works for Kasempa Centre of Excellence

On 1st October 2018, the Ministry of Higher Education engaged National Science and Technology Council to establish the Kasempa Centre of Excellence for the teaching and learning of science and mathematics in Kasempa District. The project involved constructing a 1 x 4 block comprising two (2) science laboratories, a computer laboratory, a library situated at Kasempa Day Secondary School, and procurement of accessories such as floor tiles in Kasempa District at an estimated cost of K2,029,122.

In this regard, the Ministry of Higher Education released amounts totalling K1,980,744 for the project during the period from 5th December 2018 to 15th November 2019 out of which amounts totalling K1,619,022 were spent on procurement of building materials and science laboratory work stations, monitoring and labour leaving a balance of K361,722 as at 30th September 2021.

A physical inspection conducted in September 2021 revealed that although the 1 x 4 class room block had been completed, the following were outstanding to enable the Centre to be operational:

- ✓ The air conditioners for the computer laboratories had not been procured;
- ✓ No tiles had been fitted on floor in the computer laboratories to secure the equipment from dust.

See pictures below.

Figure 14.1: Completed building and untiled computer room

e. Accounting Irregularities - Failure to Reimburse Borrowed Project Funds

During the period under review, amounts totalling K12,350,040 were received as grants from the Ministry of Higher Education for the purpose of implementing Science and Technology Innovation Youth Fund (K4,039,502) and Strategic Research Fund (K8,310,538) activities.

However, amounts totalling K2,983,918 were borrowed between January 2019 and December 2020 from the Project Research Fund Account to meet expenses such as personal emoluments and allowances, activities not related to the purpose for which the funds were meant.

As a result, key project activities such as finalisation of the rational fish production, procurement of materials to develop a mat weaving machine and procurement of materials for analysis of test samples for the scrap rubber in road construction projects could not be implemented. As at 30th September 2021, the funds had not been reimbursed.

f. Staff Related Matters

i. Failure to Pay Outstanding Staff Long Service Bonus

Clause 9.3 of the NSTC General Terms and Conditions of Service states that, "The Council Shall pay Long Service Award to all its employees who have been in continuous service for a period of ten (10) years. Subsequent payments shall be made at five (5) year intervals. The long service award shall be paid at a rate of three (3) month's gross pay for each completed year of service calculated at the Gross Salary when Award is payable."

However, one (1) officer was owed long service bonus in amounts totalling K45,000 which had been outstanding for twenty one (21) months as at 30th September 2021.

ii. **Failure to Remit NAPSA Contributions**

As at 31st August 2021, NSTC owed National Pension Scheme Authority (NAPSA) amounts totalling K3,174,909 in respect of principal (K308,221) and penalties (K2,866,688) accrued between January and December 2019.

This was contrary to Section 15 (1) of the National Pensions Scheme Act No. 40 of 1996.

iii. **Failure to Remit Staff Pension Contributions**

The National Science and Technology Council established a Defined Contribution Pension Scheme in 2006. The objective of the Fund was to provide for benefits to members at retirement and for dependants in the event of a members death in service. Section 15 of the Trust Deeds and Rules stipulates that all contributions shall be remitted to the Pension Fund by the last day of the month to which they relate.

Contrary to the above provision, amounts totalling K352,955 deducted between January 2019 and August 2020 from employees' salaries had not been remitted to the Pension Scheme as at 30th September 2021.

15 NITROGEN CHEMICALS OF ZAMBIA LIMITED

15.1 BACKGROUND

a. Establishment

The Nitrogen Chemicals of Zambia Limited (NCZ) was registered as a limited company in September 1967. It is wholly owned by the Government of the Republic of Zambia through the Industrial Development Corporation (IDC).

The company was established to provide compound and top-dressing ammonium nitrate fertilisers to farmers and provide prilled porous ammonium nitrate used in the manufacturing of explosives. In the early 1980s, the plant was expanded to include production of ammonia, nitric acid, ammonium sulphate and sulphuric acid.

b. Governance

The Memorandum and Articles of Association provides for a Board of Directors of not less than three (3) members. The Industrial Development Corporation appoints the Board Chairperson and other board members.

c. Management

The operations of NCZ is the responsibility of the Chief Executive Officer (CEO) who is appointed by the Board of Directors on a three (3) year contract. The CEO is assisted by the Chief Operations and Finance Officers, and Managers for Purchasing, Marketing, Technical, Maintenance, Production, and Human Resource.

d. Sources of Funds

The company derives its income from the sale of fertilisers, grants from the Government, hire of equipment and workshop services among others.

e. Information and Communication Technology System

During the period under review, the NCZ operated three (3) Information and Communication Technology (ICT) systems as follows:

i. Infor SunSystem

This is a financial management system that was used for managing accounting functions such as sales, inventory, purchase requisition and fixed assets registration.

ii. **The Micro payroll System**

This system was used to manage the payroll processes such as creation of multiple pay schedules for different types of employees and reconciliations.

iii. **Clocking System**

This system was used to determine the time employees spent at work.

15.2 Audit findings

An examination of financial and other records for the financial years ended 31st December 2019 and 2020 and physical inspections of selected infrastructure revealed the following.

a. Governance

i. Outdated Memorandum and Articles of Association

Clause 27 of the Companies Act of 2017 provides for amendments to the Articles of Association by passing a special resolution. A review of the Memorandum and Articles of Association for NCZ revealed that the documents contained among other things clauses that were outdated in that the share capital was quoted in British Pounds.

As at 31st July 2021, NCZ had not made any amendments to the outdated provisions.

ii. Lack of Audited Financial Statements

Clause 265 of the Companies Act provides for the Board to ensure that an audit of the financial statements is conducted and a report is produced and submitted to the Registrar within three (3) months following the end of the financial year.

However, as at 31st July 2021 management had not produced audited financial statements for the financial years ended 31st December 2017 to 2020.

b. Budget and Income - Failure to Generate Budgeted Income

During the period under review, the company budgeted to raise income totalling K1,265,891,000 from sell of fertiliser and hire of services against which amounts totalling K455,461,000 were generated resulting in a negative variance of K810,430,000. The income generated represented 36% of the total budget. See table 15.1 below.

Table 15.1: Budget vs. Income

Details	Budgeted Income K'000	Actual Income K'000	Variance K'000
2020	329,891	253,632	(76,259)
2019	936,000	201,829	(734,171)
Total	**1,265,891**	**455,461**	**(810,430)**

c. Information and Communication Technology Systems

i. Lack of Risk Management Framework

COBIT EDM03.02 stipulates that an organisation should establish a risk management framework that is aligned to the organization's (enterprise's) risk.

The framework, among others, should include a risk register which should highlight the significant risks the ICT systems were exposed to, the impact, management and mitigation of the risks.

However, NCZ did not have a risk management framework as at 31st July 2021.

ii. Underutilisation of the SunSystem

On 26th April 2018, NCZ and Ultimate Technology Limited signed a service level agreement for the supply of the Infor Sun systems software, license and maintenance under which products such as Infor SunSystem Accounting, Corporate Allocations (Budgeting), Fixed Assets, Sales, Inventory, Connections, Purchasing, and Purchase Requisitioning were licensed.

During the period under review, NCZ paid amounts totalling K294,204 to Ultimate Technology Limited for licensing and maintenance.

Despite the company investing in the accounting package, it was using manual accounting systems for inventory management, invoicing, purchasing and preparation of financial reports resulting in delays in preparing financial statements.

d. Operational Matters

i. Under Utilisation of Plant Capacity

According to clause 3.3.1.1 of the Strategic Plan, the utilisation of the NCZ plants was less than 20% of its installed capacity.

NCZ had seven (7) plants meant for production of fertiliser out of which three (3) were operational during the period under review. However, out of the three (3) plants, NCZ only utilised two (2) in 2019 and one (1) in 2020.

Further, a review of the operations reports for the period under review revealed the following:

- The utilisation of the Nitrogen, Phosphorus and Potassium (NPK) and Ammonium Nitrate plants ranged between 0 to 6.9% of installed capacity as shown in table 15.2 below.

Table 15.2: Plant's Capacity Utilisation

NPK Plant (Compound D Production)										
	2019					2020				
	Plant Capacity	Target	Actual	Variance	%	Plant Capacity	Target	Actual	Variance	%
Quantity (metric tonnes)	400,000	110,000	27,247	372,753	6.8	400,000	70,000	16,553	383,447	4.1
Hours	7200		464	6,736	6.4	7200		500.11	6,700	6.9
Ammonium Nitrate Plant										
	2019					2020				
	Plant Capacity	Target	Actual	Variance	%	Plant Capacity		Actual	Variance	%
Quantity (metric tonnes)	61,500		579	60,921	0.9	61,500		-	61,500	0.0
Hours	8640		120	8,520	1.4	8640		0	8,640	0.0

- As shown in the table above, NCZ had a target of producing 110,000 metric tonnes in 2019 and 70,000 metric tonnes in 2020 of compound D fertilizer, however only 27,247 metric tonnes (25%) and 16,553 metric tonnes (24%) were produced in 2019 and 2020 respectively.
- The total number of days in which the NPK plant was operational were 167 and 79 in 2019 and 2020 respectively. It was further observed that in the year 2020, the NPK plant was idle for seven (7) months. Details are shown in table 15.3 below.

Table 15.3: Number of Days for Plant Utilisation

Month	No of Days	
	2019	**2020**
January	29	11
February	19	0
March	8	0
April	13	0
May	16	0
June	16	0
July	2	17
August	1	18
September	1	21
October	23	0
November	19	0
December	20	12
Total	**167**	**2099**

ii. Production Management

A review of records and systems in place from raw materials acquisition, production to dispatch of finished products revealed the following weaknesses:

- **Lack of Receipt and Disposal Details - Urea Stock**

  During the financial year ended 31st December 2019, NCZ sold Urea fertilizer for amounts totalling K1,628,110 whose records of production nor purchase was not availed for audit. In a response dated 20th July 2021, management submitted that in a debt swap that was authorised by the Ministry of Finance in December 2017, NCZ obtained 2,600 metric tonnes of urea fertilizer worth K24,000,000 from the Ministry of Agriculture. However, there were no records to show the quantity of fertilizer sold and the balance.

- **Failure to Account for Fertiliser Stock**

  A review of Daily Operations Reports from the Operations Department revealed that NCZ produced 27,247 metric tonnes of compound D fertiliser in 2019 and 16,553 metric tonnes in 2020 bringing the total compound D fertiliser produced to 43,800 metric tonnes. Operations Department prepares dispatch notes for the fertiliser it transfers to Marketing Department which issues goods received vouchers to acknowledge receipt.

However, the receipt and dispatch details for the fertiliser were recorded manually resulting in inconsistencies. In particular, the dispatch details for 2019 included 1,327 metric tonnes of compound D fertiliser dispatched to Zambian Fertiliser without being invoiced. An inquiry on the failure to invoice revealed that the stock dispatched was not NCZ stock but arose from a debt swap between the Government, NCZ and Zambian Fertiliser involving 50,000 metric tonnes of compound D fertiliser out of which NCZ got 40,410 metric tonnes while Zambian fertiliser was assigned 9,590 metric tonnes.

However, no documentation was availed to show how the 50,000 metric tonnes were received and disbursed as at 31st July 2021.

iii. Sales Management

During the period under review, Nitrogen Chemicals of Zambia sold its goods and services on cash and credit basis. The sales included;

- ✓ sales to Ministry of Agriculture for the Farmer Input Support Program (FISP),
- ✓ sales to Agro dealers under the FISP E-Voucher programme, and
- ✓ sales through NCZ depots and plant/factory sales to the open market.

The following observations were made:

- **Poor Administration of E-Voucher Sales**

During the period under review, NCZ supplied sixteen (16) agro–dealers fertiliser valued at K15,445,105 under the FISP E-voucher Programme. The agro-dealers were in turn owed amounts totalling K11,521,065 by the Ministry of Agriculture (MoA) under the same Programme. The MoA committed to assisting NCZ recover funds from the agro-dealers through netting off the amounts the MoA owed the agro dealers and the amounts the agro-dealers owed NCZ.

The recoveries were to be made with consent from the affected agro-dealers who would give the Ministry authority, by way of signing the Power of Attorney, to recover from outstanding amounts and remit to NCZ.

However, confirmation of the amounts agro-dealers were owed by MoA was made after Letters of Attorney had already been signed. In this regard, the agro-dealers issued Letters of Attorney for funds amounting to K15,445,105 when they were owed by the MoA, amounts totalling K11,521,065.27 resulting in a variance of K3,924,039.73. As at 31st July 2021, the funds had not been collected by NCZ, some of which were outstanding from as far back as July 2019.

- **Irregular Credit Sales**

  An examination of records for the period under review revealed that the Credit Policy for the period 2020 provided for the following:

  - ✓ A Credit Committee appointed by the CEO to administer the policy and to be responsible for considering credit sales and debt swaps;
  - ✓ Ten percent (10%) interest per annum for failure to pay the credit value within the credit period;
  - ✓ Price of goods procured on credit to be 5% more than the cash price;
  - ✓ Maximum credit period of 90 days from the date of issue of goods after which simple interest of 10% per annum to be charged and accrue until the debt is paid in full;
  - ✓ Customers to sign a credit sales agreement before collecting the goods; and
  - ✓ Debt collector to send a reminder for payment 15 days before the due date.

  However, the following were observed:

  - There were no minutes availed for audit to show that the Credit Committee approved the issuance of credit sales worth K15,157,120 to six (6) selected customers out of which amounts totalling K5,375,000 were paid leaving a balance of K9,782,120 outstanding as at 31st July 2021.
  - NCZ did not increase the market price by amounts totalling K757,856 (5% of K15,157,120) on fertiliser sold on credit,
  - There was no evidence availed to show that customers signed credit sales agreements before collecting the goods as provided for in the policy, and
  - NCZ did not charge interest on outstanding credit sales of K9,782,120 and no documentation was availed to show that reminders were issued to the customers.

- **Weaknesses in Invoicing System**

  During the period under review, customer invoices at NCZ were raised by the Marketing Department and then passed on to the Finance Department for posting in the system.

  However, there were no records availed to show details of invoices handed over to Finance Department. Consequently, a comparison of invoices posted in the system and the copies of invoices filed revealed that 152 posted invoices with amounts totalling K246,536,537 were missing.

  Further, eighteen (18) invoice books from which 258 invoices were posted into the ledger were not availed for audit as at 31st July 2021.

- **Missing Delivery Note Books**

  Financial Regulation No. 10 (n) stipulates that an accounting officer should produce all books and records or accounting documents in the accounting officer's charge when required to do so by the Secretary to the Treasury, the Controlling Officer or the Auditor General.

  Contrary to the regulation, 961 delivery note books issued to the Marketing and Sales Department in 2015 and 2016 were not availed for audit as at 31st July 2021.

e. Procurement Matters-Contracts for Raw Materials

i. Contracts Between Nitrogen Chemicals of Zambia and Neria's Investments Limited

On 9th June 2015, NCZ signed three (3) contracts for Order No. 27832/2015 with Neria's Investments Limited for the supply and delivery of 28,500 metric tonnes of Ammonium Sulphate (AMSUL), 17,500 metric tonnes of Muriate of Potash (MOP) and 24,000 metric tonnes of Mono-Ammonium Phosphate (MAP) which were revised on 16th November 2015. Details of the contracts are shown in table 15.4 and 15.5 below.

Table 15.4: Initial Contract Details

No.	Contract Number	Contract Date	Completion Date	Description of Goods	Quantity Ordered (metric tonnes)	Unit Price US$	Contract Sum US$
1	NCZ/Neria's Investnents /MOP/27832/2015	09.06.2015	31.07.2015	Muriate of Potashi (MOP)	17,500	667.00	11,672,500
2	NCZ/Neria's Investments /MAP/27832/2015	09.06.2015	31.07.2015	Mono - Ammonium Phosphate (MAP)	24,000	862.50	20,700,000
3	NCZ/Neria's Investments /AMSUL/27832/2015	09.06.2015	31.07.2015	Ammonium Sulphate (AMSUL)	28,500	494.50	14,093,250

Table 15.5: Adjusted Ordered Quantities and Contract Price

No.	Description of Goods	Quantity Ordered (metric tonnes)	Unit Price Original Order (US$)	Quantity Supplied by Revision to Order Date (metric tonnes)	UnSupplied Quantity on Revision to Order Date (metric tonnes)	Revision to Order Quantity (metric tonnes)	Revision to Order Prices (US$)	Total Ordered Quantity (metric tonnes)	Adjusted Contract Price (US$)
1	Muriate of Potashi (MOP)	17,500	667.00	12,022.94	5,477.06	10,500	657.00	28,000	18,571,000
2	Mono - Ammonium Phosphate (MAP)	24,000	862.50	23,216.05	783.95	21,000	852.00	45,000	38,592,000
3	Ammonium Sulphate (AMSUL)	28,500	494.50	17,747.12	10,752.88	14,500	485.00	43,000	21,125,750

Further on 9th June 2016, NCZ signed three (3) other contracts on Order No. 28962/2016 with Neria's Investments Limited for supply and delivery of 23,000 metric tonnes of Ammonium Sulphate (AMSUL), 12,500 metric tonnes of Muriate of Potash (MOP) and 32,600 metric tonnes of Mono-Ammonium Phosphate (MAP) which was later revised on 22nd September 2016. Details of the contracts are shown in table 15.6 and 15.7 below.

Table 15.6: Contract Signed on Order No. 28962/2016

No.	Contract Number	Contract Date	Description of Goods	Quantity Ordered (metric tonnes)	Unit Price US$	Contract Sum US$
1	NCZ/Neria's Investments Ltd/M0P/27832/2016	09.08.2016	Muriate of Potashi (MOP)	12,500	657.00	8,212,500
2	NCZ/Neria's Investments Ltd /MAP/27832/2016	09.08.2016	Mono - Ammonium Phosphate (MAP)	32,600	852.00	27,775,200
3	NCZ/Neria's Investments Ltd /MOP/28962/2016	09.08.2016	Ammonium Sulphate (AMSUL)	23,000	485.00	11,155,000

Table 15.7: Adjusted Ordered Quantities and Contract Price

No.	Description of Goods	Quantity Ordered (metric tonnes)	Price US$	Revision to Order Quantity (metric tonnes)	Revision to Order Prices US$	Total Ordered Quantity (metric tonnes)	Adjusted Contract Price US$
1	Muriate of Potashi (MOP)	12,500	657.00	9,500	648.00	22,000	14,368,500
2	Mono - Ammonium Phosphate (MAP)	32,600	852.00	19,500	845.00	52,100	44,252,700
3	Ammonium Sulphate (AMSUL)	23,000	485.00	13,000	485.00	36,000	17,460,000

The following were observed:

- **Questionable Charging of Interest**

  As at 5th April 2018, Neria's Investments Limited had invoiced NCZ amounts totalling US$154,346,703.80 (K1,524,438,373) for the supply of raw materials. Out of the invoiced amount, NCZ had paid US$97,941,531 leaving a balance of US$56,405,130. An examination of delivery notes revealed that the value of the raw materials delivered was US$108,001,171 indicating that raw materials costing US$46,345,532 (K457,741,606) were not delivered.

  Further, Neria's investments limited charged US$34,918,886.60 (K348,141,299) as interest on the outstanding amount of US$56,522,205 as at 5th April 2018.

  However, the outstanding amount of US$56,522,205.31 on which the interest was based included the US$46,345,532.47 (K457,741,606.26) invoiced for goods that had not been delivered as at 5th April 2018 resulting in overstatement of chargeable interest.

  In addition, the contract did not provide for interest on late payments. It was therefore not clear why management accepted to be charged interest on goods that were not delivered and the contract did not provide for interest charges.

  Further, on 16th April 2018 the Attorney General guided Nitrogen Chemicals of Zambia to negotiate an amendment to the contract to allow for payment of reasonable interest at a rate favorable to NCZ. However, as at 31st July 2021 there was no documentation availed to show that the contract was amended.

- **Overpayment for Raw Materials**

  Out of the invoiced amount of US$154,346,703.80 (K1,524,438,373), raw materials worth US$119,211,804.22 were delivered as at 31st July 2021.

However, NCZ made payments in amounts totalling US$188,522,504.91 (K2,783,986,231) to Neria's Investments against raw material deliveries resulting in an overpayment of US$69,310,700.69 (K1,023,538,471) which remained unrecovered as of 31st July 2021.

ii. **Questionable Charging of Interest - Savenda Management Services Limited**

On 10th August 2016, NCZ engaged Savenda Management Services to supply 4,400 metric tonnes of Mono Ammonium Phosphate (MAP) at a contract sum of US$3,273,512 or US$743.98 per metric ton with a delivery of 2,200 metric tonnes per week. The terms of payment required the purchaser to pay the supplier upon delivery of the product which conforms to specifications.

Between 4th and 23rd November 2016, Savenda Management Services supplied 1,415.36 metric tonnes of raw materials costing US$1,052,999.53 (K10,398,457.26).

On 6th June 2019, NCZ wrote to the Secretary to the Treasury, indicating that the reconciled balance of K12,573,189.50 is what was owed to Savenda Management Services in respect of principal (US$659,964.70) and interest (US$284,586.59) for the supply of Mono Ammonium Phosphate and K133,449.01 for transportation of fertilisers to various depots within Zambia.

In this regard, the debt of K12,573,189.50 was paid in full by NCZ to Savenda Management Services between November 2019 and February 2020.

However, the interest amounting to US$284,586.59 (K3,748,005) charged by the supplier was questionable as the contract did not provide for charging of interest for delayed payments.

iii. **Sale Price Lower than Cost of Production and Market Price - Stoutone Investments Limited**

On 14th December 2018, NCZ signed a contract with Stoutone Investments Limited to trade off 5000 metric tonnes of washed coal (Grade Peas and Nut) worth US$790,000 (VAT exclusive) with 1,795.45 metric tonnes of compound D fertiliser worth US$790,000 (VAT exclusive) and a delivery period of 6 weeks ending 31st January 2019.

Clause 2.9.0 of the contract provided that the buyer would pay the seller in form of compound D fertiliser at a price of US$440 per metric tonne ex-works Kafue and the seller should only uplift fertiliser equivalent to the coal delivered.

During the period from 21st January 2019 to 10th May 2019, Stoutone Investments supplied a total of 2,303.54 metric tonnes of coal valued at US$363,959.32.

On 15th May 2019, Stoutone Investments Limited wrote to NCZ requesting to uplift 210 metric tonnes of ammonium nitrate instead of the agreed compound D fertiliser. Out of the 210 metric tonnes, Stoutone uplifted 150 metric tonnes of ammonium nitrate valued at K855,000 between July and August 2019.

A review of the Production Cost Sheet for 2018 revealed that the unit cost of production for Compound D fertiliser was US$553 per metric ton. However, the contract price of US$440 per metric ton was lower than the production cost of US$553 by US$113. Similarly, the K285 per 50Kg of ammonium nitrate with which the coal was swapped was lower than the existing wholesale price of K330 resulting in a loss of K135,000.

iv. Supply of Mono Ammonium Phosphate and Muriate of Potash- Stoutone Investments Limited

On 10th May 2019, Stoutone Investments Limited supplied 664.6 metric tonnes of MAP valued at US$465,220 and 413.24 metric tonnes of MOP valued at US$239,679.20 on invoice numbers 221 and 222 respectively bringing the total amount to US$704,899.2 (K9,163,689.60) while NCZ invoiced Stoutone K8,729,280 for 1,818.6 metric tonnes (36,372 x 50kg bags) of compound D fertiliser at K240 per 50kg through invoice number 119938.

Consequently, in the period from 13th May to 26th June 2019, Stoutone uplifted 1,527.22 metric tonnes (30,544.4 x 50kg bags) of compound D fertiliser against invoice number 119938 leaving a balance of 291.05 metric tonnes (5,821 50Kg bags).

The 4th Schedule of the Procurement Regulation of 2011 requires that for procurements above K500,000, formal contracts should be signed. Contrary to the regulation, NCZ did not sign a formal contract with Stoutone Investments Limited for the supply of 664.6 metric tonnes of MAP valued at US$704,899.20 (K9,163,689.60).

Further, the price of K240 per 50kg bag was lower than the market price of K290 per 50kg that was in effect at the time of uplifting resulting in NCZ making a loss of K1,527,220 on the uplifted 1,527.55 metric tonnes of fertiliser.

v. Supply of 15,500 Metric Tonnes of Washed Coal - Collum Coal Mining

On 3rd July 2017, NCZ issued a purchase order number 29,513 to Collum Coal Mining for the supply of 15,500 metric tonnes of washed grade coal nuts at a fixed price of US$ 65/ton (VAT exclusive) bringing the total contract sum to US$ 1,168,700 with VAT.

On 17th October 2017, Collum Coal Mining wrote a letter to NCZ claiming amounts totalling US$248,776.45 (K2,616,004) for 3,827.33 metric tonnes of coal they had delivered and indicated that they had stopped supplying because of delayed payments.

A review of the material receipt reports revealed that between 20th November 2017 and 10th January 2018, Collum Coal Mining delivered coal amounting to 2,912.5 metric tonnes bringing the total deliveries to 6,739.83 metric tonnes.

On 14th November 2018, NCZ wrote to Collum Coal Mining laying down the terms of a debt swap following a meeting between the two (2) parties on the matter held in Lusaka on 13th November 2018. The terms were as follows:

- ✓ Collum Coal Mining was to uplift 673.15 metric tonnes (13,463 x 50kg bags) of compound D fertiliser worth K3,769,643 equivalent to the amount NCZ owed Collum Coal Mining.
- ✓ The debt swap price for each 50kg bag was K280.

The following observations were made:

- **Failure to Sign Formal Contract**

  The 4th Schedule of the Procurement Regulation of 2011 requires that for procurements above K500,000, formal contracts should be signed.

  Contrary to the regulation, NCZ did not sign a formal contract with Collum Coal Mining even though the procurement was US$1,168,700 (K10,448,178) which was above the threshold.

Further, no information was availed to show whether the debt swap was executed or terminated as at 31st July 2021.

- **Failure to Provide Invoice and Materials Receipt Report**

  The claim for payment of US$248,776.45 (K2,616,004) included an amount of K1,252,728 for 1,866.79 metric tonnes of coal whose invoice and materials receipt reports were not availed for audit.

f. Accounting Irregularities

Financial Regulations No. 10 (l) stipulates that it is the responsibility of accounting officers to ensure that the books of accounts are correctly posted and kept up to date. However, during the period under review, there was poor record keeping in relation to maintenance of financial records. In particular, the following were observed:

i. Missing Payment Vouchers

Public Financial Regulation No. 65 (1) stipulates that payment vouchers 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, 227 payment vouchers in amounts totalling K69,990,330 processed during the period under review in respect of employees and suppliers among others were not availed for audit.

ii. Failure to Avail Details of Advance Accounts

A review of draft financial reports revealed that NCZ maintained four (4) accounts that it was using in managing various staff advances whose net balance as at 31st December 2020 was K8,460,081.

However, as at 31st July 2021, no information was availed to show the breakdown of the outstanding amounts or how much each employee was owing. See table 15.8 below.

Table 15.8: Advance Accounts Ledger Details

	2020			
Description	Opening Balance K	Payments K	Recoveries K	Closing Balance K
Salary Advance	331,300	962,929	1,012,265	281,963
Special Advance	1,855,202	10,219,000	1,599,950	10,474,252
Travel Advances	789,263	546,110	197,425	1,137,948
Payroll Prepayments	(3,302,698)		131,384	(3,434,082)
Total	**(326,933)**	**11,728,038**	**2,941,024**	**8,460,081**

iii. Unacquitted Advances

Financial Regulation No. 45 (2) and (3) require that all payments by cheque or cash be supported by cash sale receipt and that any document which is acquitted, approved and certified by a responsible officer forms part of cash sale receipts.

Contrary to the regulation, amounts totalling K10,305,590 involving eight (8) transactions paid out to accounting staff to facilitate payment of special salary advance and terminal benefits to employees and retirees during the period from January 2019 to December 2020 were not supported with acquittal sheets to show that the funds were received by the beneficiaries. See table 15.9 below.

Table 15.9: Special Salary Advances

Year	Item	No of Transactions	Amount K
2019	Special Salary Advance	1	818,400
2020	Special Salary Advance	6	8,367,190
2020	Terminal Benefits	1	1,120,000
	Total	**8**	**10,305,590**

g. Failure to Remit Statutory Contributions

As at 31st December 2020, NCZ owed National Pension Scheme Authority (NAPSA) K449,303,330 and Zambia Revenue Authority (ZRA) K147,437,810 in respect of pension contributions and Pay as You Earn (PAYE) respectively, some of which had been outstanding from as far back as 2018. See table 15.10 below.

Table 15.10: Unremitted Statutory Contributions

No.	Institution	Principal K	Interest K	Amount K
1	NAPSA	17,830,152	431,473,179	449,303,330
2	ZRA	147,437,810	-	147,437,810
	Total			**596,741,140**

16 ROAD TRANSPORT AND SAFETY AGENCY

16.1 Background

a. Establishment

The Road Transport and Safety Agency (RTSA) is a statutory body established under the Road Traffic Act No.11 of 2002 under the Ministry of Transport and Communication (MTC) whose responsibility is to provide a system of road safety and traffic management in the country.

b. Governance

RTSA is governed by an Agency consisting of thirteen (13) part-time members appointed by the Minister on three (3) year renewable terms as follows:

i. A representative of the Pensions and Insurance Authority;
ii. A representative of the of the Passengers, Pedestrians and Cyclists Association;
iii. A representative of persons with disabilities recommended by the Ministry responsible for community development and social welfare;
iv. A representative of the Chartered Institute of Transport;
v. A representative of passenger transport association;
vi. A representative of truckers association;
vii. A representative of the Medical Council of Zambia;
viii. A representative of the Attorney General;
ix. A representative of the ministry responsible for communications and transport;
x. A representative of the ministry responsible for home affairs;
xi. The Director of the Road Development Agency;
xii. The Director of the National Road Fund Agency established under the National Road Fund Act; and
xiii. One other person.

c. Management

The operations of the Agency is the responsibility of the Chief Executive Officer (CEO) who is appointed by the Board of Directors and is assisted by eight (8) managers. The management team is appointed on three (3) year renewable contracts.

d. Sources of Income

According to the Act, the funds of the Agency shall consist of such moneys as may;

i. be appropriated to the Agency by Parliament for the purpose of the Agency,
ii. be allocated to the Agency from the Fund,
iii. be paid to the Agency by way of grants or donations, and
iv. vest in or accrue to the Agency

e. Information and Communication Technology Systems

During the period under review, the Agency operated e- ZamTIS which is a web-based application that is used to collect, receipt and record revenue.

16.2 Audit Findings

An examination of financial and other records for the financial years ended 31st December 2018, 2019 and 2020 maintained at the Agency revealed the following.

a. Budget and Income

i. Revenue Estimates-Under Collection of Revenue

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2020, a provision of K607,342,438 in respect of road tax was made against which amounts totalling K490,199,078 were collected resulting in under collection of K117,143,360.

ii. Expenditure Estimates

In the Estimates of Revenue and Expenditure for the financial year ended 31st December 2018, 2019 and 2020, a total provision of K1,113,642,000 was made to cater for operations, salaries and personnel related expenses against which amounts totalling K827,306,000 were released resulting in an under funding of K286,336,000 as shown in the table 16.1.

Table 16.1: Budget vs. Actual

Source of Funds	Authorised Provision K'000	Actual Releases K'000	Variance K'000
GRZ (Salaries & other PEs)			
Year ended 2018	104,214	86,845	(17,369)
Year ended 2019	104,214	103,740	(474)
Year ended 2020	112,214	112,214	-
NFRA (Operations)			
Year ended 2018	300,000	166,316	(133,684)
Year ended 2019	173,000	130,740	(42,260)
Year ended 2020	320,000	227,451	(92,549)
Totals	**1,113,642**	**827,306**	**(286,336)**

b. Financial Analysis

i. Statement of Comprehensive Income-Deficit

The Statement of Comprehensive Income for the financial years ended 31st December 2018, 2019 and 2020 was as shown in table 16.2 below:

Table 16.2: Statement of Comprehensive Income

Details	2020 K	2019 K	2018 K
Income			
Government Grant	355,972,000	234,054,000	253,161,000
Interest and other Income	585,000	492,000	5,848,000
	356,557,000	**234,546,000**	**259,009,000**
Expenditure			
Staff related expenses	158,663,000	106,617,000	116,161,000
Administration expenses	124,356,000	16,236,000	41,356,000
Operatingexpenses	117,548,000	176,554,000	97,396,000
	400,567,000	**299,407,000**	**254,913,000**
Surplus(Deficit)	**(44,010,000)**	**(64,861,000)**	**4,096,000**
Non Cashflow Expenses	**106,832**	**82,643**	**47,539**
Surplus(Deficit) after Non cashflows	**(43,903,168)**	**(64,778,357)**	**4,143,539**

Source: RTSA Financial Statements for years ended 31st December 2018, 2019 and 2020

The Agency posted a surplus in 2018 of K4,143,539, however, deficits were recorded in 2019 and 2020 of K64,778,357 and K43,903,168 respectively.

The deficits were due to high increase in expenditure by 57% from K254,913,000 in 2018 to K400,567,000 in 2020 when compared to income which only increased by 38% from K259,009,000 to K356,557,000 respectively.

c. Operational Matters – Wasteful Expenditure on Issuance of Road Service License

In January 2017, the Road Transport and Safety Agency issued a Road Service License to Royal Africa Logistics Limited to carry out its passenger transportation business in Zambia and it was withdrawn three (3) weeks later after discovering that foreign registered vehicles were undertaking local operations.

However, in 2018 Royal Africa Logistics Limited through its advocates sued RTSA in the High Court challenging RTSA's decision and claimed damages. In a judgement passed by the Road Service Appeal Tribunal on 27th November 2018 and held by the High Court on 28th January 2020, Royal Africa Logistics Limited was awarded damages of K100,000 with costs of K33,000 in respect of legal fees for the advocate representing Royal Africa Logistics Limited. The total amount of K133,000 which was paid in 2020 was wasteful.

d. Procurement Matters

i. Irregular Signing and Cancelation of Contracts

Section 54(2) of the Public Procurement Act No. 12 of 2008 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 shall be issued prior to confirmation that funds are available for the contract.

Further, Clause 3.3 of the RTSA Finance and Administration manual stipulates that all requests for purchases must be accompanied by funds availability, confirmed by the Head Finance.

The following were however observed:

- **Award of Contract to Benjing Gosail Information Technology Limited**

  On 28th February 2017, RTSA engaged Benjing Gosail Information Technology Limited (BGITL) for the design and commissioning of an Intelligent Transportation System at a contract sum of $17,221,787.56 with a duration of ten (10) months.

The scope of the contract included design, develop, install, implement, commission the system, fitting intelligent cameras from Kafue to Ndola and from Kabwe round about to Chongwe.

Prior to signing the contract, the RTSA Procurement Specialist and Head Finance and Administration advised management that although there was a budget provision, funds were not available for the project.

In this regard, the signing of the contract without available funds was contrary to Public Procurement Act No. 12 of 2008.

Due to lack of funding, the contract was terminated on 12th June 2020. A review of correspondence file revealed that on 29th June 2020, BGITL claimed for damages in amounts totalling $6,147,541 for expenses incurred from the date the contract was signed to when it was terminated and loss of profit. On 30th November 2020, the company revised the claim to $9,126,082.40. As at 31st July 2021 the payment had not been made as the Agency had not reached the final position with the company on the damages.

Further, a review of board minutes revealed that although the contract was signed with BGITL first, it was observed that another contract was signed with Intelligent Mobility Solutions on 23rd August 2017 to implement the same project rendering the decision questionable.

As at 31st July 2021, the contract with Intelligent Mobility Solutions had been terminated.

- **Award of Six (6) Contracts for construction of Motor Vehicle Examination Centres**

In February 2016, RTSA signed six (6) contracts with four (4) different contractors to construct motor vehicle examination centres in six (6) districts at contract sums amounting to K107,037,510.68 with contract periods ranging between 12 and 40 weeks.

Contrary to the Public Procurement Act No. 12 of 2008, RTSA signed the six contracts without funds being available.

On 6th September 2018, all the contracts were terminated due to funding challenges and mention was made in the termination letters that contractors should submit claims for damages incurred as a result of contract termination. Consequently, claims in amounts totalling K2,555,699 were made and paid as at 30th June 2020 resulting in wasteful expenditure as only mobilisation to sites had been done at the point of termination. See table 16.3 below.

Table 16.3 : Claims for Failing to fulfil Contracts Obligations

No.	Date	Payee	Cheq No	Details	Claimed Amount K
1	12/31/2019	Solar Tech	KMK/CK/204/2020	Claim for compensation for breach of contract 16-2015-Contraction of Mpika and Chinsali Centers (inluded in the claim are guarantees, site handover costs, staff costs, attendace costs and opportiunity costs)	1,621,904
2	12/31/2019	Mart Speed Construction Ltd.	2019/HP/147	Claim for compensation unfulfilled contract. Constraction of a motor vehicle service centre in Chipata-Lot 1	596,278
3	6/30/2020	Mart Speed Construction Ltd.	2019/HP/148	Settled part of consent order TRSF06458-Contraction of motor vehicle service centre in Petauke Lot 2	337,517
		Total			**2,555,699**

ii. Purchase of Tow Truck - Southern Cross Motors

On 27th November 2019, RTSA engaged Southern Cross Motors to supply a tow truck at a contract sum of €408,462 with a delivery period of 36 weeks. Contract terms were that 25% (€102,115.5) shall be paid as advance, 25% (€102,115.5) after arrival of the base units at the body builder facility and 50% (€204,231) on delivery on the trucks to RTSA. An examination of transaction relating to the supplier revealed that an advance payment amounting €156,296.36 was paid in June 2020 leaving a balance of €252,165.64 and production of the truck had commenced.

However, as at 31st July 2021, the tow truck had not been delivered, eleven (11) months after the expected delivery date.

e. Accounting Irregularities

i. Outstanding Obligation - Strategic Partners

Clause 6.2 (a) and (c) (Special Contract) of the Service Level Agreement requires RTSA to pay a strategic partner a commission of 4% of the total collections per quarter within thirty (30) days of submission of the invoice.

However, a review of the financial statements revealed that RTSA had not paid commission in amounts totalling K3,048,686 to Zambia State Insurance Corporation for the period between 2018 and 2020.

As at 31st July 2021, the commission had not been paid.

ii. Unaccounted for General 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 a record of the report and issue of such public stores.

Contrary to the Act, various stores items costing K221,240 were not accounted for in that there were no disposal details.

f. Weaknesses in the Management of Assets-Failure to Adhere to the Act on the Disposal of Motor Vehicles

Section 44 (5) of the Public Finance Management Act No. 1 of 2018 states, "A state-owned enterprise may keep the disposal proceeds from public assets and stores where that State-Owned Enterprise is a limited liability company and the assets were procured from its own resources."

In 2020, the Agency disposed of forty eight (48) motor vehicles to its employees through private sale and realised amounts totalling K1,731,030 from the sale. At the time of disposal, the Agency had not aligned its disposal policy to the Public Finance Management Act No. 1 of 2018.

Contrary to the Act, all proceeds from the sale were deposited in the administrative account even though RTSA is not a limited liability company.

g. Failure to Remit Withholding Tax to ZRA

The Income Tax Act section 82A stipulates that a payer (tenant) is responsible for deducting withholding tax from gross rentals on the date of accrual of any amount due to the payee (landlord) and remit to Zambia Revenue Authority.

Contrary to the Act, the Agency failed to remit to ZRA withholding tax in amounts tolling K230,533 and $16,064 withheld in respect of six (6) contracts on rented properties.

17 TIMES PRINTPAK ZAMBIA LIMITED

17.1 Background

a. Establishment

Times Printpak Zambia Limited is a newspaper publishing company which was incorporated in 1970 and is wholly owned by the Government through the Industrial Development Corporation (IDC).

b. Governance

Clause 73 of the Articles of Association provides for the establishment of a Board of Directors comprising seven (7) members including the Permanent Secretary responsible for sector policy, not more than five (5) persons appointed from the private sector and the Managing Director.

The Board members are appointed by the Industrial Development Corporation on three (3) year renewable terms.

c. Management

The Managing Director is responsible for the operations of the company and is assisted by the Deputy Managing Editor, Directors of Finance, Human Resources and Administration, Commercial and Marketing, Chief Internal Auditor and Company Secretary. The management team is appointed by the Board on three (3) year renewable contracts.

d. Sources of Funds

The sources of funds for the company include, daily sales of newspapers, publishing of media advertisements, provision of commercial printing and courier services.

e. Information and Communication Technology Systems

During the period under review, Times Printpak Zambia Limited operated six (6) Information and Communication Technology (ICT) Systems as follows:

i. Sage Pastel Evolution-used for accounting and enterprise resource management;
ii. Microsoft Office-used in common office tasks;
iii. Adobe creative suite-used for desktop publication and graphic design;
iv. CorelDraw-used for editing graphics;

v. E-times platform-an online newspaper version accessed on mobile device and Personal Computer; and

vi. Nakivo backup software-an incremental replication software.

17.2 Audit Findings

An examination of financial and other records for the financial years ended 31st December 2018, 2019 and 2020 and physical inspections of selected stations revealed the following.

a. Governance

i. Delayed Liquidation

At its Special Board Meeting held on 29th October 2020, the Board resolved that Times Printpak Zambia Limited be placed under liquidation and be wound up by 31st March 2021 as the current liabilities far exceeded current assets resulting in the company failing to settle its liabilities as and when they fell due.

As at 31st December 2020, the current liabilities exceeded the current assets by K597,384,355 as shown in table 17.1 below.

Table 17.1: Current Assets vs Current Liabilities

No.	Details	Amount K
1	Current Assets	42,116,745
2	Current Liabilities	639,501,100
	Total	**(597,384,355)**

However, as at 30th September 2021, management had not implemented the Board resolution and the company was still operating.

ii. Irregular Advance - Payment of Quarterly Allowances

IDC Circular No. 2 of 2018, on board quarterly fees states that, “Directors shall receive a quarterly fee for services performed as a member of the board of directors which shall be paid quarterly. No director shall be paid retainer fees monthly, nor can a director receive an advance against quarterly fees. Executive Directors of the Board shall not receive quarterly fees.”

Contrary to the Circular, on 8th August 2018 and 17th September 2018, the Board Chairperson was paid quarterly fees in advance on cheque Nos. 12527 (K2,825 for quarter 3) and 12652 (K2,825 for quarter 4) respectively, in amounts totalling K5,650.

In addition, the Board was dissolved on 27th December 2019, as such the payment of K2,825 for the fourth quarter was irregular.

Further, three (3) payments in amounts totalling K7,875 made to the Managing Director as quarterly allowance were contrary to guidance given by IDC. As at 30th September 2021, the amounts had not been recovered.

b. Budget and Income

During the period under review, the company raised revenue in amounts totalling K120,078,826 against a budget of K187,965,643 resulting in a negative variance of K67,886,817 as shown in table 17.2 below.

Table 17.2: Budget vs. Income

No.	Year	Budget K	Revenue K	Variance K
1	2020	51,572,349	41,862,309	(9,710,040)
2	2019	71,224,565	35,915,135	(35,309,430)
3	2018	65,168,729	42,301,382	(22,867,347)
	Total	**187,965,643**	**120,078,826**	**(67,886,817)**

c. Financial Analysis

i. Financial Performance - Statement of Comprehensive Income

Times Printpak Zambia Limited Statement of Comprehensive Income for the financial years ended 31st December 2018, 2019 and 2020 is as shown in table 17.3 below.

Table 17.3: Statement of Comprehensive Income

Details	2020 Draft K	2019 Draft K	2018 K
Income:			
Revenue	41,862,309	35,915,135	42,301,382
Cost of sales	(21,373,960)	(23,238,700)	(21,775,905)
Gross Profit	**20,488,349**	**12,676,435**	**20,525,477**
Other operating income	852,364	513,456	635,705
Selling and distribution expenses	(88,414)	(262,202)	(367,194)
Administrative expenses	(79,794,878)	(85,305,824)	(47,616,089)
Operating loss	**(58,542,579)**	**(72,378,135)**	**(26,822,101)**
Finance cost	(12,824)	(201,688)	(497,985)
Loss before taxation	**(58,555,403)**	**(72,579,823)**	**(27,320,086)**
Tax (charge)/credit	-	-	(77,008)
Profit (Loss) for the year	**(58,555,403)**	**(72,579,823)**	**(27,397,094)**

Source: Times Printpak Zambia Limited financial statements for 2018, 2019 and 2020

- **Failure to Attain Break -Even Net Profit Target**

  The IDC gave the Board of Times Printpak Zambia Limited a performance contract of attaining break-even net profit as a minimum for the financial years 2018, 2019 and 2020.

  However, the company made losses which increased by K31,158,309 (114%) from K27,397,094 in 2018 to K58,555,403 in 2020. In the same period, its turnover decreased by K439,073 (1%) from K42,301,382 in 2018 to K41,862,309 in 2020.

- **Administrative Costs as a Percentage of Revenue**

  In 2019, the IDC gave the Board of Times Printpak Zambia Limited a performance contract of maintaining administrative expenses at 82% of revenue. However, the administrative costs as a percentage of revenue in 2019 and 2020 were 238% and 191% respectively. See table 17.4 below.

Table 17.4: Administrative Expense as % of Revenue

Details	2020 K	2019 K
Administrative expenses	79,794,878	85,305,824
Revenue	41,862,309	35,915,135
%	191	238

ii. Statement of Financial Position

Times Printpak Zambia Limited Statement of Financial Position for the financial years ended 31st December 2018, 2019 and 2020 is as shown in table 17.5 below.

Table 17.5: Statements of Financial Position

Details	2020 Draft K	2019 Draft K	2018 K
ASSETS			
Non - current assets			
Property, plant and equipment	1,793,089	35,019,786	30,754,684
Investment property	-	5,635,500	5,500,000
	1,793,089	**40,655,286**	**36,254,684**
Current assets			
Inventories	3,608,343	3,668,877	3,834,384
Trade and other receivables	33,061,588	28,551,760	31,084,543
Cash and cash equivalents	5,446,814	682,596	487,929
	42,116,745	**32,903,233**	**35,406,856**
Total assets	**43,909,834**	**73,558,519**	**71,661,540**
EQUITY AND LIABILITY			
Share capital	1,044	1,044	1,044
Reserves	-	15,881,612	15,881,612
Accumulated losses	(656,427,439)	(588,523,468)	(520,963,708)
	(656,426,395)	**(572,640,812)**	**(505,081,052)**
Non Current liabilities			
Provisions	47,733,104	41,434,581	35,584,204
Retirement benefit obligation	13,102,025	25,498,454	20,894,573
Borrowings	-	14,505,502	2,500,000
	60,835,129	**81,438,537**	**58,978,777**
Current liabilities			
Bank Overdraft	19,673	1,162,549	867,432
Trade and other payables	618,369,278	539,195,297	491,843,696
Provisions	19,922,050	23,212,849	23,862,588
Current tax payable	1,190,099	1,190,099	1,190,099
	639,501,100	**564,760,794**	**517,763,815**
Total equity and liabilities	**43,909,834**	**73,558,519**	**71,661,540**

Source: Times Printpak Zambia Limited financial statements for 2018, 2019 and 2020

The following were observed:

- **Liquidity Position**

  The liquidity position of a company provides information about the company's ability to meet its short-term financial obligations. An analysis of financial statements for the period under review revealed the following:

- **Deteriorating Current Ratio**

  The IDC gave the Board of Times Printpak Zambia Limited a performance contract of maintaining the current ratio at a minimum of 0.5:1.

  However, the company's current ratio for the three (3) financial years under review ranged from 0.06:1 to 0.07:1 which were below the set target ratio. See table 17.6 below.

Table 17.6: Current Ratio

Year	2020 K	2019 K	2018 K
Current Assets	42,116,745	32,903,233	35,406,856
Current Liabilities	639,501,100	564,760,794	517,763,815
Current ratio	0.07:1	0.06:1	0.07:1

  Further, the table above shows that the current liabilities increased by 24% from K517,763,815 in 2018 to K639,501,100 in 2020, while the current assets increased only by 19% from K35,406,856 in 2018 to K42,116,745 in 2020. The increase in liabilities was largely attributed to outstanding statutory obligations and corresponding penalties which increased from K460,177,011 in 2018 to K599,450,379 in 2020.

  The situation showed that the company had liquidity problems which threatened its going concern.

- **Insufficient Working Capital**

  Working capital is the difference between current assets and current liabilities and refers to resources available for use by a company in its trading operations.

  A review of the statement of financial position for the period under review revealed that Times Printpak Zambia Limited had negative working capital as shown in table 17.7 below.

Table 17.7: Working Capital

Working Capital	2020 K	2019 K	2018 K
Current Assets	42,116,745	32,903,233	35,406,856
Current Liabilities	639,501,100	564,760,794	517,763,815
Working Capital	**(597,384,355)**	**(531,857,561)**	**(482,356,959)**

As can be seen from the table above, the company recorded negative working capital which deteriorated by K115,027,396 from K482,356,959 in 2018 to K597,384,355 in 2020.

- **Deteriorating Equity**

  The equity for Times Printpak Zambia Limited deteriorated from negative K505,081,052 in 2018 to negative K656,426,395 in 2020 due to failure by the company to record profits. See table 17.8 below.

Table 17.8: Deteriorating Equity

Details	2020 Draft K	2019 Draft K	2018 K
Share capital	1,044	1,044	1,044
Reserves	-	15,881,612	15,881,612
Accumulated losses	(656,427,439)	(588,523,468)	(520,963,708)
Equity	**(656,426,395)**	**(572,640,812)**	**(505,081,052)**

d. Operational Matters – Failure to reconcile Unsold Copies of Newspapers

A review of the Production and Circulation Reports for 2019, revealed that Times Printpak Zambia Limited produced a total of 2,000,741 copies of newspapers with an expected revenue of K17,006,299 out of which 606,588 copies valued at K5,155,998 were sold leaving a shortfall of 1,394,153 copies valued at K11,850,301.

However, as at 30th September 2021, management had not availed for audit a reconciliation of unsold newspapers. See table 17.9 below.

Table 17.9: Production and Sales Analysis

Details	Year 2019
Copies produced	2,000,741
Sold copies	606,588
Unaccounted for copies	1,394,153
Price per copy (K)	8.5
Value of unaccounted for copies (K)	11,850,301
Expected revenue(K)	17,006,299
Actual revenue (K)	5,155,998
Revenue variance (K)	(11,850,301)

e. Procurement Matters – Failure to Avail Procurement Files

Section 18 (1) of the Public Procurement Regulations of 2011 requires a procuring entity to maintain procurement records.

A review of financial statements and ledgers for the period under review revealed that a total of K1,074,877, (K82,626) in 2018, (K290,143) in 2019 and 2020 (K702,108) was utilised on the procurement of various property, plant and equipment.

However, the procurement files were not availed for audit as at 30th September 2021. In this regard, it could not be ascertained whether procurement guidelines were followed before this expenditure was incurred.

f. Accounting irregularities-Wasteful Expenditure-Legal Fees

In the matter between a former employee (the plaintiff) and Times Printpak Zambia Limited (defendant), the Supreme Court of Zambia on 17th July 2017 by consent of the parties adjudged that K1,500,000 be paid to the plaintiff. This was in the matter where the plaintiff claimed underpayment of terminal benefits.

The judgement required Times Printpak Zambia Limited to pay legal fees amounting to K700,000 to the plaintiff's lawyer and the whole amount had been paid as at 31st August 2021.

In this regard, the payment of K700,000 was wasteful expenditure which could have been avoided had management paid the former employee correct terminal benefits.

g. Administrative Issues

i. Sale of Properties to IDC

On 8th April 2020, Times Printpak Zambia Limited and the Industrial Development Corporation (IDC) entered into a contract where Times Printpak Zambia Limited would sell to IDC, seven (7) properties at a total price of K38,685,500. As at 31st August 2021, IDC had settled the amount in full and Times Printpak Zambia Limited used the proceeds to liquidate outstanding Terminal Benefits and salary arrears.

However, the following were observed.

- Times Printpak Zambia Limited Company Secretary handed over eight (8) title deeds to the Finance Manager of Industrial Development Corporation instead of seven (7).

- Although the location of the seven (7) properties was disclosed and were physically inspected, the location and value of the eighth property recorded as a house situated at farm No.748 in Ndola with certificate of title No 157165 were not disclosed. See table 17.10 below.

Table 17.10: Certificate of Titles Handed Over to I.D.C

No.	Type of Property	Value K	Property details	Location
1	Office Building	3,350,000	Certificate of title No.42856, 748 Subdivision 813 of 748	Ndola
2	Office Building	9,000,000	Certificate of title No.33963, Farm No. 748	Ndola
3	Office Building	9,050,000	Certificate of title No.33964,Subdivision 12 of 748	Ndola
4	House	-	Certificate of title No.157165, Farm No. 748	Ndola
5	Office Building	5,635,500	Certificate of title No.90883,Subdivision 1 of Subdivision C10 of 748	Ndola
6	Office Building	3,909,547	Certificate of title No.81693 Stand No.1034	Lusaka
7	Office Building	3,909,547	Certificate of title No.81697 Stand No.1033	Lusaka
8	Office Building	3,830,909	Certificate of title No.77521 Plot No.1029	Lusaka
	Total	**38,685,503**		

ii. Failure to Remit Statutory Contributions

As at 30th June 2021, the company owed amounts totalling K624,387,959 to National Pension Scheme Authority (NAPSA - K440,585,167) and Zambia Revenue Authority (ZRA - K183,802,791) in respect of pension contributions and taxes respectively, some of which had been outstanding as far back as 2018. See table 17.11 below.

Table 17.11: Unremitted Statutory Contributions

No.	Institution	Principal K	Penalties K	Total K
1	NAPSA	19,314,399	421,270,769	440,585,168
2	ZRA	84,206,585	99,596,207	183,802,791
	Total	**103,520,983**	**520,866,976**	**624,387,959**

h. Staff Related Matters – Irregular Payment of Education Allowance

Clause No. 8 of the contracts of service for management staff on education allowance states that, "The company shall reimburse against receipts/pro-formas or make payment directly to school(s) the cost of school fees of up to a maximum of four (4) registered biological or legally adopted children under the age of twenty one (21) years."

However, a review of payroll and payment vouchers presented for audit revealed that on 19th October 2018, the former Managing Director was paid education allowance of K4,500 for his child who had already turned 21. As at 30th September 2021, the amount had not been recovered.

18 TOBACCO BOARD OF ZAMBIA

18.1 Background

a. Establishment

The Tobacco Board of Zambia (TBZ) was established by the Tobacco Act CAP 237 of the Laws of Zambia on 1st April 1968. The mandate of TBZ is to promote, protect and maintain the production, sale, preparation for subsequent use and export of tobacco grown in Zambia; control and regulate the production, marketing and export of tobacco; carry out tobacco research; obtain and collate statistics relating to the production, marketing, manufacture and consumption of tobacco inside and outside Zambia; provide and operate such services and other facilities as may be necessary or convenient for the tobacco industry; advise the Minister of Agriculture on all matters relating to tobacco; and do all things which the provisions of this Act require to be done by the Board.

b. Governance

The Tobacco Board of Zambia (TBZ) is governed by the Board of Directors comprising eight (8) members appointed by the Minister of Agriculture for two (2) year terms as follows:

i. One member who shall be designated as chairperson;
ii. One member representing the growers of Virginia flue-cured tobacco;
iii. One member representing the growers of oriental tobacco;
iv. One member representing the growers of burley tobacco;
v. Not more than three members representing the buyers; and
vi. Additional members as the Minister deems essential.

c. **Management**

The operations of TBZ is the responsibility of the Managing Director who is the Chief Executive Officer and is assisted by the Chief Operations Officer and the Chief Financial Officer. The management team is appointed on three (3) year renewable contracts.

d. **Sources of Funds**

Section 18 of the Tobacco Act CAP 237 of the Laws of Zambia stipulates that the funds of the Board shall consist of the following:

i. Such sums as may be payable to the Board from moneys appropriated by Parliament for the purpose;
ii. Such sums as may be payable to the Board pursuant to this or any other Act; and
iii. Such other moneys or assets as may accrue to or vest in the Board, whether in the course or otherwise of the exercise of its powers or functions or the performance of its duties or otherwise.

e. **Information and Communication Technology Systems**

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

i. Bright Leaf web based information system used for registration of farmers, collection of tobacco levies, licenses, classification of tobacco and booking permits for movement of tobacco from one region to another; and
ii. PASTEL used for processing of accounting and payroll transactions.

18.2 Audit Findings

A review of accounting and other records for the financial years ended 31st December 2016, 2017, 2018, 2019 and 2020 conducted at the TBZ Headquarters and selected stations revealed the following.

a. **Governance - Irregular Appointment of an Interim Board**

Section 6 (5) of the Tobacco Act CAP 237 of the Laws of Zambia states that, "Whenever representation on the board of any two or more of the categories of membership thereof provided for by subsection (2) of section 4 becomes vacant, the Minister may perform all of the functions and duties of the board until such time as, by appointment, such categories are dully represented, and all such appointments to the board necessary to complete the representation of such categories shall, in such event, be made by the Minister within three months of the date of the vacancy last occurring before the Minister exercises his powers under this subsection."

Contrary to the Act, the Minister on 1st August 2018 irregularly appointed an Interim Board consisting of the Permanent Secretary and Directors from the Ministry of Agriculture following the expiration of the tenure of office for the substantive Board in July 2018.

In this regard, amounts totalling K284,098 paid as board allowances as at 31st December 2020 were irregular.

Further, in his legal opinion dated 29th January 2021, the Attorney General (AG) indicated that the Minister must appoint the members of the Board as provided in Section 4 of the Tobacco Act and that there was no need to defer the appointment of members of the Board because the law made the appointment of members of the board mandatory.

In addition, the AG indicated that in the absence of such appointments, there will be no board to perform the functions of the board because the Minister can only perform the functions of the board for a period of three (3) months from the date of the vacancy. However, as at 30th September 2021, the Minister had not appointed a substantive board.

b. Budget and Income

During the period under review, TBZ budgeted to receive grants and generate funds from various sources in amounts totalling K129,781,381 against which amounts totalling K136,624,911 were received and generated resulting in a positive variance of K6,843,530 as shown in table 18.1 below.

Table 18.1: Budget vs. Income

Year	Budget K		Actual Funding / Realised K		Variance K	
	Treasury	Internally Generated	Treasury	Internally Generated	Treasury	Internally Generated
2016	100,000	14,061,595	124,377	17,711,411	24,377	3,649,816
2017	100,000	17,188,244	10,399,999	21,825,251	10,299,999	4,637,007
2018	800,000	33,011,741	800,000	20,285,666	-	(12,726,075)
2019	900,000	23,032,828	9,385,014	21,632,579	8,485,014	(1,400,249)
2020	900,000	39,686,973	900,000	33,560,614	-	(6,126,359)
Sub Total	2,800,000	126,981,381	21,609,390	115,015,521	18,809,390	(11,965,860)
Total for the period		**129,781,381**		**136,624,911**		**6,843,530**

c. Financial Analysis

i. Statement of Comprehensive Income - Deficits

The TBZ's Statements of Comprehensive Income for the financial years ended 31st December 2016, 2017, 2018, 2019 and 2020 were as shown in table 18.2 below.

Table 18.2: Statement of Comprehensive Income

Revenue	**2020 K**	**2019 K**	**2018 K**	**2017 K**	**2016 K**
Operating Revenue	25,603,653	16,099,708	15,250,771	16,182,152	10,466,325
Income from investment properties	7,659,200	5,101,101	4,809,447	5,009,548	5,285,849
Sundry Income	1,197,161	9,816,784	1,025,448	11,033,550	2,083,614
Total Revenue	**34,460,014**	**31,017,593**	**21,085,667**	**32,225,250**	**17,835,789**
Expenditure					
Costs of Operations	186,722	268,727	1,815,634	9,250,209	13,787,028
Costs of Personnel	17,608,837	15,670,367	14,679,758	10,612,481	10,569,593
Depreciation	4,180,390	2,847,906	2,868,468	624,665	656,054
Finance Costs	628,870	375,570	218,110	-	-
Recurrent Costs	16,094,363	8,051,560	10,702,262	8,076,173	4,712,870
Total Expenditure	**38,699,182**	**27,214,130**	**30,284,233**	**28,563,529**	**29,725,545**
Surplus/ (Deficit)	**(4,239,168)**	**3,803,462**	**(9,198,566)**	**3,661,720**	**(11,889,756)**
Other Comprehensive income	-	-	-	-	0
Comprehensive Earnings for the Year	**(4,239,168)**	**3,803,462**	**(9,198,566)**	**3,661,720**	**(11,889,756)**

Source: TBZ audited financial statements for 2016 to 2019 and draft statement for 2020

During the period under review, TBZ generally recorded deficits which reduced by K7,650,588 from a deficit of K11,889,756 in 2016 to a deficit of K4,239,168 in 2020.

ii. Statement of Financial Position-High Trade Receivables Days

The TBZ's Statements of Financial Position for the financial years ended 31st December 2016, 2017, 2018, 2019 and 2020 were as shown in table 18.3 below.

Table 18.3: Statement of Financial Position

	2020 K	2019 K	2018 K	2017 K	2016 K
ASSETS					
Non- Current Assets					
Plant and Equipment	64,494,011	63,856,028	66,532,276	66,324,859	5,014,279
Investment property	41,284,624	41,284,624	41,284,624	46,709,624	190,241
Investments	-	-	-	1	1
Total	**105,778,635**	**105,140,651**	**107,816,899**	**113,034,484**	**5,204,521**
Current Assets					
Tobacco Inventories	628,985	566,914	729,705	147,701	8,174,938
Receivables	20,289,427	18,485,759	11,996,285	9,603,584	12,658,494
Bank and cash balances	2,284,345	2,921	3,488	1,270,045	6,734,844
Total	**23,202,756**	**19,055,593**	**12,729,479**	**11,021,330**	**27,568,276**
Assets Classfied as Held for Sale	-	-	**5,425,000**	-	-
Investments Properties					
Total Assets	**128,981,391**	**124,196,245**	**125,971,378**	**124,055,814**	**32,772,797**
EQUITY AND LIABILITIES					
Capital and Reserves					
Permanent Dividend Capital	-	-	-	-	11,996
Non- Distributable reserves	-	-	-	-	11,257
Revaluation Reserves	92,449,432	94,955,165	102,872,257	105,508,689	51,422
Revenue Reserves	15,832,781	17,695,752	5,975,198	12,537,333	8,852,359
TOTAL EQUITY	**108,282,214**	**112,650,917**	**108,847,455**	**118,046,021**	**8,927,034**
Non- current Liabilities					
Borrowings	96,581	295,708	234,106	-	10,011,706
Deffered Income	197,548	208,737	19,000	155,765	46,234
Non-current lease obligations	4,889,794	1,219,058	1,706,681	-	
Total	**5,183,923**	**1,723,503**	**1,959,788**	**155,765**	**10,057,940**
Current Liabilities					
Bank Overdraft	**738,629**	1,529,895	3,494,994	-	-
Trade payables	-	-	141,676	2,723,908	12,791,247
Other payables	12,167,014	6,901,376	10,481,667	3,130,120	996,576
Current Portion of Lease Agreemer	2,609,611	1,390,553	1,045,798	-	-
Total	**15,515,254**	**9,821,824**	**15,164,135**	**5,854,028**	**13,787,823**
TOTAL EQUITY AND LIABILITIES	**128,981,391**	**124,196,245**	**125,971,378**	**124,055,814**	**32,772,797**

Source: TBZ audited financial statements for 2016 to 2020 and draft statement for 2020

The trade receivables days measures how much time it takes for trade debtors to settle their bills. A higher period may suggest flaws in debt collection or financial difficulties being encountered by customers. According to the TBZ credit policy, the average credit period on sales of services is thirty (30) days.

However, during the period under review, the trade receivable days ranged from 102 to 377 which was higher than the thirty (30) debtor's days' policy. See table 18.4 below.

Table 18.4: Trade Receivables Days

Year	Trade Receivables K	Operating+ Investment Property Income K	Receivables Days
2016	7,497,721	15,752,174	174
2017	5,923,217	21,191,700	102
2018	14,209,829	20,060,218	259
2019	21,900,953	21,200,809	377
2020	23,675,262	33,262,853	260

In this regard, the Board was not efficient in collecting payments from its credit customers.

d. Operational Matters

i. Strategic Plan

The Tobacco Board of Zambia had developed a strategic plan for the period 2017 to 2021 with thirteen (13) strategic objectives classified in six (6) perspectives. A review of the plan revealed that some strategic objectives had not been achieved as at 30th September 2021, three (3) months before the end of the plan's period.

In particular, the following were observed:

- **Failure to Review the Tobacco Laws by December 2018**

  Strategic objective No.1, required that the tobacco laws and regulations be fully reviewed and consistent with both local and international laws by December 2018.

  However, the objective had not been met as at 30th September 2021.

  The failure by TBZ to review the Act resulted in the institution having on its Board players which it regulates, a situation likely to result in conflict of interest.

- **Failure to Achieve Tobacco Inspectors to farmers Ratio**

  In order to increase efficiency and effective service delivery in the tobacco industry in Zambia, Tobacco Board of Zambia targeted to deploy one (1) Tobacco Inspector for every one thousand (1000) farmers in strategic objective No. 3.

However, the ratio was below the target between 2018 and 2021 as shown in table 18.5 below.

Table 18.5: Tobacco Inspectors to Farmers

No	Year	No of Tobacco Inspectors	No of Farmers	Ratio of Tobacco Inspectors to Farmers
1	2016	19	9,915	1 : 521
2	2017	19	16,208	1 : 853
3	2018	16	16,669	1: 1042
4	2019	15	16,429	1: 1095
5	2020	14	15,753	1: 1125
6	2021	10	21,312	1: 2131

Consequently, Tobacco Board of Zambia did not have the ability to reach all the Tobacco farmers.

ii. Irregular Guaranteeing of Fertiliser Loan

Section 15 of the Tobacco Act CAP 237 of the Laws of Zambia, gives the board functions which include the following:

- ✓ No 8 – "With the approval of the Minister, to make contracts and enter into suretyships or give guarantees in connection with the exercise of its functions or the performance of its duties and to modify or rescind such contracts or to modify or rescind such suretyships or guarantees."
- ✓ No 43 – "To make loans to farmers from the funds of the board, and to guarantee the payment of loans made to farmers by any bank, building society or statutory body for the purpose of the production of tobacco or of such other crops as the board may deem necessary or for the purpose of engaging in activities which the board may consider as ancillary to the production of tobacco."

Contrary to the Act, on 24th November 2017, the Board Chairman and the acting Chief Executive Officer guaranteed a fertiliser loan amounting to US$219,188 from Omnia Fertiliser Limited for the benefit of Golden Eagle Agric and Technical Services, representing Tobacco Growers, without the approval of the Minister and full Board.

However, Golden Eagle Agric and Technical Services failed to service the loan and had only paid U$175,346.03 resulting in TBZ as a guarantor paying amounts totalling U$43,841.97 towards the loan as at 30th September 2021.

In his opinion dated 19th May 2020 the Attorney General advised that the Board Chairman and CEO had no authority to guarantee a loan given to a farmer without obtaining approval from the Board and the Minister. He further advised that it was possible to hold the former Board Chairman and CEO liable in civil and criminal matters and that action may be taken against the former chairperson of the board, notwithstanding the fact that his tenure of office had since expired.

As at 30th September 2021, TBZ management had not taken any legal action against the former Board Chairman and acting CEO.

iii. Failure to Recover Fertiliser Loans from Associations

On 27th January 2016, the Board entered into fertiliser loan agreements with Regional Tobacco Associations for loans amounting to K1,731,602 at an interest rate of 15% to be recovered from the associations in full at the end of the marketing season on 31st October 2016.

A review of the receivables account as at 31st December 2020 revealed that the loan amount was K1,991,342 (principal K1,731,602 and interest K259,740) out of which K1,565,212 had been repaid leaving a balance of K426,130. See table 18.6 below.

Table 18.6: Unrecovered Fertiliser Loans

No.	Name of Asssociation	Loan Amount K	Interest @ 15% K	Principal and Interest Amount K	Loan Amount Repaid K	Loan Amount Not Recovered K
1	Eastern Fodya Association of Zambia	739,820	110,973	850,793	771,226	79,567
2	Central Growers Association of Zambia	551,430	82,715	634,145	463,665	170,480
3	Western Tobacco Leaf Association	159,522	23,928	183,450	142,528	40,922
4	Southern Tombwe Growers Association	280,830	42,125	322,955	187,794	135,161
	Total	**1,731,602**	**259,740**	**1,991,342**	**1,565,212**	**426,130**

However, as at 30th September 2021, TBZ management had not recovered the outstanding amount.

e. Irregularities in the Procurement of Stand Nos. 1962 and 1963 (Kabwe)

On 4th May 2017, the TBZ Board of Directors resolved to procure the Central Growers Association's (CGA) land, warehouse and offices located on Plot Nos.1962 and 1963, in

Kabwe District at a total price of K1,861,716 (Plot No 1962 K1,396,500 and Plot No.1963 K465,216).

In May 2017, TBZ paid an amount of K1,861,716 to CGA for the purchase of the properties.

The following were observed:

- **Failure to Sign Contract**

  There was no contract signed between the two parties for the purchase of stand no. 1963 as at 31st July 2021, fifty nine (59) months after TBZ paid K465,500 for the property.

- **Questionable Procurement of Property**

  Stand no. 1963 procured by Tobacco Board of Zambia was a sub-division of a bigger plot whose title deed was not in the name of Central Growers Association but in another individual who was the original owner.

  It was questionable why TBZ proceeded to pay for the property whose title deeds were not in the seller's name.

- **Failure to Obtain 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, TBZ had neither obtained the title deeds for the two (2) plots nor had the process of changing ownership to Tobacco Board of Zambia commenced as at 30th September 2021, more than five (5) years after paying for the properties.

- **Failure to Collect Rentals from Central Growers Association**

  TBZ management offered CGA to continue occupying part of the procured offices at monthly rent of K3,300 net of taxes, effective from 1st August 2017.

  However, as at 30th September 2021, CGA had not signed the lease agreement sent by TBZ management in August 2017 and were still occupying the premises.

  Further, CGA had not paid rent amounting to K161,700 for forty nine (49) months from 1st August 2017 to 31st August 2021.

  As at 30th September 2021, TBZ management had not taken any action against CGA.

f. Accounting Irregularities

i. Failure to Collect Tobacco Levy

The Tobacco Levy Regulations No. 3 (2) states that, "A buyer of leviable tobacco shall withhold the levy on the purchase of the tobacco sold by or on behalf of a grower on the day of sale."

Further, the Tobacco Levy Regulations No. 3 (3) states that, "A levy collected by the buyer on behalf of the growers shall be remitted to the Permanent Secretary within a month following the week in which the levy becomes due under sub- regulation (2)."

Contrary to the regulations, tobacco levy in amounts totalling K19,169,734 had not been remitted to TBZ by tobacco buyers as at 31st July 2021. Included in the outstanding amount, was an amount of K19,082,821 owed by Tombwe Processing Limited since 2018.

TBZ could not take legal action against Tombwe Processing Limited because of the High Court Judgment of 18th October 2011 in which it was decided that the Minister, not TBZ was mandated to collect tobacco levy. It was further decided that the collection of tobacco levy under the Tobacco Levy Act was a statutory function and as such can only be delegated by the Minister.

As at 30th September 2021, the Minister had not delegated the function to TBZ.

Although during the period from January 2018 to June 2020, the Ministry of Agriculture had sent seven (7) demand letters to Tombwe Processing Limited regarding the unremitted levy, the levy remained uncollected as at 31st August 2021. Further, neither legal action had been taken by the Ministry of Agriculture nor any form of charge had been issued to Tombwe processing Limited for the non-remittance of the levy.

ii. Uncollected Rental Income from Vacated Tenants

A review of the debtors' age analysis as at 31st December 2020 revealed that thirteen (13) tenants had vacated TBZ properties without settling rentals in amounts totalling K777,672, some of which had been outstanding from as far back as July 2011.

As at 30th September 2021, the amount remained outstanding and no legal action had been taken by TBZ against the debtors.

g. Administrative Issues – Asset Management

i. Infrastructure Perspective

As part of the Strategic Plan for the period 2017 to 2021 on infrastructure perspective, management planned to develop an infrastructure maintenance policy, recruit real estate officer and dispose of non-viable TBZ properties. See table 18.7 below.

Table 18.7: Infrastructure Perspective

No.	Strategic Objective	Action Plan
9	To Conduct an inventory of assets and optimize the value of TBZ infrastructure by the end of June 2018	- Engage a property consultancy firm to facilitate the acquisition of the title deeds and carry out valuation of all TBZ properties. - Identify and return all viable TBZ infrastructure by June 2018. -Disposal of all non-viable properties. - Maintain infrastructure in a good condition for effective implementation of TBZ operation. - Develop an infrastructure maintenance policy by June 2017. -Recruit an officer responsible for real estate management

The following were observed:

- **Failure to Secure 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, as at 30th September 2021, management had not secured title deeds on parcels of land on which seventy five (75) properties valued at K43,920,850 were located across the country.

- **Failure to Develop an Infrastructure Maintenance Policy**

  The Board intended to develop an infrastructure maintenance policy by June 2017 so as to keep the properties in good condition for effective implementation of TBZ operations.

However, as at 30th September 2021, TBZ had not developed the policy four (4) years after the target date and three (3) months before the end of the strategic plan period.

Consequently, an inspection of selected assets carried out in June 2021 revealed that the assets were in a dilapidated state due to non-maintenance as shown in the pictures below.

Figure 18.1: Dilapidated Structures in Chipata and Sinda Districts

Further, TBZ planned to rent out tobacco related assets throughout the country that were not on rent as part of the target to grow income by at least 2% each year. However, several properties could not be rented out because they were either incomplete or poorly maintained. See pictures below.

Figure 18.2: Dilapidated Office Block in Choma District and Incomplete Shed in Lundazi District

As at 31st August 2021, TBZ had a total of eighty three (83) properties out of which seventy (70) were idle resulting in failure to collect more revenue.

ii. Sale of Houses to Sitting Tenants who are Non-employees of TBZ

On 4th May 2017, TBZ entered into a consent judgement with seven (7) sitting tenants in respect of a court matter which commenced in 2011 relating to the sale of TBZ houses. In this regard, on 30th August 2018, the Minister of Agriculture authorised the sale of the seven (7) housing units in line with the Government Sale of House Handbook.

The consent judgement was subsequently adjudged in the Lusaka High Court on 3rd December 2019. The plaintiffs were offered the respective properties that they occupied at the prices shown in table 18.8 below.

Table 18.8: TBZ Houses Offered to Sitting Tenants

No.	Location	Amount K
1	Flat No. 1 Kaleya Flats - Roma	464,000
2	Flat No. 2 Virginia Flats NIPA Area	880,000
3	Flat No. 4 Kaleya Flats - Roma	464,000
4	Flat No. 3 Kaleya Flats - Roma	464,000
5	Flat No. 5 Kaleya Flats - Roma	464,000
6	Flat No. 6 Kaleya Flats - Roma	464,000
7	Flat No. 3 Virginia Flats NIPA Area	880,000
Total		**4,080,000**

The following were observed:

- **Failure to Collect Rental Arrears**

  Clause No. (4) of the consent judgement states that, "The plaintiff shall pay off all the arrears aforementioned in six (6) equal monthly instalments as follows:

  ✓ 30th November 2019 – First Instalment
  ✓ 30th December 2019 – Second Instalment
  ✓ 30th January 2020 – Third Instalment
  ✓ 28th February 2020 – Fourth Instalment
  ✓ 31st March 2020 – Fifth Instalment
  ✓ 30th April 2020 – Sixth Instalment."

  Further, Clause No. 5 states that, "During the months that the rental arrears remain outstanding, the plaintiff shall also accrue, during these months, rentals for occupation and these rentals shall be paid before the end of six (6) months from 30th November 2019 without fail. Where a plaintiff fails or neglects to pay rentals in accordance with this clause, that plaintiff forfeits the offer for purchase of the premises they occupy and shall immediately vacate the premises. The Defendant shall be at liberty to take out a Writ of Possession to remove the affected plaintiff from the premises."

Contrary to the above clauses, the tenant of Flat 5 Kaleya Flats in Roma Township was still owing Tobacco Board of Zambia amounts totalling K26,781 in unpaid rentals as at 31st August 2021, twenty one (21) months after the consent judgment and management had not taken any action against the tenant.

- **Failure to Sign Contract of Sale**

Clause No.6 of the consent judgement states that, "Immediately after a plaintiff would have paid off the accrued rental arrears, the defendant shall proceed to execute the contracts for the sale of the plaintiff's occupied premises to them and that plaintiff shall cease to pay any rentals on the property forthwith as from the date of signing the contract."

Contrary to the Consent Judgment, as at 31st August 2021, TBZ had not signed contracts of sale with six (6) former sitting tenants who had paid amounts totalling K1,077,826 out of K3,616,000 leaving a balance of K2,538,174. See table 18.9 below.

Table 18.9: Amounts Paid by Former Sitting Tenants

No.	Location	Amounts to be paid as per consent Judgement of December 2019 K	Amount Paid since consent Judgment K	Amount outstanding as of August 2021 K
1	Flat No. 1 Kaleya Flats - Roma	464,000	1,975	462,025
2	Flat No. 2 Virginia Flats NIPA Area	880,000	138,000	742,000
3	Flat No. 4 Kaleya Flats - Roma	464,000	250,000	214,000
4	Flat No. 3 Kaleya Flats - Roma	464,000	175,000	289,000
5	Flat No. 3 Virgnia Flats - Nipa	880,000	502,851	377,149
6	Flat No. 6 Kaleya Flats - Roma	464,000	10,000	454,000
		3,616,000	**1,077,826**	**2,538,174**

h. Staff Related Matters

i. Failure to Remit Statutory Contributions

As at 31st December 2020, the Board owed amounts totalling K5,223,552 to the Zambia Revenue Authority (K3,926,871) and National Pension Scheme Authority (K1,296,681) in respect of taxes and pension contributions respectively. In addition, the Board owed amounts totalling K3,368,447 to its private pension scheme.

As at 30th September 2021, the outstanding amounts for the statutory contributions and private pension had not been paid.

ii. Failure to Implement Government Policy on Procuring and Sale of Personal to Holder 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 services in line with the circular in view of the economic and fiscal challenges that the country was facing.

However, TBZ did not align the conditions of service of its employees to the Government policy on procurement and sale of personal to holder vehicles. In this regard, between January 2017 and November 2020 management procured three (3) motor vehicles for the Chief Executive Officer, Chief Financial Officer and Chief Operations Officer as Personal to Holder motor vehicles in line with their contracts signed in 2017 and 2018 at a total cost of K2,162,402. Subsequently, TBZ sold two (2) personal to holder vehicles at sale prices totalling K257,372 in June and December 2020 to the Chief Operations Officer and Chief Executive Officer respectively contrary to the Cabinet Office Circular.

19 ZAMBIA AIRPORTS CORPORATION LIMITED

19.1 Background

a. Establishment

The Zambia Airports Corporation Limited (ZACL) was established on 29th March 1989 as the National Airports Corporation under the Aviation (Amendment) Act No. 16 of 1989. In September 1989, it was incorporated under the Companies Act and commenced operations as a subsidiary of the Zambia Industrial Mining Corporation (ZIMCO). Zambia Airport Corporation Limited took over the operations of the Department of Civil Aviation (DCA) at Lusaka, Livingstone, Ndola and Mfuwe International Airports which included providing air traffic control services, aircraft services, security at the designated airports and terminal facilities for passengers and cargo and maintaining navigational and telecommunication equipment countrywide.

The Corporation's mandate was expanded to include eleven (11) aerodromes namely: Chipata, Solwezi, Mansa, Kasama, Chinsali, Mongu, Choma, Southdowns (Kitwe), Kasaba Bay (Mpulungu) and Mbala following the issuance of Statutory Instrument No. 13 of 2018 by the Ministry of Transport and Communications.

The Corporation is wholly owned by the Government and falls under the portfolio of the Ministry of Transport and Logistics.

b. Governance

The Zambia Airports Corporation Limited (ZACL) is governed by a nine (9) member Board of Directors appointed by the Minister of Transport and Logistics on three (3) year renewable terms. The Board Chairperson and Vice Chairperson are elected by the Board amongst its members.

c. Management

The operations of ZACL is the responsibility of the Managing Director who is assisted by the Corporation Secretary and six (6) directors in charge of Strategy and Corporation Planning, Finance, Human Resources, Airport Services, Air Navigation Services and Commercial Services. The Managing Director, Corporation Secretary, Directors and

Managers are appointed on three (3) year renewable contracts while the rest of the staff are appointed on permanent and pensionable basis.

d. Sources of Income

The Corporation generates income from aviation and non-aviation sources which include over flight, landing and navigational fees and passenger service charges, government grants and ground handling fees.

19.2 Audit Findings

An examination of financial and other records for the financial years ended 31st December 2018, 2019 and 2020 and physical inspections of selected stations revealed the following.

a. Budget and Income

During the period under review, the Corporation generated revenue amounting to K1,355,968,803 against a budget of K1,114,298,503 resulting in a positive variance of K241,670,300 as shown in table 19.1 below.

Table 19.1: Budget vs. Income

Year	Budget K	Actual K	Variance K
2018	402,398,411	496,926,326	94,527,915
2019	438,037,445	589,305,998	151,268,553
2020	273,862,647	269,736,479	(4,126,168)
Total	**1,114,298,503**	**1,355,968,803**	**241,670,300**

b. Financial Analysis

i. Financial Performance - Statement of Comprehensive Income

The ZACL Statements of Profit or Loss and Other Comprehensive Income for the financial years ended 31st December 2018, 2019 and 2020 were as shown in table 19.2 below.

Table 19.2: Statement of Profit or Loss and Other Comprehensive Income

Details	2020 K	2019 K	2018 K
Revenue	269,736,479	589,305,998	496,926,326
Expenditure			
Depreciation	81,061,871	47,180,636	45,076,144
Employee costs	294,953,577	278,625,717	218,762,899
Other operating expenses	176,306,664	188,372,949	195,707,409
Total expenditure	**552,322,112**	**514,179,302**	**459,546,452**
	(282,585,633)	**75,126,696**	**37,379,874**
Other income	30,118,301	35,059,585	44,209,708
Profit from operations	(252,467,332)	110,186,281	81,589,582
Net exchange gains		-	-
Finance income and costs	(2,536,550)	22,049,395	2,038,486
Loss on disposal	(235,742)	-	-
Profit before tax	(255,239,624)	132,235,676	83,628,068
Income tax expense	13,457,743	(12,522,019)	(3,217,930)
Profit for the year	(241,781,881)	119,713,657	80,410,138
Other comprehensive income	-	-	-
Total comprehensive income	(241,781,881)	119,713,657	80,410,138

Source: Zambia Airports Corporation Limited financial Statement for 2018, 2019 and 2020

- **Revenue Decline**

  As can be seen from the table above, revenue declined by K227,189,847 in 2020 to K269,736,479 from K496,926,326 in 2018. The decline in revenues was as a result of major revenue streams such as over flight, landing and navigation fees recording significant reductions in the year 2020.

- **Net Profit Margin Ratio**

  The Net Profit Margin of an entity measures the amount of revenue and other income it retains after all its expenses are deducted. An analysis of the net profit margin ratio for the period under review revealed that it reduced from 16% in 2018 to negative 90% in 2020.

The negative percentage in 2020 was attributed to significant decline in revenue whilst expenses remained relatively constant at 2018 and 2019 levels as can be seen in table 19.2 above and table 19.3 below.

Table 19.3: Net Profit Margin

Net Margin Ratio =((Profit for the year) / (Revenue)) x 100			
	2020	**2019**	**2018**
Profit for the year (K)	(241,781,881)	119,713,657	80,410,138
Revenue (K)	269,736,479	589,305,998	496,926,326
Net Profit Margin %	**(90)**	**20**	**16**

- **Operating Expenses as a Percentage of Revenue**

  According to ZACL strategic performance scorecard for the year 2018, management had set a target for operating costs to be below 73% of total revenue. An analysis of the Statement of Profit or Loss and Other Comprehensive Income revealed that the Corporation failed to meet the set targets as the operating expenses were 92% of revenue in 2018 and rose to 205% in 2020 as shown in table 19.4 below.

Table 19.4: Expenses vs. Revenue

Operating Expenses as a Percentage of Revenue = ((Operating Expenses) / (Revenue)) x 100			
	2020	**2019**	**2018**
Operating Expenses (K)	552,322,112	514,179,302	459,546,452
Revenue (K)	269,736,479	589,305,998	496,926,326
Operating Expenses to Revenue (%)	**205**	**87**	**92**

ii. Statement of Financial Position

The ZACL Statements of Financial Position for the financial years ended 31st December 2018, 2019 and 2020 were as shown in table 19.5 below.

Table 19.5: Statements of Financial Position

Details	2020 K	2019 K	2018 K
Non- Current Assets			
Property, plant and equipment	8,106,666,876	785,669,461	759,692,033
Right -of-use assets	8,580,036	13,020,711	-
Financial assets	3,645,912	3,645,912	3,120,439
Deffered tax asset	14,162,448	-	-
	8,133,055,272	**802,336,084**	**762,812,472**
Current Assets			
Inventories	4,060,721	4,963,670	3,893,658
Tax recoverable	-	-	9,902,865
Trade and other receivables	102,781,249	154,302,252	132,122,743
Fincial assets at amortised cost	8,376,514	25,924,502	19,570,091
Financial assets at fair value through profit or loss	2,611,158	3,386,571	1,792,671
cash and cash equivalents	48,990,695	90,093,439	41,556,765
	166,820,337	**278,670,434**	**208,838,793**
Total assets	**8,299,875,609**	**1,081,006,518**	**971,651,265**
Equity and Liabilities			
Share capital	16,458,500	16,458,500	16,458,500
Amount received pending allotment	13,928,678	13,928,678	13,928,678
Revaluation reserves	7,529,129,567	217,512,762	222,477,324
Accumulated profit(losses)	43,486,904	277,628,305	155,274,168
	7,603,003,649	**525,528,245**	**408,138,670**
Non-current liabilities			
Capital grants	233,085,566	251,272,115	269,732,172
Long-term loans	208,291,688	96,124,928	88,097,122
Deferred income tax	-	6,391,949	16,713,345
Obligations under finance leases	7,118,308	4,848,773	6,989,174
Deferred liability	80,215,363	78,683,965	73,986,653
	528,710,925	**437,321,730**	**455,518,466**
Current Liabilities			
Short term portion of long-term loans	81,893,239	51,148,336	26,800,324
Obligations under finance leases	-	6,927,762	6,569,160
Trade and other payables	69,721,347	45,499,301	66,422,313
Income tax payables	11,970,220	7,383,685	-
Bank overdraft	76,229	11,724	21,343
Deferred liability	4,500,000	7,185,735	8,180,989
	168,161,035	**118,156,543**	**107,994,129**
Total Equity and Liabilities	**8,299,875,609**	**1,081,006,518**	**971,651,265**

Source: Zambia Airports Corporation Limited financial Statement for 2018, 2019 and 2020

The following were observed:

- **Trade Receivable Days**

  The trade receivable days measures how much time it takes for trade debtors to settle their bills. A higher ratio may suggest major flaws in debt collection or financial difficulties being encountered by customers.

  According to the ZACL Credit Policy, the average credit period for receivables is 30 days. However, it was observed that during the period under review, the trade receivable days ranged from 96 to 302 days which was higher than the company's policy. See table 19.6 below.

Table 19.6: Receivable Days

Trade Receivable Days = (Trade receivables) / (Revenue) x365 days			
	2020	**2019**	**2018**
Trade Receivables (K)	222,924,016	154,302,252	173,270,346
Revenue (K)	269,736,479	589,305,998	496,926,326
Receivable Turnover (days)	**302**	**96**	**127**

Figures for trade receivables for 2020 have not been adjusted for provisions for bad debt and other receivable.

- **Failure to Charge Interest on Outstanding Debtors**

  ZACL entered into tenancy agreements with several companies for renting of office space and utilisation of runways.

  Clause 2 (I) of the lease agreements states that, "The tenant hereby covenants with the landlord to pay all monies due and payable under clause 1 and at the times and in the manner set out in clause 1 aforementioned: provided always that if the tenant should fail to do so, the tenant shall in addition be liable to pay interest on all unpaid sums due at the current/prevailing Zanaco PLC lending rate which sums become due 15 days after presentation of invoices; and the landlord shall be entitled to appropriate any part payment made by the tenant towards the satisfaction of such sums to the discharge of any interest payable hereunder in the first instance and if the tenant should make such a part payment it shall be deemed to have opted to pay the unpaid sums due by instalments."

Contrary to tenancy agreements, the Corporation failed to collect rentals in amounts totalling K169,924,190.25 as at 31st December 2020, some of which had been outstanding from as far back as 2012.

As at 31st March 2021, management had not calculated interest due on outstanding amounts.

- **Return on Capital Employed**

  Return on Capital Employed (ROCE) is a measure of the returns that a business achieves from the capital employed.

  In Zambia, the Bank of Zambia (BOZ) average interest rate is normally used as a benchmark for determining whether an entity's ROCE was favourable or not. Table 19.7 below shows the ROCE for the period under review.

Table 19.7: ROCE

ROCE =Profit before interest and tax /Capital employed x 100			
	2020	**2019**	**2018**
PBIT (K)	(255,239,624)	132,235,676	83,628,068
Capital Employed (K)	8,131,714,574	962,849,975	863,657,136
ROCE	-3%	14%	10%
BOZ interest rates	9.90%	10.25%	9.75%

During the period under review, the Corporation's ROCE was above the BOZ benchmark except in 2020 when the ratio deteriorated to negative 3% as can be seen in the table above.

c. Operational Matters

i. Weaknesses in Key Performance Indicators

During the period under review, the Board set several Key Performance Indicators (KPI) for management as shown in table 19.8 below.

Table 19.8: Key Performance Indicators

No.	Performance Indicator	Target	Actual	Achieved
	2020			
1	Collect at least 30% of total Kwacha denominated static debt as at December 2019 (K17.6 million) by end of December 2020	Collect 30% of US$17.6million of debt (US$5.28million)	US$4.02million collected	76%
2	Collect at least 30% of total US dollar denominated static debt as at December 2019 (U$6.22 million) by end of December 2020	Collect US$6.22million debt	US$524,907 was collected	8.0%
3	Finalise lettable space KKIA shopping mall	Atleast 30% space should be let out	0% tenancy agreements achieved	0%
4	Ensure timely collection of debt	60% debt aged below 120 days	29% was aged below 120 days	48%
5	Finalise lettable space at KKIA new terminal	Achieve 80% lettable space	37% achieved	46%
6	Achieve revised budget PBT	Maintain projected loss to below K193.2million	Actual loss incurred was K221.8million	-15%
7	Approved Sucession Plan for key positions	100% by December 2020	Not achieved at year end	0%
	2019			
1	Revenue (Non Aeronautical)	K634million	K613.3million	97%
2	Revenue (Aeronautical)	K584.5million	K558.1million	95%
3	Mandatory training	100% by year end	59%	59%
4	Recurrent training	54 courses	41 courses	76%
	2018			
1	Construction of perimeter fences at HMNIA	100%	58%	58%

As can be seen in the table above, the Corporation failed to achieve the set KPIs in 2020, 2019 and 2018. In particular, the Corporation failed to achieve significant progress in collecting and managing its receivables and meeting revenue targets.

ii. Construction of Gabion Mattress Wall and Replacement of Vandalised Fence-Solwezi Airport

On 27th December 2019, the Zambia Airports Corporation limited engaged Brick World Zambia Limited for the construction of a gabion mattress wall and replacement of a vandalised fence at Solwezi Airport at a contract price of K3,439,854.08 with a duration of twelve (12) weeks.

The scope of works included earthworks, erection of 8km of razor wire fence and construction of a gabion mattress wall.

The contractor took possession of the site on 3rd February 2020 and works were to be completed on 5th May 2020. As at 31st January 2021, the contractor had been paid amounts totalling K2,313,483.19 representing 67% of the contract sum.

A scrutiny of documents and physical inspection conducted in March 2021 revealed the following:

- **Failure to Complete Works**
    - **Earth Works and Construction of a Gabion Mattress Wall**

      Works done included grading of access roads to the depression. However, works costing K1,078,953 were still outstanding ten (10) months after expected completion date. See table 19.9 below.

Table 19.9: Outstanding Works

No.	Description	Qty	Unit	Rate K	Amount K
1	**Earth Works**				
	Cut vertical gulley walls	2000	m	46	92,000
	Import and compact fill materials	4000	m	155	620,000
2	**Erosion control**				-
	Haul gabion matress from pit to site	450	m	67	30,150
	Material cost for crushed rock	742.5	ton	193	143,303
	Construct gabion matress 300mm thick	1500	m	129	193,500
	Total				**1,078,953**

A visit to the site revealed that works on the gulley had not been executed and the contractor was not on site. See picture below.

Figure 19.1 : Gulley without Gabion Walls

Although management submitted that the contractor was instructed to suspend the works pending re-scoping, there was no documentary evidence availed for verification.

- **Flat Razor Wire (Security Fence)**

  The contractor had erected 7kms out of the 8kms of the razor wire fence leaving works costing K217,550 outstanding as shown in 19.10 table below.

Table 19.10: Outstanding works

No.	Description	BOQ Qty	Qty done	Variance	Unit	Rate K	Amount K
1	Allow fence line clearence 5m wide	40,000	35,000	5,000	m	3	15,000
2	2.24mm staining wire 4 strands	32,000	28,000	4,000	m	1.31	5,240
3	Four flat 500mm loops of razor wire	32,000	28,000	4,000	m	37	148,000
4	One 450mm concertina razor wire	8,000	7,000	1,000	m	48	48,000
5	Tying wire 2mm	8,000	7,000	1,000	m	1.31	1,310
	Total						**217,550**

d. Staff Matters

i. Irregular Payment of Salaries in Advance

On 30th June 2019, contracts for former Directors of Finance and Air Navigation Services were terminated and their positions immediately filled.

However, on 19th July 2019 ZACL paid amounts totalling K1,142,402 to the former directors (Finance K584,884 and Air Navigation Services K 557,518) as salaries in advance on cessation of employment before the end of their contracts.

A review of the Zambia Airports Corporation Limited ‘s terms and conditions of service and contacts for the former directors revealed that there was no provision for payment of salaries in advance on cessation of employment before expiry of the contract period. Therefore, the payments were irregular.

Further, an amount of K32,134 was paid on 8th April 2020 to the former Director of Finance after he claimed an underpayment of the salary in advance on cessation of employment, basing the claim on an upward adjustment of the salary of the incumbent Director of Finance. The payment which was for the month of January 2020, was made six (6) months after cessation of employment.

As at 31st March 2021, management had not provided reasons for termination of the contracts.

ii. Failure to Deduct Pay As You Earn

The Income Tax Act Chapter 323 of Laws of Zambia requires that Pay As You Earn (PAYE) be deducted from employees' emoluments and be remitted to the Zambia Revenue Authority (ZRA).

Contrary to the Act, ZACL did not deduct PAYE in amounts totalling K428,288 in respect of emoluments amounting to K1,142,102paid to the former Directors of Finance and Air Navigation Services.

20 ZAMBIA DAILY MAIL LIMITED

20.1 Background

a. Establishment

The Zambia Daily Mail Limited (ZDML) is a newspaper publishing company incorporated in 1978 and is wholly owned by the Government through the Industrial Development Corporation (IDC).

b. Governance

Zambia Daily Mail Limited is governed by a Board of Directors comprising seven (7) members including the Permanent Secretary responsible for sector policy, not more than five (5) persons appointed from the private sector and the Managing Director.

The Board members are appointed by the Industrial Development Corporation on three (3) year renewable terms.

c. Management

The Managing Director is responsible for the operations of the company and is assisted by the Deputy Managing Director, Directors of Finance, Human Resources and Administration, Commercial and Marketing, Chief Internal Auditor and Company Secretary.

d. Sources of Funds

The sources of funds for the company include daily sales of newspapers, publishing of media advertisements, provision of printing services and grants from the Government.

e. Information and Communication Technology Systems

During the period under review, Zambia Daily Mail Limited operated several Information and Communication Technology Systems which included;

i. Sage Pastel Evolution-used for accounting and enterprise resource management,
ii. Adobe creative suite-used for desktop publication and graphic design,
iii. CorelDraw-used for editing graphics, and
iv. E-paper platform- an online newspaper version accessed on mobile device and Personal Computer.

20.2 Audit Findings

An examination of financial and other records for the financial years ended 31st December 2018, 2019 and 2020 and physical inspections of selected stations revealed the following.

a. Budget and Income

During the period under review, the company raised revenue in amounts totalling K243,567,112 against a budget of K235,926,599 resulting in a positive variance of K7,640,513 as shown in table 20.1 below.

Table 20.1: Budget vs. Income

No.	Year	Budget K	Income K	Variance K
1	2020	85,239,315	79,978,464	(5,260,851)
2	2019	76,104,000	80,094,676	3,990,676
3	2018	74,583,284	83,493,972	8,910,688
	Total	**235,926,599**	**243,567,112**	**7,640,513**

b. Information and Communications Technology Systems – Lack of Service Level Agreements

A Service Level Agreement (SLA) is an agreement between a service provider and customer(s)/user(s) that defines the minimum performance targets for a service and how they would be measured. SLAs formalise the needs and expectations of the organisation and those of the service provider thereby minimising potential misunderstandings.

However, ZDML incurred expenses in amounts totalling K1,245,202 during the period under review on payments to ZAMNET and Liquid Telecom for provision of internet services without Service Level Agreements.

As at 31st August 2021, ZDML did not have SLAs with these companies.

c. Financial Analysis

i. Statements of Comprehensive Income

The Statements of Comprehensive Income for the financial years ended 31st December 2018, 2019 and 2020 were as shown in table 20.2 below.

Table 20.2: Statement of Comprehensive Income

Details	2020 K	2019 K	2018 K
Income:			
Revenue	79,978,464	80,094,676	83,493,972
Cost of sale	(51,028,753)	(47,959,124)	(44,762,254)
Gross Profit	**28,949,711**	**32,135,552**	**38,731,718**
Other operating income	1,674,456	1,884,498	1,635,188
Other operating expenses	(33,828,534)	(36,030,900)	(44,787,118)
Operating loss	**(3,204,367)**	**(2,010,850)**	**(4,420,212)**
Investment income	568,761	331,014	502,370
Finance cost	(1,238,891)	(280,831)	(486,882)
Loss before taxation	**(3,874,497)**	**(1,960,667)**	**(4,404,724)**
Taxation	(8,671,203)	(7,123,279)	(6,134,532)
Profit (Loss) for the year	**(12,545,700)**	**(9,083,946)**	**(10,539,256)**

Source: Zambia Daily Mail Limited financial Statement for 2018, 2019 and 2020

- **Gross Profit Margin Ratio**

The Gross Profit Margin measures how much of an entity's turnover is retained after all its cost of sales are deducted. An analysis of the gross profit margins for the period under review revealed declining margins as shown in the table 20.3 below.

Table 20.3: Gross Profit Margin

	2020	2019	2018
Turnover (K)	79,978,464	80,094,676	83,493,972
Gross Profit for the year (K)	28,949,711	32,135,552	38,731,718
Gross Profit Margin (%)	36	40	46

As can be seen from the table above, the company's gross profit reduced by K9,782,007 from K38,731,718 in 2018 to K28,949,711 in 2020 resulting in a reduction in Gross Profit Margin from 46% in 2018 to 36% in 2020.

- **Failure to Attain Break -Even Net Profit Target**

  The IDC had given performance contract deliverables to the Board of Zambia Daily Mail of attaining a minimum break-even net profit for the financial years 2018, 2019 and 2020.

  However, the company made losses during the period under review which increased by K2,006,444 from K10,539,256 in 2018 to K12,545,700 in 2020. In the same period, its turnover decreased by K3,515,508 from K83,493,972 in 2018 to K79,978,464 in 2020.

ii. Statement of Financial Position

The Statements of Financial Position as at 31st December 2018, 2019 and 2020 were as shown in table 20.4 below.

Table 20.4: Statement of Financial Position

Details	2020 K	2019 K	2018 K
ASSETS			
Non - current assets			
Property, plant and equipment	56,864,379	57,552,334	53,603,596
Deferred tax	28,216,802	19,266,541	9,077,373
	85,081,181	**76,818,875**	**62,680,969**
Current assets			
Inventories	5,285,502	3,866,934	2,199,853
Trade and other receivables	37,860,630	35,419,007	33,862,064
Other financial assets	1,500,000	2,250,000	-
Prepayments	457,833	903,714	562,546
Cash and cash equivalents	4,003,998	2,731,959	7,698,816
	49,107,963	**45,171,614**	**44,323,279**
Total assets	**134,189,144**	**121,990,489**	**107,004,248**
EQUITY AND LIABILITY			
Equity	25,000	25,000	25,000
Share capital	31,059,370	20,303,725	(1,091,092)
Retained income	(117,913,666)	(105,367,966)	(94,255,748)
	(86,829,296)	**(85,039,241)**	**(95,321,840)**
Non Current liabilities			
Loans from shareholders	2,000,000	-	-
Retirement benefit obligation	41,710,984	48,070,946	49,292,000
	43,710,984	**48,070,946**	**49,292,000**
Current liabilities			
Trade and other payables	167,871,306	152,031,329	145,358,821
Loans from shareholders	2,500,000	-	-
Deferred income	1,722,180	1,722,180	1,767,903
Current tax payable	2,759,593	2,759,593	2,849,915
Provisions	1,986,997	2,169,979	2,250,000
Borrowing	-	-	602,402
Bank Overdraft	467,380	275,703	205,047
	177,307,456	**158,958,784**	**153,034,088**
Total equity and liabilities	**134,189,144**	**121,990,489**	**107,004,248**

Source: Zambia Daily Mail Limited financial Statement for 2018, 2019 and 2020

The following were observed:

- **Liquidity Position**

  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:

  - **Deteriorating 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.

    The IDC gave the Board of Zambia Daily Mail Limited a performance contract of maintaining the current ratio at a minimum of 0.5:1.

    However, the company's current ratio for the three (3) financial years under review remained below the IDC target ratio as shown in table 20.5 below.

Table 20.5: Current Ratio

	2020 K	2019 K	2018 K
Current Assets	49,107,963	45,171,614	44,323,279
Current Liabilities	177,307,456	158,958,784	153,034,088
Current ratio	0.28:1	0.28:1	0.3:1

As can be seen from the table above, the current liabilities increased by 16% from K153,034,088 in 2018 to K177,307,456 in 2020 while the current assets increased only by 11% from K44,323,279 in 2018 to K49,107,963 in 2020. The increase in liabilities was attributed to outstanding statutory obligations which increased from K134,833,898 in 2018 to K157,383,277 in 2020.

  - **Insufficient 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. However, the working capital of the company deteriorated from negative K108,710,809 in 2018 to negative K128,199,493 in 2020. See table 20.6 below.

Table 20.6: Working Capital

Working Capital	2020 K	2019 K	2018 K
Current Assets	49,107,963	45,171,614	44,323,279
Current Liabilities	177,307,456	158,958,784	153,034,088
Working Capital	**(128,199,493)**	**(113,787,170)**	**(108,710,809)**

- **Poor Debt Management**

  A scrutiny of the company customers' age analysis revealed that the company was owed amounts totalling K54,215,428 as at 31st December 2020. In addition, it was observed that amounts totalling K53,700,789 which represented 99% of the total receivables had been outstanding from as far back as May 2020. It was further observed that of the K54,215,428 outstanding debt, Government Ministries and Departments collectively owed Zambia Daily Mail Limited a total of K9,560,517 representing 18% of the debt outstanding. See table 20.7 below.

Table 20.7: Debt age analysis as at 31st December 2020

180 Days	150 Days	120 Days	90 Days	60 Days	30 Days	Below 30 days	Balance	GRZ
K'm	K'm	K'm	K'm	K'm	K'm	K'm	K'm	K'm
53.70	1.90	1.00	(3.10)	2.30	1.60	(3.20)	54.20	9.60

- **Failure to meet Circulation Target**

  According to the performance based contract between the Industrial Development Corporation and the Board of Zambia Daily Mail Limited, the circulation growth target was agreed at 3.5% per year. However, Zambia Daily Mail Limited posted circulation growth below the set target as indicated in table 20.8 below.

Table 20.8: Circulation Growth

Year	2020	2019	2018	2017
No of copies sold	1,855,635	2,376,271	2,365,665	2,771,383
Circulation growth %	-22	0.4	-15	19

d. Operational Matters

i. Failure to Reconcile Unsold Copies of Newspapers

According to production and circulation reports obtained from the Production and Commercial Departments, Zambia Daily Mail Limited produced a total of 9,357,881 copies of newspapers with an expected revenue of K79,541,989 out of which 6,597,571 copies valued at K56,079,354 were sold resulting in a shortfall of 2,760,310 copies valued at K23,462,635 unaccounted for.

In response, management indicated that the unsold copies were disposed of and some given out as free copies to staff and certain organisations and institutions.

However, as at 30th September 2021, no records such as verification reports, sales reports and reconciliation reports were availed for audit to support the disposal of the unsold copies. Details are as shown in table 20.9 below.

Table 20.9: Production and Sales Analysis

Year	2020	2019	2018	Total
Copies produced	2,617,935	3,107,507	3,632,439	9,357,881
Sold copies	1,855,635	2,376,271	2,365,665	6,597,571
Unaccounted for copies	762,300	731,236	1,266,774	2,760,310
Price per copy (K)	8.5	8.5	8.5	
Value of unaccounted for copies (K)	6,479,550	6,215,506	10,767,579	23,462,635
Expected revenue(K)	22,252,448	26,413,810	30,875,732	79,541,989
Actual revenue (K)	15,772,898	20,198,304	20,108,153	56,079,354
Revenue variance (K)	(6,479,550)	(6,215,506)	(10,767,579)	(23,462,635)

ii. Failure to Implement Board Directive

On 1st October 2018, Zambia Daily Mail Limited entered into a contract for the provision of courier services to Daily Nation Newspapers Limited on two routes namely; Lusaka to Livingstone and Lusaka to Kitwe for a charge of K600 per day per route.

However, the Board at its Special Meeting held on 4th December 2018 noted that the contract was entered into without its approval and directed management not to renew it upon expiry on 31st December 2018 due to conflict of interest as Daily Nation Newspaper Limited was a competitor.

Contrary to the Board's directive, management renewed the contract on 24th January 2020 at a charge of K600 per day per route.

As at 30th September 2021, management had not implemented the directive of the Board as the contract with Daily Nation Newspapers Limited was still running.

e. Procurement Matters

i. Simply Black Advertising and Consulting Services

On 17th July 2018, Zambia Daily Mail Limited (Contractor) entered into a contract with Simply Black Advertising & Consulting Services (Client) for publishing of adverts in the Zambia Daily Mail Newspapers (print placements) at a contract sum US$630,000 and US$62,000 for publishing adverts on Zambia Daily Mail Limited web site (online advertising) for a duration of two (2) years.

The client agreed to make the following payments:

- ✓ An upfront payment of US$157,500 and US$15,500 towards print and online advertising respectively;
- ✓ A part payment of US$157,500 and US$15,500 towards print and online advertising respectively to be settled by 30th October 2018;
- ✓ A part payment of US$157,500 and US$15,500 towards print and online advertising respectively to be settled by 30th June 2019; and
- ✓ A part payment of US$157,500 and US$15,500 towards print and online advertising respectively to be settled by 30th October 2019.

The following were observed:

- The invoices for print advertisements were discounted at 60% of the advertising tariff. During the Special Board meeting held on 21st April 2018, the Board directed management to reduce the proposed discount as the Credit Policy provides for a maximum discount of 30%. However, the contract was finalised at a discount of 60% for print advertisement invoices.
- As at 30th June 2021 amounts totalling US$ 598,370 had been received from the client against an expected revenue inflow of US$630,000 (print placements) and US$62,000 (online advertisements) as stipulated in the contract.

- As at 30th June 2021, Simply Black Advertising was owing K1,323,644.80 (US$63,030.70) contrary to the terms of the contract which provided for final settlement of print advertising and online advertising by 30th October 2019.

f. Accounting Irregularities

i. Lack of Fraud Prevention Policy

Certified Fraud Examiners manual issued by Association of Certified Fraud Examiners (ACFE) guides that one of the elements of an overall fraud prevention programme is a written Fraud Policy that specifically spells out who in an organisation handles varying fraud matters under differing circumstances.

However, ZDML did not have a fraud policy that sets guidance on deterrence and detection of fraud as at 30th September 2021. Consequently, Internal Audit Reports for the period under review revealed instances of fraud at the Head Office, Kabwe and Kasama Offices in which the company lost amounts totalling K122,545 as shown in table 20.10 below.

Table 20.10: Stations with Fraud Cases

No.	Station	Individual involved	Period	Amount K
1	Kasama	Agent	2020	62,079
	Kasama	Agent	2018	27,859
2	Kabwe	Driver	2019	27,707
3	Head Office	Cashier	2019	4,900
	Total			**122,545**

ii. Failure to Settle Statutory Obligations

As at 31st May 2021, the company owed amounts totalling K166,508,460 to National Pension Scheme Authority (NAPSA-K3,443,156) and Zambia Revenue Authority (ZRA-K163,065,304) in respect of pension contributions and taxes respectively.

g. Staff Related Matters

i. Delayed Remittance of Pension Contributions

During the period under review ZDML had a Defined Contribution Pension Scheme for its employees which was administered on its behalf by a private insurance company.

According to Paragraph 4 (i) of the Defined Contribution Pension Scheme Rules, the employer was required to make contributions equal to 10% of the employee's monthly basic salary.

In this regard, Zambia Daily Mail was to contribute amounts totalling K14,507,846 for the financial years 2019 and 2020 to the scheme.

However, Zambia Daily Mail only contributed K1,208,987 for two (2) months leaving a balance of K13,298,859 unremitted as at 31st May 2021.

ii. Overpayment of Education Allowance

Zambia Daily Mail Terms and Conditions of Service for employees in middle management provides for payment of education allowance at a rate of K5,385 gross per term.

Contrary to the Conditions of Service, a review of payroll records revealed that education allowance for thirty one (31) officers in middle management was being paid at a rate of K5,600 instead of K5,385 resulting in an overpayment of K59,985 for the three (3) years under review.

21 ZAMBIA EDUCATIONAL PUBLISHING HOUSE

21.1 Background

a. Establishment

Zambia Educational Publishing House (ZEPH) was established by the Zambia Educational Publishing House (Amendment) Act No.29 of 1992 Chapter 145 of the Laws of Zambia as a statutory body under the Ministry of General Education. ZEPH is charged with the responsibility of publishing, printing and distributing all official textbooks written by the Curriculum Development Centre for the Ministry of Education and all other education requisites for schools throughout Zambia.

b. Governance

ZEPH is governed by a Board of Directors comprising six (6) members namely; the Permanent Secretary in the Ministry of Education (Chairperson), Permanent Secretary in the Ministry of Finance (Deputy Chairperson) and four (4) persons from the private sector appointed by the Minister of Education. The members are appointed on three (3) year renewable terms.

c. Management

The operations of ZEPH is the responsibility of the Managing Director who is the Secretary of the Board and is assisted by seven (7) managers responsible for Finance, Purchasing, Personnel and Administration, Publishing, Works, Marketing and Audit. The management team is appointed by the Board on three (3) year renewable contracts.

d. Source of Funds

The funds of the Publishing House shall consist of;

i. such sums as may be paid to the Publishing House from moneys appropriated by Parliament,

ii. such sums as may be paid to the Publishing House by way of grant or donation, and

iii. such other moneys as may accrue to the Publishing House in the exercise of its powers.

21.2 Audit Findings

An examination of financial and other records for the financial years ended 31st December 2018, 2019 and 2020 maintained at ZEPH revealed the following.

a. Governance

i. Lack of Board of Directors

Section 6 of the ZEPH Act No.29 of 1992 provides for the establishment of the Board of Directors.

Contrary to the Act, ZEPH had no Board as at 31st August 2021 as the term of the last Board expired on 2nd December 2015.

ii. 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, ZEPH operated without a strategic plan. As such, there was no road map to guide the institution or set targets to improve its operations and position in the market. The last strategic plan was for the period 2002 to 2006.

b. Budget and Income

During the period under review, ZEPH had a budget of K176,812,184 against which income in amounts totalling K62,321,838 was received and generated resulting in a negative variance of K114,490,346 as shown in table 21.1 below.

Table 21.1: Budget vs. Income

Year	Budget K	Actual K	Variance K
2020	46,771,778	25,219,846	(21,551,932)
2019	97,041,828	4,841,998	(92,199,830)
2018	32,998,578	32,259,994	(738,584)
Total	**176,812,184**	**62,321,838**	**(114,490,346)**

c. Financial Analysis

i. Statement of Comprehensive Income

The Statements of Comprehensive Income for the financial years ended 31st December 2018, 2019 and 2020 were as shown in table 21.2 below.

Table 21.2: Statement of Comprehensive Income (Unaudited)

Details	2020 K	2019 K	2018 K
Revenue	20,856,144	2,607,227	43,065,660
Cost of Sales	(8,342,458)	(1,042,891)	(17,226,264)
Gross Profit	**12,513,686**	**1,564,336**	**25,839,396**
Other income	3,564,557	3,654,848	3,018,724
	16,078,243	**5,219,184**	**28,858,120**
Operating expense	(17,526,475)	(16,120,245)	(39,658,542)
Loss before interest and tax	**(1,448,232)**	**(10,901,061)**	**(10,800,422)**
Interest	(1,638,194)	(7,342,681)	-
Loss before tax	(3,086,426)	(18,243,742)	(10,800,422)
Income tax expense	-	-	-
(Loss) for the year	**(3,086,426)**	**(18,243,742)**	**(10,800,422)**

Source: Zambia Educational Publishing House financial Statement for 2018, 2019 and 2020

The following were observed:

- **Deteriorating Sales and Subsequent Losses**

  As can be seen from the Statement of Comprehensive Income above, ZEPH's turnover decreased by K22,209,516 from K43,065,660 in 2018 to K20,856,144 in 2020.

  Although there was a reduction in operating expenses by K22,132,067 from K39,658,542 in 2018 to K17,526,475 in 2020, ZEPH posted losses during the period under review.

  It was further observed that ZEPH had a reduced income from contracts of printing and supply of educational materials on behalf of the Ministry of General Education as K664,902 was realised in 2020 compared to K918,102 in 2019.

- **Failure to Meet Operational Targets**

  The annual work plans and budgets had set several operational targets for management to attain. However, management failed to meet its projected sales targets by 98% in 2019 and 50% in 2020 as shown in table 21.3 below.

Table 21.3: Budgeted Revenue Targets vs. Revenue Results

Financial year	Component K	Budget K	Actual K	Difference K	Percentage %
2020	Tenders	30,762,000	19,600,000	(11,162,000)	(36)
	Commercial	3,600,000	1,175,758	(2,424,242)	(67)
	learning materials	8,620,000	664,902	(7,955,098)	(92)
	Total	**42,982,000**	**21,440,660**	**(21,541,340)**	**(50)**
2019	Tenders	153,516,000	-	(153,516,000)	-
	Commercial	1,034,000	1,689,124	655,124	63
	learning materials	15,129,000	918,102	(14,210,898)	(94)
	Total	**169,679,000**	**2,607,226**	**(167,071,774)**	**(98)**

ii. Statement of Financial Position

The Statements of Financial Position as at 31st December 2018, 2019 and 2020 were as shown in the table 21.4 below.

Table 21.4: Statement of Financial Position (Unaudited)

Details	2020 K	2019 K	2018 K
Non Current Assets			
Tangible Assets	47,557,942	50,411,702	58,806,884
Book Development Costs	-	-	-
Total	**47,557,942**	**50,411,702**	**58,806,884**
Current Assets			
Inventories	6,246,785	19,818,450	18,204,106
Trade Receivables	12,845,143	33,328,570	49,718,094
Cash and Bank	2,612,782	359,028	186,661
Total	**21,704,710**	**53,506,048**	**68,108,861**
Total Assets	**69,262,652**	**103,917,750**	**126,915,745**
Capital and Liabilities			
Equity and Reserves			
Capital Grants	22,703,000	22,703,000	22,703,000
Revaluation Reserve	46,289,000	46,289,000	46,289,000
Profit and loss Reserves	(166,844,013)	(156,753,333)	(144,232,603)
Total Equity and Reserves	**(97,852,013)**	**(87,761,333)**	**(75,240,603)**
Current Liabilities			
Trade Creditors		20,367,079	40,927,109
Accruals and Provisions	19,089,671	13,272,551	13,272,551
Total Current Liabilities	**19,089,671**	**33,639,630**	**54,199,660**
Long Term Debt			
DBZ Loan	4,282,838	4,282,838	4,282,838
Provisions	143,742,156	153,756,615	143,673,850
Total	**148,024,994**	**158,039,453**	**147,956,688**
TOTAL EQUITY AND LIABILITIES	**69,262,652**	**103,917,750**	**126,915,745**

Source: Zambia Educational Publishing House financial Statement for 2018, 2019 and 2020

The following were observed:

- **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. The generally acceptable ratio is 2:1.

  During the period under review, the company's current ratios were as shown in table 21.5 below.

Table 21.5: Current Ratio

Details	2020 K	2019 K	2018 K
Total Current Assets	21,704,710	53,506,049	68,108,861
Total Current Liabilities	19,089,671	33,639,630	54,199,661
Current Ratio	1.1: 1	1.6:1	1.3:1

As can be seen from the table above, the entity's current ratio was below the acceptable ratio as it deteriorated from 1.3:1 in 2019 to 1.1:1 in 2020.

- **Outstanding Receivables**

  A review of records revealed that ZEPH did not have a Debt Management Policy as at 31st August 2021. In this regard, the company was owed amounts totalling K12,845,143 by five (5) entities as at 31st December 2020, out of which K12,692,143 was owed by Government institutions as shown in table 21.6 below.

Table 21.6: Uncollected Receivables

No.	Name	Amount K
	Government Debtors	
1	Ministry of General Education	12,470,201
2	Government Printing Department	109,092
3	Zambia Air Force	112,850
		12,692,143
	Other Debtors	
4	Anuprata Investments Ltd (Kitwe Building)	51,000
5	Luwis Enterprises (Kitwe Building)	102,000
		153,000
	Total Debt	**12,845,143**

Out of these receivables, amounts totalling K9,470,201 had been outstanding from as far back as July 2018.

d. Operational Matters - Failure to Publish Material Using the Updated School Curriculum

The Ministry of General Education implemented a new School Curriculum in 2014 (grades 1, 5, 8 and 10), 2015 (grades 2, 6, 9 and 11), 2016 (grades 3, 7 and 12) and 2017 (grade 4).

However, as at 31st August 2021, ZEPH had not published learning materials using the new School Curriculum as it was publishing and selling learning materials based on the old syllabus of the 1990s with the exception of learning materials for grades 6, 9, 10, 11 and 12 and local language books from grades 1 to 4.

The publication of outdated literacy books and learning materials resulted in failure by the company to meet sales target for the period under review of K46,548,000 for this revenue stream as actual revenue was K2,247,906 resulting in a variance of K44,300,094. See table 21.7 below.

Table 21.7: Revenue from Literacy Books and Learning Materials

Detail	Revenue Stream	2020 K	2019 K	2018 K	Total K
Actual Revenue	Literacy books and learning materials	664,902	918,102	664,902	2,247,906
Budgeted Revenue	Literacy books and learning materials	22,799,000	15,129,000	8,620,000	46,548,000
	Variance	**(22,134,098)**	**(14,210,898)**	**(7,955,098)**	**(44,300,094)**

e. Accounting Irregularities

i. Failure to Remit Statutory and Other Obligations

As at 31st December 2020, ZEPH owed amounts totalling K154,178,061 to National Pension Scheme Authority (K154,126,685) and National Health Insurance Management Authority (K51,376) in respect of pension and health insurance contributions respectively.

As at 31st August 2021, the amount had not been paid.

ii. Inadequately Supported Payments

Financial Regulations No.45 and 52 of 2006 stipulates that all payments by cheque or cash for goods, services and works should be supported by cash sales receipts and that vouchers relating to purchases be supported by an official order and suppliers invoices.

Contrary to the regulations, twenty (20) payments in amounts totalling K200,827 processed during the period under review, were not supported with relevant documentation such as receipts, acquittal sheets and contracts.

iii. Unretired Imprest

Financial Regulation No. 96 (1) of 2006 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 K35,240 issued to two (2) officers for the purchase of various items during the period under review had not been retired as at 31st August 2021 and management had not effected recoveries.

iv. Unaccounted for Revenue

Financial Regulation No. 129, provides for collectors of revenue to bring to account daily, the whole amount of their collections.

Contrary to the regulation, amounts totalling K586,867 were generated from sale of books out of which K430,739 was banked resulting in under-banking of K156,128. See table 21.8 below.

21.8: Unaccounted for Revenue

Year	Branch	Amounts Receipted K	Amounts Banked K	Under-Banking K
2018	Lusaka	75,076	75,076	-
2019	Lusaka	169,240	159,416	9,824
2020	Lusaka	86,832	86,832	-
2018	Kabwe	28,101	20,123	7,978
2019	Kabwe	52,314	49,722	2,592
2020	Kabwe	35,398	34,570	828
2018-2020	Chipata	7,905	-	7,905
03.12.2018	Livingstone	6,000	5,000	1,000
2018-2020	Mansa	126,002	-	126,002
Grand Total		**586,867**	**430,739**	**156,128**

Further, part of ZEPH's property in Mansa was leased out for a period of eleven (11) months from January 2019 to November 2019. However, deposits slips for rentals collected in amounts totalling K14,300 were not availed for audit as at 31st August 2021.

In both instances, no cash was found on hand.

v. **Missing Receipt Books**

Financial Regulation No. 10 (n) of 2006 stipulates that the accounting officer shall produce all books and records or accounting documents in the accounting officer's charge when required to do so by the Secretary to the Treasury, the Controlling Officer or the Auditor General.

Contrary to the regulation, a review of register of accountable documents and receipt books availed for audit revealed that two (2) receipt books with receipts ranging from 8001 to 8100 and 8101 to 8200 were not accounted for as at 31st August 2021.

f. Administrative Matters

i. Failure to Secure 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, ZEPH did not secure title deeds for parcels of land on which seven (7) properties valued at K112,385 were located as at 31st August 2021. See table 21.9 below.

Table 21.9: Properties without Title Deeds

No.	Property Description	Location	Net Book Value K
1	Common Building	Independence Avenue Kabwe	31,450
2	Common Building	Limulunga Rd Mongu	10,660
3	Common Building	Independence Way Solwezi	3,533
4	Common Building	Kasama	5,712
5	Common Building	Kuta Way Livingstone	37,800
6	Common Building	Chimpampwe Rd Mansa	3,230
7	Commercial Land	Chipata	20,000
	Total		**112,385**

ii. Poor State of Infrastructure

A physical inspection of properties carried out in Choma and Livingstone in March 2021 revealed a poor state of infrastructure in that the buildings had leaking roofs, damaged ceilings and unpainted walls among others. See pictures below.

Figure 21.1: Damaged Ceiling - Choma and Livingstone Branch

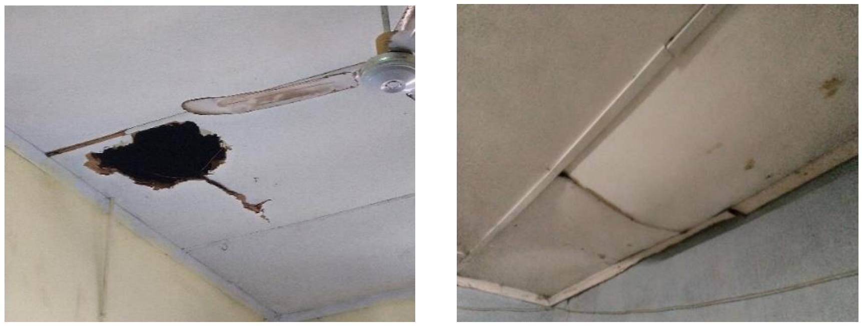

Figure 21.2: Unpainted Building-Choma Branch and Poor State of Unoccupied Manager's Residence-Livingstone

22 ZAMBIA MEDICINE REGULATORY AUTHORITY

22.1 Background

a. Establishment

The Zambia Medicine Regulatory Authority (ZAMRA) was established under the Pharmaceutical Act No.14 of 2004 which was later repealed by the Medicine and Allied Substance Act No. 3 of 2013.

The main functions of ZAMRA include the following:

i. to ensure that medicines and allied substances being made available in Zambia conform to the required standard of safety, quality and efficacy throughout their chain of distribution/supply, sale and use;
ii. grant pharmaceutical licenses and market authorisations;
iii. inspect any permit used for the purpose of manufacturing, distribution, sale, importation of medicine and allied substances;
iv. register and regulate pharmacies, health shops and agro-veterinary shops; and
v. regulate and monitor the conduct of clinical trials.

b. Governance

The Authority is governed by a Board comprising fourteen (14) members who are appointed by the Minister responsible for Health on three (3) year renewable terms as follows:

i. a representative of the Pharmaceutical Society of Zambia;
ii. a representative of the Medical Association of Zambia;
iii. a representative of the Health Professions Council of Zambia;
iv. a representative of the department of pharmacy of a higher education institution;
v. a representative of the school of veterinary medicine of a higher education institution;
vi. a representative of the pharmaceutical industry;
vii. a representative of the Ministry responsible for health;
viii. a representative of the Ministry responsible for commerce;
ix. a representative of the Ministry responsible for veterinary services;

x. a representative of the Ministry responsible for community development;
xi. a representative of the Veterinary Association of Zambia;
xii. a representative of the Attorney-General; and
xiii. two other persons.

The Minister appoints the chairperson of the Board from among the members, and the members elect the vice-chairperson from amongst themselves.

c. Management

The operation of the Authority is the responsibility of the Director General who is assisted by three (3) Directors responsible for Medicine Control, Laboratory Services and Corporate Services. The Director General and Directors are appointed by the Board on a three (3) year renewable contract and on permanent and pensionable terms respectively.

d. Source of Funds

According to Part II section 8(1) of the Act, the funds of the Authority shall consist of such moneys as may;

i. be appropriated to the Authority by Parliament for the purposes of the Authority;
ii. be paid to the Authority by way of fees, grants or donations; and
iii. otherwise vest in or accrue to the Authority.

The Authority may also, subject to the approval of the Minister:

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

22.2 Audit Findings

An examination of financial and other records for the financial year ended 31st December 2020 maintained at ZAMRA headquarters in Lusaka and three (3) regional offices in Chipata, Livingstone and Kitwe revealed the following.

a. Budget and Income

During the period under review, the Authority generated revenue in amounts totalling K103,553,800 from market authorisation fees, import and export permits and licenses against a budget of K101,738,271 resulting in a positive variance of K1,815,529. See table 22.1 below.

Table 22.1: Budget and Income

No.	Source of Income	Budget K	Amount Received K	Variance K
1	Income from fees	97,927,160	78,357,404	(19,569,756)
2	Corporating Partners	2,865,112	5,253,402	2,388,290
3	Other income	946,000	19,942,994	18,996,994
	Total	**101,738,271**	**103,553,800**	**1,815,529**

b. Operational Matters

i. Delayed Verification of Samples - National Laboratory

According to ZAMRA established procedures on recalling products already on the market, the Post Marketing Surveillance (PMS) Department is responsible for conducting planned sampling on randomly selected products to ensure conformity to the set requirements and standards. The selected samples include products already tested from its regional offices.

The process involves subjecting products to mini laboratory analysis as a first analysis test. In the event that any product fails a test, they are sent and subjected to confirmatory test at the National Laboratory Centre in Lusaka to ascertain whether the drugs are safe for consumption.

As regards to cases in the regional offices, product samples that fail tests are sent through the Department of Medicine Control (DMC) at Head Office, who thereafter forwards to the National Laboratory Centre for confirmatory testing.

The results are thereafter sent to the respective stations for further action such as recalling the product from the market if they failed the test or other actions such as follow up with the manufacturers. The following were however, observed:

- During the period from 18th to 20th May 2020, the Post Marketing Surveillance and Laboratory Offices from Lusaka conducted a surveillance with the Chipata Office and thirty three (33) randomly selected samples of drugs were collected from various sources such as chemists, pharmacies and hospital using a mini laboratory.

  Out of the collected samples tested, five (5) failed the tests and samples were thereafter sent to Head Office for further confirmatory testing.

  It was however, observed that as at 30th September 2021, sixteen (16) months after the samples were sent, no communication had been sent to the regional office on the status of the samples collected and the next course of action to be taken.

- A review of the Post Marketing Surveillance report on rapid medicine quality verification conducted on 23rd September 2020 at Chipata General Hospital revealed that out of the ten (10) sampled medicines, one (1) type (Lopinavir + Ritonavir 200/50mg tablet) supplied by Hetero Labs Ltd failed the test and was sent to the National Laboratory for further testing. It was however observed that as at 30th September 2021, twelve (12) months after the sample were sent, the results had not been received from the National Laboratory Centre.

ii. Non-compliant Pharmacies

Section 19 (1) of the Medicines and Allied Substances Act No. 3 of 2013 stipulates that, the holder of certificate of registration must submit to ZAMRA an annual return or no change return in the prescribed manner and form upon payment of prescribed fees.

Further, Section 19 (4) of the Act requires that a person who fails to submit an annual return or a no change return should be penalised.

A scrutiny of the register of pharmacies maintained by ZAMRA revealed that contrary to the Act, out of 631 registered pharmacies in the country, 146 pharmacies had not submitted the annual returns and consequently did not pay the prescribed fees in amounts totalling K311,310 as at 30th November 2020 and no action had been taken against the non-compliant pharmacies despite them being in operation.

iii. Malfunctional Incinerator – ZAMRA Headquarters

The Zambia Medicine Regulatory Authority has a mandate to safeguard public health throughout the regulatory cycle of the medicines and allied substances up to the point of disposal.

However, a physical inspection of assets conducted in August 2021 and an inquiry made with management revealed that the medical waste incinerator was non-functional since January 2020.

Consequently, pharmaceutical wastes such as expired drugs and allied substances which had accumulated during the period under review had not been disposed of as at 30th September 2021.

c. Asset Management – Failure to Secure Title Deed

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, ZAMRA had not secured a title deed for its Headquarter building valued at K170,370,062 as at 30th September 2021.

d. Failure to Fill Key Vacant Positions

A review of the Staff Establishment for 2020 revealed that the Authority had a total establishment of 165 approved positions, out of which 127 were filled leaving thirty eight (38) vacant as at 31st December 2020. The vacant positions included key positions such as the Chief Accountant, Senior Accountant, Senior Registration Officer, Principal Registration Officer and Senior Analyst.

As at 30th September 2021, the situation had not changed, and the key vacant positions had not been filled.

23 ZAMBIA RAILWAYS LIMITED

23.1 Background

a. Establishment

Zambia Railways Limited (ZRL) was established in 1976 following the splitting of the Rhodesia Railways whose network covered Northern Rhodesia (Zambia), Southern Rhodesia (Zimbabwe) and Bechuanaland (Botswana). The rail line covers a distance of 1,248 km made up of the following track segments:

- Mainline from Victoria Falls Bridge to Kitwe (848 km);
- Branch Lines (214 km);
- The Mulobezi Line (162 km); and
- The Chipata Mchinji Line (24 km).

Government which wholly owned ZRL transferred its shares to the Industrial Development Corporation Limited (IDC) on 24th August 2015.

b. Governance

The Articles of Association dated 24th November 2020 provide for the establishment of the Board of Directors comprising the following:

i. The Permanent Secretary or a representative of the Ministry responsible for sector policy;
ii. Not more than five (5) persons from the private sector; and
iii. The Managing Director.

The Board members are appointed by IDC on renewable three (3) year terms.

c. Management

The operations of ZRL is the responsibility of the Managing Director who is the Chief Executive Officer and is assisted by the Company Secretary and Directors of Finance, Operations, Technical Services, Commercial and Human Resources and Administration. The management team is appointed by the Board of Directors on three (3) year renewable contracts.

d. Sources of Funds

The sources of funds for the company include the following:

i. Freight income;
ii. Passenger income;
iii. Rental income;
iv. Interest earnings; and
v. Miscellaneous income.

e. Information and Communication Technology Systems

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

i. SAGE 300 ERP used to produce the ZRL financial statements, procurement processes, purchases and inventory control;
ii. SAGE People used for the purpose of preparing the payroll and personnel management; and
iii. E-ticketing used to manage ticket sales.

23.2 Audit Findings

A review of accounting and other records for the financial years ended 31st December 2018, 2019 and 2020 conducted at the ZRL headquarters and selected stations revealed the following.

a. Management

i. Overpayment of Gratuity – Management Employees

During the period from 3rd June to 26th October 2020, the company paid amounts totalling K3,587,849 as gratuity to eight (8) officers at a rate of 35% of the annual basic pay.

However, a review of records revealed that the officers were entitled to be paid gratuity at the rate of 25% amounting to K2,561,925 resulting in an overpayment of K1,025,924. As at 31st August 2021, the overpayment had not been recovered.

ii. **Questionable Payment of Tax Relief to ZRL Management Employees**

Section 2.1 of the Zambia Revenue Authority (ZRA) Employer's guide to Pay as You Earn (PAYE) states that, "Chargeable Emoluments for PAYE purposes means emoluments from an employee's employment that are chargeable to income tax, but does not include any amount which is exempt from income tax. Such emoluments include: salaries, wages, overtime or leave pay, commission, fee, bonus, any benefit, advantage or allowance (excluding non – money fringe benefits), and payments on taking up or leaving employment."

Contrary to the guide, ZRL grossed up leave pay and paid tax in amounts totalling K1,439,180 on behalf of several employees in management. See table 23.1 below.

Table 23.1: Tax Relief paid to ZRL Employees

No.	Year	Month	Amount K
1	2018	January	153,522
2	2018	December	304,968
3	2019	April	266,658
4	2019	December	314,068
5	2020	March	212,595
6	2020	August	187,369
	Total		**1,439,180**

iii. **Unauthorised Payment of Maintenance Cost Allowance**

Section 9.3.1 of the minutes of the Zambia Railways Limited Board meeting held on 31st March 2016 indicated that management proposed to establish a personal to holder motor vehicle loan scheme and introduce a motor vehicle allowance as a percentage of the basic salary for employees entitled to personal to holder vehicles. Under this arrangement, ZRL would pay the employee a motor vehicle allowance and the employee would acquire the vehicle through finance lease and bear the cost of maintenance and insurance for the vehicle.

However, in addition to the motor vehicle allowance in amounts totalling K2,368,314, six (6) employees in salary grades RM1 to RM3 were paid maintenance cost allowance in amounts totalling K310,692 from February 2015 to February 2020 without board approval.

b. Budget and Income

During the period under review, the company budgeted to generate income from freight charges and rentals among others amounting to K1,416,580,000 against which amounts totalling K1,042,096,000 were generated resulting in a negative variance of K374,484,000. See table 23.2 below.

Table 23.2: Budget vs. Income

Year	Budget K	Income Generated K	Variance K
2018	437,020,000	291,535,000	(145,485,000)
2019	491,470,000	305,059,000	(186,411,000)
2020	488,090,000	445,502,000	(42,588,000)
Total	**1,416,580,000**	**1,042,096,000**	**(374,484,000)**

c. Financial Analysis

i. Statements of Comprehensive Income

The Statements of Comprehensive Income for the financial years ended 31st December 2018, 2019 and 2020 were as shown in table 23.3 below.

Table 23.3: Statement of Comprehensive Income

Details	2020 K'000	2019 K'000	2018 K'000
Revenue			
Freight revenue	405,286	269,131	235,021
Passenger Revenue	6,306	16,621	15,767
Other income	33,910	19,307	40,747
	445,502	**305,059**	**291,535**
Expenditure			
Fuel and Lubricants	81,508	72,352	71,822
Provision for impairment losses	51,249	119,721	145,493
Manpower costs	182,233	181,912	172,337
Hire of Equipment	-	3,537	16,541
Interchange expenses	53,401	24,874	50,042
Administration expenses	54,519	60,910	81,460
Depreciation	82,450	84,601	21,246
Repairs and maintenance	30,130	26,664	12,466
	535,490	**574,571**	**571,407**
Loss before exchange losses and taxation	**(89,988)**	**(269,512)**	**(279,872)**
Other Gains & Losses-Net	17,003	26,387	19,855
Finance (Cost)/Income -Net	(17,651)	(11,481)	117
Share of Net Profit/(Loss) of Joint venture accounted for using the equity method	(10,784)	4,570	(10,329)
Loss before taxation	**(101,420)**	**(250,036)**	**(270,229)**
Income tax expense	(2,010)	(1,851)	(1,009)
Loss for the year	**(103,430)**	**(251,887)**	**(271,238)**
Other Comprehensive income			
Items that may be reclassified to Profit or Loss			
Exchange differences on translation of Foreign operations	74,328	26,025	21,870
	(29,102)	**(225,862)**	**(249,368)**
Items that will not be reclassified to Profit or Loss			
Impairment of assets	132,176	-	-
Total Comprehensive Loss	**(161,278)**	**(225,862)**	**(249,368)**

(Source: ZRL Annual Reports for the Financial Years ended 31st December 2018, 2019 and 2020)

As can be seen above, the total revenue increased by 53% from K291,535,000 in 2018 to K445,502,000 in 2020, however the company made losses during the period under review.

The following were observed:

- **Freight Tonnage against Revenue**

  During the period under review, ZRL planned to generate revenue amounting to K1,315,473,422 from hauling 3,507,700 tonnes of freight against which K909,437,000 was generated from 2,855,274 tonnes resulting in a negative variance of K406,036,422 for 652,426 tonnes. See table 23.4 below.

Table 23.4: Tonnage against Revenue

	TONNAGE			REVENUE		
Year	Budget	Actual	Variance	Budget K	Actual K	Variance K
2018	1,345,000	870,914	(474,086)	405,260,000	235,020,000	(170,240,000)
2019	1,150,000	963,843	(186,157)	455,083,422	269,131,000	(185,952,422)
2020	1,012,700	1,020,517	7,817	455,130,000	405,286,000	(49,844,000)
Total	**3,507,700**	**2,855,274**	**(652,426)**	**1,315,473,422**	**909,437,000**	**(406,036,422)**

As a result, ZRL continued to make losses in the period under review as shown in the table above.

- **Over-expenditure**

  During the period under review, ZRL budgeted to spend amounts totalling K14,176,782 and K4,130,000 in 2018 and 2019 respectively on overtime and subsistence allowances. However, the company spent amounts totalling K18,294,308 and K5,388,196 in 2018 and 2019 respectively resulting in over-expenditure of K4,117,526 (2018) and K1,258,196 (2019). See table 23.5 below.

Table 23.5: Over-expenditure

	2019			2018		
	Budget K	Actual K	Variance K	Budget K	Actual K	Variance K
Over expenditure on overtime	-	-	-	9,676,782	11,166,904	(1,490,122)
Over expenditure on subsistence allowances	4,130,000	5,388,196	(1,258,196)	4,500,000	7,127,404	(2,627,404)
TOTAL	**4,130,000**	**5,388,196**	**(1,258,196)**	**14,176,782**	**18,294,308**	**(4,117,526)**

ii. Statement of Financial Position

The Statements of Financial Position as at 31st December 2018, 2019 and 2020 were as shown in table 23.6 below.

Table 23.6: Statement of Financial Position

Details	2020 K'000	2019 K'000	2018 K'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1,322,935	1,551,105	1,743,284
Right -of-use assets	94,052	107,594	-
Investment properties	142,912	142,912	-
Investment accounted for using the equity method	220,991	157,447	126,852
Financial assets at fair value through other comprehensive income	2,937	3,125	5,250
	1,783,827	**1,962,183**	**1,875,386**
CURRENT ASSETS			
Inventories	40,488	57,287	61,291
Trade and other receivables	9,968	12,710	45,075
Other financial assets at ammortized cost	24,587	28,936	11,134
Cash and cash equivalents	35,731	14,816	20,077
	110,774	**113,749**	**137,577**
TOTAL ASSETS	**1,894,601**	**2,075,932**	**2,012,963**
NON CURRENT LIABILITIES			
Lease liabilities	125,260	94,943	-
Employee benefit obilgations	121,005	114,332	90,188
	246,265	**209,275**	**90,188**
CURRENT LIABILITIES			
Trade and other payables	252,716	330,252	192,707
Taxation payable	28,474	28,836	27,735
Borrowing	3,786	5,798	3,602
Lease liabilities	57,989	30,747	-
Employee benefit obilgations	248,156	67,108	54,844
Provisions	182,208	119,159	98,420
	773,329	**581,900**	**377,308**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	198	198	198
Amounts received pending allotment of shares	627,229	627,229	627,229
Other reserves	1,277,939	1,392,317	1,401,341
Returned earnings	(1,035,950)	(740,578)	(488,892)
	869,416	**1,279,166**	**1,539,876**
Net assets taken over from RSZ	5,591	5,591	5,591
	875,007	**1,284,757**	**1,545,467**
TOTAL EQUITY AND LIABILITIES	**1,894,601**	**2,075,932**	**2,012,963**

(Source: Annual Reports for the Financial Years ended 31st December 2018, 2019 and 2020)

The following were observed:

- **Poor Working Capital**

  Working capital is the difference between the total current assets and the total current liabilities. The company recorded a decrease in working capital of K422,824,000 from negative K239,731,000 to negative K662,555,000 in 2018 and 2020 respectively. See table 23.7 below.

Table 23.7: Poor Working Capital

Details	2020 K'000	2019 K'000	2018 K'000
Total current assets	110,774	113,749	137,577
Total current liabilities	773,329	581,900	377,308
Working capital	**(662,555)**	**(468,151)**	**(239,731)**
Current ratio	**0.1:1**	**0.2:1**	**0.4:1**

The poor working capital position of ZRL meant that the company did not have the ability to fully pay off its current liabilities in the short term.

- **Current Ratio**

  A current ratio measures the ability of an entity to cover its current liabilities or obligations with the current assets and is calculated by dividing current assets by current liabilities. The desired current ratio for ZRL was 1:1 for 2018, 2019 and 2020.

  However, ZRL's current ratio was 0.4:1, 0.2:1 and 0.1:1 in 2018, 2019 and 2020 respectively.

- **Management of Investments**

  A review of the ZRL schedule of investments dated 25th January 2021 revealed that between October and December 2020, the company invested funds in three (3) financial institutions as shown in table 23.8 below.

Table 23.8: Investments

Investment Date	Bank Name	Principal Amount K	Rate	Maturity Date	Maturity Amount K
21.10.2020	Bank 1	5,000,000	12%	19.01.2021	5,125,753
14.12.2020	Bank 2	10,624,833	20.25%	15.02.2022	12,453,632
22.12.2020	Bank 3	5,000,000	13.25%	22.03.2021	5,138,853
	Total				**22,718,238**

The following were observed.

- **Investing without obtaining Quotations**

  Section 11 of the ZRL Investment Policy requires that investments are made after two (2) or three (3) quotations are obtained from reputable financial institutions. However, a review of the quotations for an investment of

K10,624,833 made in bank 2 revealed that all three quotations were obtained on 17th December 2020 after the investment had already been made on 14th December 2020. See table 23.9 below.

Table 23.9: Investing in Less Competitive Financial Institution

Investment Date	Bank Name	Quoted Rate (%)	Date of Quote	Ranking	Amount to Invest K
21.10.2020	Bank 1	20%	17.12.2020	3	10,624,833
14.12.2020	Bank 2	20.25%	17.12.2020	2	10,624,833
22.12.2020	Bank 3	22%	17.12.2020	1	10,624,833

As a result, ZRL invested at a less competitive rate of 20.25% in bank 2 as compared to 22% that was offered by bank 3 thereby failing to optimise returns on investments.

- **Failure to Disclose Information on Investments to Board of Directors**

  Section 11 of the ZRL Investment Policy requires that investments in amounts above K1,000,000 be reported to the Board for information.

  Contrary to the policy, management did not inform the board of investments in amounts totalling K20,624,833 made during the period from 21st October to 22nd December 2020.

  Although in their response dated 20th April 2021, management stated that the board was informed of the investments, no evidence was availed as at 31st August 2021.

- **Weaknesses in the Management of Receivables**

  - **Poor Administration of Real Estates**

    A review of the 2020 debtor's age analysis revealed that Zambia Railways Limited owned land and buildings across the country that were leased out.

    The following were however observed:

    - **Failure to Achieve 90% Rental Collection**

      The Strategic Objective 1.3 of the Business Strategic Plan for the period 2018 to 2022 was to improve liquidity by intensifying debt collection in order to achieve 90% debt collection starting in 2018.

During the period under review, ZRL posted low recovery rates as shown in table 23.10 below.

Table 23.10: Failure to Achieve 90% Rental Collection

LAND			
Year	**2020**	**2019**	**2018**
Total Debt (K)	40,185,632	27,419,972	27,815,565
Amount Collected (K)	21,914,472	16,385,444	12,881,677
% Collection	**55**	**60**	**46**
BUILDINGS			
Year	**2020**	**2019**	**2018**
Total Debt (K)	28,155,440	19,136,929	16,624,231
Amount Collected (K)	13,879,409	10,932,033	12,881,677
% Collection	**49**	**57**	**77**

As can be seen from the table above, ZRL achieved debt collection ranging from 46% to 55% and 49% to 77% on land and buildings respectively, which were below the 90% target.

- **Failure to Collect Rental Income**

  Section 5 of the ZRL Debt Management Policy under rental collections requires that rentals be collected three (3) months in advance only.

  Contrary to the policy, ZRL failed to collect rental income for both land and buildings in amounts totalling K18,271,160 and K14,276,031 respectively, for periods ranging from four (4) to thirty six (36) months as at 31st December 2020.

  Included in the outstanding rental income, was K3,449,169 in respect of 148 tenants who had vacated ZRL properties without settling rentals

  As at 31st August 2021, the rental income was still outstanding.

- **Freight - Failure to Obtain Bank Guarantees**

  According to Section 5 (iii) of the ZRL Debt Management Policy, debt management general principles require that before credit is offered, the customer must provide ZRL with a bank guarantee from a bank acceptable by ZRL.

However, a review of records revealed that as at 31st December 2020, ZRL was owed amounts totalling K162,093,709 in respect of fifty one (51) freight service customers, out of which forty one (41) in amounts totalling K124,898,837 had been outstanding from as far back as 2018.

As at 31st August 2021, the company had not obtained bank guarantees for the services offered to these customers.

Included on the list of customers without bank guarantees was Nyiombo Investment Limited which owed an amount of K2,406,045. However, Nyiombo Investment Limited was liquidated in 2017 thereby casting doubt on how ZRL would recover the debt that had been outstanding for more than three (3) years as at 31st August 2021.

d. Operational Matters

i. Trend Analysis of the Key Performance Parameters

The ZRL Board Evaluation Report for the period from 2018 to the first half of 2020 showed that key performance indicators had varying trends covering the period. See table 23.11 below.

Table 23.11: Trend Analysis of the Key Performance Parameters

No.	Particulars	2020	2019	2018
	Productivity			
1	Tonnage Moved (Tons)	1,011,065	963,843	870,914
2	Freight Revenue (K'million)	400.109	269.13	235.02
3	No. of Passengers Moved	88,791	269,687	282,081
4	Passenger Revenue (K'million)	6.744	16.62	15.77
5	Estate Revenue and Other Income (K'million)	41.363	19.307	41.599
	Total Revenue (K'million)	**448.216**	**305.057**	**292.389**

Source: *ZRL Board Evaluation Report from the fiscal year (FY) 2018 to the first half of the fiscal year 2020*

As can be seen from the table above, the number of passengers decreased by 69% from 282,081 in 2018 to 88,791 in 2020 resulting in reduction of passenger revenue by 57% from K15,770,000 in 2018 to K6,744,000 in 2020.

ii. Failure to Achieve Key Performance Indicators

A review of the ZRL Key Performance Indicators (KPIs) for the years ended 31st December 2018, 2019 and 2020 revealed that the company did not attain the targets set for most KPIs as shown in tables 23.12, 23.13 and 23.14 below.

Table 23.12: 2018 Key Performance Indicators not Achieved

No.	Key Performance Indicator	Performance Target 2018	Actual Performance 2018	Deviation
1	Solvency Ratio	25%	-49%	296%
2	Net profit	K1.39m	(K249.37m)	18040%
3	Adherence to approved budget (Variation)	10%-/+ Variation	33%	230%
4	Dividends (Payout ratio)	35%	0%	100%
5	Manpower expenses as percentage of revenue	41%	59%	44%
6	Net-Ton-KM of freight moved	653,234,000 tons/km	371,880,278 tons/km	43%
7	Freight Revenue	K405.26m	K235.02m	42%
8	Percentage of outstanding receivables	20%	28.0%	40%
9	Worker Productivity per capita (Total revenue / optimal staff establishment)	K460,021	K301,173	35%
10	Passenger Revenue	K21.96m	K15.77m	28%
11	Average Transit time for passengers' train (Livingstone - Kitwe)	34 hrs	42.75 hrs	26%
12	No. of branch line, siding and yard derailments	130 derailments	160 derailments	23%
13	Gearing Ratio (debt/equity)	25%	30%	20%

Table 23.13: 2019 Key Performance Indicators not Achieved

No.	Key Performance Indicator	Performance Target 2019	Actual Performance 2019	Deviation
1	Solvency Ratio	25%	-18%	172%
2	Net profit	K2.28m	(K225.86m)	10006%
3	Adherence to approved budget (Variation)	10%-/+ variation	38%	280%
4	Dividends (Payout ratio)	35%	0%	100%
5	Manpower expenses as percentage of revenue	37%	60%	62%
6	Freight Revenue	K455.08m	K269.13m	41%
7	Worker Productivity per capita (Total revenue / optimal staff establishment)	K538,902	K322,132	40%
8	Passenger Revenue	K24.39m	K16.62m	32%
9	Gearing Ratio (debt/equity)	25%	62%	148%
10	Growth in Freight Market Share	1.0%	0.6%	40%
11	Admin expenses without depreciation as percentage of revenue	3.1%	4.2%	35%

Table 23.14: 2020 Key Performance Indicators not achieved

No.	Key Performance Indicator	Performance Target 2020	Actual Performance 2020	Deviation
1	Net Income	K0.76m	(K161.28m)	21321%
2	Earnings Before Interest and Tax (EBIT)	K2.13m	(K161.28m)	7672%
3	Dividends (Payout ratio)	35%	0%	100%
4	Net-Ton-KM of freight moved	544,252,300 tons/km	401,291,464 tons/km	26%
5	Total Revenue	K488.09m	K445.50m	9%
6	Average Transit time for passengers' train (Livingstone - Kitwe)	34 hrs	42 hrs	24%
7	No. of branch line, siding and yard derailments	13 derailments	18 derailments	38%
8	Gearing Ratio (debt/equity)	25%	109.11%	336%
9	Management Fees to Shareholders	100%	76%	24%
10	Locomotive Availability	22 locomotive	18 locomotives	18%
11	Introduction and Implementation of a Performance Management System from CEO/MD to lowest level	100%	50%	50%

As can be seen in the tables above, the company failed to meet benchmarks of thirteen (13) key performance indicators in 2018 and eleven (11) in both 2019 and 2020. The failure to meet performance targets resulted in losses of K249,368,000, K225,862,000 and K161,278,000 in 2018, 2019 and 2020 respectively.

iii. Increase in Derailments

Derailment is the action of a train or trolley leaving its track accidentally. Derailments can be caused by a collision with another object, an operational error or mechanical failure of tracks and wheels among others.

One of the strategic objectives in the 2018-2022 Strategic Plan was to reduce derailments and accidents by undertaking the following actions:

- ✓ Full track rehabilitation;
- ✓ Upgrade the train control monitoring/telecoms & signaling system; and
- ✓ Install Signaling and Train Telecommunications System.

A review of the 2020 Safety Report revealed that the company experienced a total of 669 derailments during the period under review as shown in table 23.15 below.

Table 23.15: Derailments

Year of Occurrence	Number of Cases
2018	207
2019	232
2020	230
Total	**669**

The following recommendations were made in the 2020 Safety Report:

- ✓ Revision of the track tolerance table to suit the current speeds of 25-30 km/h as opposed to the speeds of 50km/h and 80km/h indicated. The Track tolerance table was drawn in 1988, and had since never been revised;
- ✓ Increasing the ballast on the track for tamping to be effective. Most sections on the mainline had no adequate ballast. Kafue to Monze and Lukanda to Walamba sections had inadequate ballast and had rotten wooden sleepers. In the Southern Region tamping was last done in 2015;
- ✓ Interlacing of rotten wooden sleepers at all crossing loops with concrete sleepers in order to maintain the gauge and avoid derailments; and

- ✓ Closing Natuseko, Lukanda and Kaniki crossing loops permanently and removing them from the CTC Panorama as crossing stations. These should remain as halt stations because the rails and other fastenings had been removed.

However, none of the above recommendations had been implemented as at 31st August 2021.

In particular the following were observed.

- **Skidded Rails**

  Skidding refers to typical damage of a rail under low adhesion (Research Gate 2008-2021).

  It was observed that between Kapiri Mposhi and Ndola, and from Lilayi to Shimabala, the rails were skidded. As a result, in February 2021 a derailment occurred in Walamba area between Kapiri Mposhi and Ndola.

- **Inadequate Ballast**

  Tamping of the track refers to the process of packing ballast under the railway tracks to ensure that the tracks and roadbeds are more durable and level. Tamping is effective when there is adequate ballast which is coarse stone used to form the bed of a railway track.

  A review of the 2020 Annual Safety Report under Infrastructure Department revealed that the rail line between Kafue and Monze, and from Ndola to Kapiri Mposhi (Lukanda to Walamba section) had inadequate ballast thereby making it susceptible to derailments. The Report also indicated that in the Southern Region, tamping was last done in 2015.

  Further, a physical verification conducted in February 2021 revealed that the area from Lilayi to Shimabala did not have adequate ballast.

  However, management had not rectified the problem as at 31st August 2021. See picture below.

Figure 23.1: Lack of ballast along the rail line between Kamwala and Lilayi Area

- **Rotten Hard Wood Sleepers**

The sections between Miyengwe and Lukanda (666.75 to 722 km), had a combination of concrete and deteriorated wooden sleepers. A review of the fixed assets register revealed that the slippers had not been replaced in thirty five (35) years. See pictures of rotten hard wood sleepers below.

Figure 23.2: Rotten Hard Wood Slippers over 30 years old between Lukanda and Walamba Area

- **Cracked Wing Walls**

Two (2) wing walls located at 399.5 and 400 km in Nega Nega and Luwombo area cracked in 2019 and had not been replaced as at 31st August 2021. See pictures below.

Figure 23.3: Cracked Culverts at Nega Nega and Luwombo Area

e. Procurement Matters

i. Contract for Supply of Ballast – Buk Truck Parts Limited

On 18th October 2013, Zambia Railways Limited engaged BUK Truck Parts Limited for the supply of stacking and loading of 310,000m^3 of 50mm ballast stone for the track rehabilitation project at a contract sum of K60,567,428 with a duration of nine (9) months.

As at 25th March 2015, amounts totalling K23,631,552 had been paid to BUK Truck and Parts Limited for the supply and loading of ballast.

The following were observed.

- **Unsupplied Ballast**

  A review of the payment schedule revealed that ZRL paid the supplier amounts totalling K23,631,552 for the supply of 120,952M^3 of ballast. However, the supplier only delivered 58,484M^3 of ballast costing K11,426,629 leaving 62,468M^3 valued at K12,204,923 undelivered as at 31st August 2021.

- **Failure to Recover Funds**

  GCC 18.1 of the Contract states that, "The proceeds of the Performance Security shall be payable to the procuring entity as compensation for any loss resulting from the suppliers' failure to complete its obligations under the Contract."

  Contrary to the provision, ZRL did not recover the advance payment of K12,113,486.

In response, management stated that in order to recover amounts guaranteed, ZRL brought legal action on 11th February 2016 against the guarantor, African Grey Insurance Limited and the supplier BUK for the recovery of the advance payment made, less what had been delivered. In 2018 the Lusaka High Court guided the parties to proceed to resolve the matter by way of Arbitration in line with the provisions of the Contract.

However, as at 31st August 2021, the undelivered materials costing K12,204,923 had not been recovered.

ii. Delayed Supply of Contract Deliverables – SMH Rail SND. BHD

On 6th May 2015, Zambia Railways Limited and SMH Rail SND. BHD of Malaysia signed a contract for the supply of ten (10) re-manufactured locomotives at a contract sum of US$24,800,000 for a duration of two (2) years.

The proposed delivery schedule was as follows:

- Batch No. 1-4 Locomotives
  - ✓ The 1st locomotive shall be delivered within four months after receipt of advance payments expected within three weeks from the date of signature of the contract or on 20th May 2015, whichever occurs latest (September 2015)
  - ✓ The 2nd locomotive shall be delivered by the end of month 5 (October 2015)
  - ✓ The 3rd locomotive shall be delivered by the end of month 7 (December 2015)
  - ✓ The 4th locomotive shall be delivered by the end of month 8 (January 2016)
- Batch No. 2-4 Locomotives
  - ✓ The 5th locomotive shall be delivered within 4 months after receipt of advance payment in January 2016 (May 2016)
  - ✓ The 6th locomotive shall be delivered by the end of month 5 from receipt of advance payment (June 2016)
  - ✓ The 7th locomotive shall be delivered by the end of month 7 (August 2016)
  - ✓ The 8th locomotive shall be delivered by the end of month 8 (September 2016)
- Batch No. 3-2 Locomotives
  - ✓ The 9th locomotive shall be delivered within 4 months after receipt of advance payment in September 2016 (January 2017)

✓ The 10th locomotive shall be delivered by the end of month 5 from receipt of advance payment (February 2017)

As at 31st December 2020, SMH Rail SND. BHD had been paid amounts totalling US$6,835,000 by ZRL towards the delivery of the first batch of locomotives.

A physical inspection conducted at Kabwe Workshop on 28th February 2021 revealed the following:

- Only four (4) locomotives had been re-manufactured. Locomotive 1 was not operational because it was faulty; locomotive 2 was operational; and locomotives 3 and 4 had not been handed over to ZRL because SMH Rail SND. BHD was being owed amounts totalling US$3,055,000 by ZRL.
- The re-manufacture of locomotives 5, 6, 7, 8, 9 and 10 had been delayed for periods ranging from fifty two (52) to sixty three (63) months.

As at 31st August 2021, the situation was the same. See table 23.16 below.

Table 23.16: Delayed Remanufacture of Locomotives

Locomotive No.	Contract date	Delivery date	Period Delayed as of August 2021
5	May-15	May-16	63 Months
6	May-15	Jun-16	62 Months
7	May-15	Aug-16	60 Months
8	May-15	Sep-16	59 Months
9	May-15	Jan-17	55 Months
10	May-15	Feb-17	52 Months

- Section 34.1 of the contract states that, “The supplier shall promptly notify the procuring entity in writing of the delay, its likely duration, and its cause. As soon as practicable after receipt of the supplier’s notice, the procuring entity shall evaluate the situation and may at its discretion extend the supplier’s time for performance, in which case the extension shall be ratified by the parties by amendment of the contract.”

Contrary to the provision, the contract for the re-manufacture of the remaining six (6) locomotives which expired in February 2017 had not been extended as of 31st August 2021.

f. Administrative Issues

i. Failure to Maintain Assets

A review of the 2018, 2019 and 2020 Annual Reports revealed that the cost of repairs and maintenance was K12,466,000, K26,664,000 and K30,130,000 respectively, an increase of 142% from 2018 to 2020.

However, a review of the asset register and physical inspections conducted in February 2021 revealed that some of the locomotives and wagons were poorly maintained and had not been replaced since 1976. See pictures below.

Figure 23.4: Poorly maintained wagons and other rolling stock

Due to its poor state, the rolling stock could not meet the specified interchange standards for it to be used on the railway line in South Africa. Consequently, the freight business between South Africa and Zambia was one directional in favour of Transnet Freight Rail (TFR) of South Africa.

In this regard, ZRL was invoiced by TFR amounts totalling ZAR 64,625,811.46 during the period under review in respect of one way traffic between South Africa and Zambia. As at 31st December 2020, ZRL was still owing TFR amounts totalling ZAR 64,625,811.46 which increased to ZAR73,389,425 as at 31st August 2021. See table 23.17 below.

Table 23.17: ZRL Debt to TFR

Year	Amount (ZAR)
2018	35,410,047
2019	18,504,468
2020	10,711,296
As at 31.12.20	**64,625,811**
2021	8,763,614
As at 31.08.21	**73,389,425**

ii. Management of Properties

Zambia Railways Limited owns properties located from Livingstone Victoria Falls Bridge to Misundu border with the Democratic Republic of Congo (DRC), and in Mufulira and Luanshya. The properties include the main railway strip reserves, station reserves and isolated ones such as the former Senior Management Guest House, Avon Guest House and Kabwe Warriors Complex located in Livingstone, Lusaka and Kabwe respectively.

Upon review of the ZRL Estates Register, the following were observed:

- **Failure to Change Ownership**

  A review of title deeds revealed that ownership of 101 properties valued at K118,979,900 belonging to Zambia Railways Limited and located in several towns had not been transferred from Rhodesia Railways Limited, a company incorporated in England.

  Further, four (4) properties in form of three (3) stations and a cottage also belonging to Zambia Railways Limited whose ownership had not been changed remained unvalued as at 31st August 2021.

- **Failure to Secure 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, ZRL had not secured title deeds for fifty two (52) parcels of land some of which had buildings located on them. Further, the value of these properties located in several towns was not availed for audit.

- **Missing Title Deeds**

Title deeds for two (2) properties located at Chibwe in Kabwe District were not availed for audit as at 31st August 2021 as shown in table 23.18 below.

Table 23.18: Missing Title Deeds

No.	Farm/Stand No.	Location	Land Size Hectares (Acres)	Remarks
1	F/1287	Chibwe	6.5034 Ha (16.070 acres)	Chibwe Siding (Left)
2	F/1288	Chibwe	6.5034 Ha	Chibwe Siding (Right)

- **Irregular Subdivision and Sale of Properties**

A scrutiny of the Estates Register revealed that eleven (11) properties in several locations had been subdivided and some of the subdivisions were disposed of. However, the subdivision and disposal of the properties was irregular as management did not obtained Board approval. See table 23.19 below.

Table 23.19: Subdivided and Sold Properties

le of ZRL Properties				
No.	**FARM/STAND No.**	**LOCATION**	**LAND SIZE HECTARES (ACRES)**	**REMARKS**
1	F/1405	Choma	9.4860 Ha (23.440 acres)	Choma Station (Left). Partly sold & partly leased.
2	F/1235	Monze	9.5188 Ha (23.521 acres)	Monze Station (Left). Partly subdivided (plots) & sold to the public through Appointed Sales Agent, Bitrust Real Estates. Partly leased
3	F/1236	Monze	7.0348 Ha (17.383 acres)	Monze Station (Right). Largely sold (houses) to ex-employees.
4	F/1243	Kaleya	7.0348 Ha (17.383 acres)	Kaleya Siding (Left). Heavily squatted. Partly sold (houses) to ex- employees.
5	F/1246	Mazabuka	7.0348 Ha (17.383 acres)	Mazabuka Station (Right). (Subdivided)
6	F/1176	Natebe	7.0346 Ha (17.383 acres)	Natebe Siding (Left). One house sold to a sitting tenant. Subdivision not yet done.
7	F/1230	Pemba	7.2849 Ha (18.001 acres)	Pemba Station (Right). Partly sold (houses) to ex-ZRL employees.
8	F/1527	Itimpi	16.070 acres	Itimpi Siding. Farm subdivided, but not yet numbered.
9	Lot 183/M	Chililabombwe		Chililabombwe Station Reserve (Left).
10	Stand 8018	Kabwe	2430 sq.m	Kabwe Warriors Club House (Subdivision/sale)
11	Lot/2210	Munzuma	10.00 ha	Some houses donated to Min. of Health

- **Encroachment of ZRL Land**

  At its meeting held on 23rd March 2019, the Board directed management to be proactive and ensure that there were no encroachments on ZRL's land by moving in to demolish new structures before construction reached an advanced level.

  However, a review of the ZRL Estates Register revealed that thirty one (31) properties belonging to Zambia Railways Limited in several locations had been encroached by either squatters or Zambia Railways Limited ex-employees. As at 31st August 2021, the squatters had not been evicted.

g. Staff Related Matters

i. Non Remittance of Statutory Contributions

ZRL owed National Pensions Scheme Authority (NAPSA) and Zambia Revenue Authority (ZRA) amounts totalling K336,855,464 in respect of pension contributions and Pay as You Earn (PAYE) as at 31st December 2020. See table 23.20 below.

Table 23.20: Unremitted Statutory Contributions

No.	Type	Amount K
1	ZRA - PAYE	130,559,708
2	NAPSA Penalties	198,439,194
3	NAPSA	7,856,561
	Total	**336,855,464**

As at 31st August 2021, unremitted contributions increased to K348,131,120.

ii. Failure to Remit Staff Pension Contribution

On 14th August 2004, Zambia Railways Ltd established a Defined Contribution Pension Scheme for its employees. However, amounts totalling K22,849,181 deducted from employees' salaries had not been remitted to the Scheme as at 31st December 2020. Some of the unremitted contributions had been outstanding as far back as 2017. See table 23.21 below.

Table 23.21: Defined Contribution Pension

Details	2020 K	2019 K	2018 K
Opening balance	(21,119,813)	(17,335,848)	(15,353,850)
Add: Accruals during the year	(3,955,198)	(4,138,639)	(3,998,646)
Less: Payments	2,225,831	354,674	2,016,649
Balance as at 31st December	**(22,849,181)**	**(21,119,813)**	**(17,335,848)**

As at 31st August 2021, unremitted contributions decreased to K21,229,449.

iii. Irregular Payment of Productivity Incentive Allowance

Section 8.0 of the Zambia Railways Limited and the Railway Workers Union of Zambia Collective Agreement Relating to Salaries, Wages and Conditions of Service requires that Productivity Incentive Allowance be negotiated for yearly in the month of November for the current year of operation. The allowance should be paid based on the company meeting the budgeted haulage/ tonnage in each accounting year.

In the Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions for the Financial Year ended 31st December 2017, mention was made of questionable payment of productivity incentive allowance despite not meeting the haulage target in the 2017. In their report for the Fourth Session of the

Twelfth National Assembly, the Committee on Parastatal Bodies and Other Statutory Institutions recommended that disciplinary action be taken against ZRL officers for the anomaly of paying the productivity incentive allowance despite not meeting the haulage target in 2017.

A review of the situation for the period under review revealed that contrary to the recommendation of the Committee, no action had been taken against erring officers and the payment of the allowances when targets were not met continued.

In this regard, the following were observed:

- In 2018, the company did not meet the budgeted haulage/tonnage as shown in table 23.22 below.

Table 23.22: 2018 Tonnage below Target

Year	TONNAGE			
	Budget	Actual	Deficit	Actual as a % of Budget
2018	1,345,000	870,914	(474,086)	65

- On 6th December 2018, the Board authorised management to award unionised employees K850 Gross Productivity Incentive Allowance per month across the board effective December 2018. However, a scrutiny of December 2018 and 2020 pay slips revealed that the allowance was paid to both unionised employees and management at the rates of K850 and K860 respectively and it was increased to K1,000 for all employees in 2020.

  In this regard, amounts totalling K1,741,240 were paid in 2018 and 2020. See table 23.23 below.

Table 23.23: Productivity Incentive Allowance

Year	Allowance for management K	Allowance for Unionised K	Total Allowances Paid K
2018	239,940	593,300	833,240
2020	283,000	625,000	908,000
Totals	**522,940**	**1,218,300**	**1,741,240**

However, the payment of the Productivity Incentive Allowance to unionised employees in amounts totalling K593,000 in 2018 was irregular as the company did not meet the budgeted tonnage.

Further, the payment of K522,940 to ZRL employees in management salary grade was irregular as they were not entitled.

iv. Unauthorised increase of Salaries and Allowances

Section 102 of the Railways Act states that, “A Railway Company shall not exercise any of its powers without first obtaining the written approval of the Minister.”

Contrary to the Act, the board authorised the increase of salaries for both unionised and management employees without obtaining written approval of the Minister.

In this regard, salary increments in amounts totalling K6,473,304 (in 2019 K3,281,748 and K3,191,556 in 2020) had been paid irregularly to ZRL employees during 2019 and 2020.

24 ZSIC GENERAL INSURANCE

24.1 Background

a. Establishment

ZSIC General Insurance (ZSIC GI) Limited was incorporated in 2008 under the Companies Act, Cap 388 of the Laws of Zambia. The company's principle activity is transacting in all classes of non-life insurance business.

ZSIC GI Limited is wholly owned by the Government through the Industrial Development Corporation (IDC).

b. Governance

The company is governed by a Board of Directors who are appointed by IDC on three (3) year renewable terms.

Section 8.2 of the ZSIC GI Limited Board Charter stipulates that the number of members of the Board of Directors is expected to be between six (6) and eight (8), of which the majority is required to be non-executive. As at 30th September 2021, the Board comprised seven (7) members including the Chairman.

c. Management

The operations of the company is the responsibility of the Managing Director who is the Chief Executive Officer and is assisted by Directors of Legal, Finance, Technical Operations and Branch Operations. The Managing Director is appointed by the Board of Directors on a three (3) year renewable contract. The Managing Director is responsible for the recruitment of the Directors on three (3) year renewable contracts with the approval of the Board and IDC.

d. Sources of Funds

The company derives its income from the provision of insurance services. The classes of business include fire, accident, motor, aviation, engineering, marine and agriculture.

e. Information and Communication Technology Systems

During the period under review, ZSIC-GI Limited operated the following Information and Communication Technology Systems:

i. **Micro Pay Payroll System -** used for administration of general employees and management payroll.

ii. **Info ins Insurance System -** used for administration of underwriting, claims, accounts, reinsurance and parameters. This system was also used for managing financial transactions.

24.2 Audit Findings

A review of accounting and other records for the financial years ended 31st December 2018, 2019 and 2020 conducted at the ZSIC – GI Limited Headquarters and selected stations revealed the following:

a. Management-Irregular Clause on the Calculation of Gratuity

According to the Employment Code of Conduct Act No.3 of 2019, "gratuity" means a payment made to an employee in respect of a person's service on the expiry of a long-term contract of employment based on basic pay earnings that have accrued to the employee during the term of service.

Further, Section 73 (1) of the Employment Code Conduct Act No. 3 of 2019 on payment of gratuity states that, "An employer shall, at the end of a long-term contract period, pay an employee gratuity at a rate of not less than twenty five percent of the employee's basic pay earned during the contract period."

However, a review of signed employment contracts revealed that the company's calculation of gratuity was to be based on gross salary instead of basic salary which may result in loss of funds in amounts totalling K2,100,420.

b. Budget and Income

During the period under review, the company budgeted to generate income from fire, accident, motor and agriculture insurance among others amounting to K805,062,242 against which amounts totalling K855,143,000 were realised resulting in a positive variance of K50,080,758. See table 24.1 below.

Table 24.1: Budget vs. Income

Year	Budget K	Revenue K	Variance K
2018	260,037,374	227,517,000	(32,520,374)
2019	267,037,313	254,707,000	(12,330,313)
2020	277,987,555	372,919,000	94,931,445
Total	**805,062,242**	**855,143,000**	**50,080,758**

c. Weaknesses in Management of Information and Communication Technology System-Info ins Application System Management

On 25th November 2016, ZSIC General Insurance Limited and Informatics International Limited of Sri Lanka entered into a contract for the development, supply, installation, commissioning and maintenance of a general insurance software system at a contract sum of US$1,154,288. The contract duration was eight (8) months commencing 25th November 2016 to 25th July 2017. As at 30th September 2021, ZSIC GI had paid the full contract sum.

However, the following were observed.

i. Failure to Run Full Set of Financial Statements

Contract Specification clause 3.13.8 Reports Requirements specified that the finance module should run reports such as profit and loss statements, balance sheet, age analysis, trial balance and notes to the financial statements.

Despite the finance module being configured, the asset management function was not implemented and the assets were still being managed manually. Further, the company was not able to produce a full set of financial statements using the system as at 30th September 2021.

ii. Failure to Produce Payable Age Analysis

Infor ins is configured with the function to produce age analysis for both payables and receivables.

However, the payable age analysis was not operational as at 30th September 2021. In this regard, it was not possible to establish the duration payables in amounts totalling K457,416,000 had been outstanding.

iii. Misconfigured Parameters of Unearned Premium Reserves (UPR) calculation

Section 33(i) Insurance (Amendment) Act No. 27 of 2005 stipulates that in assessing liabilities for the purposes of its annual accounts, an insurer transacting general insurance business shall set aside reserves for unearned premium, to meet liabilities on the unexpired risk as at the end of the financial year. ZSIC GI Limited used 24th Method which splits 12 months of the year into 24 periods for the purpose of calculating Unearned Premium Reserve (UPR) according to Section 33 (i) a of the Insurance Act.

Contrary to the guidelines, Info ins was configured to calculate UPR using 365 days which is not in line with the method used by the company. Further, the function was not working at the time of audit in October 2021 as a result the UPR was calculated manually risking loss of funds due to errors in computation.

iv. Questionable Data Integrity

Insurance receivables are customers who were provided with insurance service and did not settle the premium in full within the agreed period, therefore, they should have a debit balance on the system. Payables are insured customers who claimed for damages from insured sum and were not paid within the stipulated time therefore they should have a negative balance.

A review of the age analysis of receivables and payables from Info ins system revealed that some clients had negative balances in amounts totalling K5,332,107 in receivables and positive balances in amounts totalling K995,389 in payables rendering data integrity questionable.

d. Financial Analysis

i. Statements of Comprehensive Income

The Statements of Comprehensive Income for the financial years ended 31st December 2018, 2019 and 2020 were as shown in table 24.2 below.

Table 24.2: Statements of Comprehensive Income

Details	2020 K'000	2019 K'000	2018 K'000
Revenue			
Premuims, net of reinsurance			
Gross written premuims	372,919	254,707	227,517
Premuims ceded to reinsurers	(193,540)	(127,149)	(80,163)
Net premuim income	179,379	127,558	147,354
Movement in unearned premuim reserve	(43,588)	16,561	(65,050)
	135,791	144,119	82,304
Reinsurance commission received	28,777	21,259	11,579
	164,568	**165,378**	**152,428**
Claims and other direct expenses			
Claims paid	(70,109)	(8,089)	(13,688)
Change in claims outstanding	(219,862)	(54,999)	(58,276)
	(289,971)	(63,088)	(71,964)
Claims recovered from reinsurers	257,152	8,989	36,486
Claims incurred,net of reinsurance	**(32,819)**	**(54,099)**	**(35,478)**
Other direct expenses			
Commissions paid to brokers	(20,781)	(15,860)	(12,585)
Other direct expenses	(2,933)	(1,830)	(1,734)
Total claims and other direct expenses	**(56,533)**	**(71,789)**	**(49,797)**
Underwriting surplus	**108,035**	**93,589**	**102,631**
Other Operating income			
investment revenue	6,523	4,218	4,424
other income	54,702	27,121	18,747
other gains and losses	27,884	8,265	4,795
	89,109	**39,604**	**27,966**
Other operating expenses			
Bad debts expense	(27,547)	(9,064)	(19,374)
Employee benefit expense	(73,899)	(82,404)	(74,270)
Other operating expenses	(40,460)	(34,981)	(16,089)
Other indirect operating and administrative expenses	(9,130)	(7,181)	(3,353)
Finance cost			(17)
Depreciation expense	(6,389)	(5,689)	(5,530)
	(157,425)	**(139,319)**	**(118,633)**
Profit/ (loss) before tax	**39,718**	**(6,126)**	**11,964**
income tax income /(expense)	5,582	1,975	(5,764)
Profit/ (loss) for the year	**45,300**	**(4,151)**	**6,200**
Other Comprehensive income			
Items that will not be reclassified subsequently to Profit or Loss:			
Gain on revaluation of properties	80,079	4,271	
Acturial gain for the year	1,150	7,485	1,096
Items that may be reclassified subsequently to Profit or Loss:			
Net value gain/(loss) on available for sale investment	10	(91)	(3)
Other comprehensive income for the year, net of income tax	81,239	11,665	1,093
Total comprehensive profit for the year	**126,539**	**7,514**	**7,293**

***(**Source: ZSIC- GI Audited Financial Statements for the Financial Years ended 31st December 2018, 2019 and 2020)*

As can be seen from the table above, the company made profits of K6,200,000 and K45,300,000 in 2018 and 2020 respectively while in 2019, a loss of K4,151,000 was recorded. The profits were mainly attributed to an increase in gross written premium of 46% from K254,707,000 in 2019 to K372, 919,000 in 2020.

ii. Statement of Financial Position

The Statements of Financial Position for the financial years ended 31st December 2018, 2019 and 2020 were as shown in table 24.3 below.

Table 24.3: Statement of Financial Position

Details	2020 K'000	2019 K'000	2018 K'000
ASSETS			
Non-current assets			
Property and equipment	70,076	55,901	54,223
Intangible assets	615	3,543	6,352
Investment properties	68,480	6,284	4,760
Held to maturity investments	552	552	552
Available for sale financial assets	671	661	752
Insurance receivables	53,430	71,394	83,039
Other receivables	3,564	13,614	7,609
Total non -current assets	**197,388**	**151,949**	**157,287**
Current assets			
Insurance receivables	118,279	95,299	61,750
Held to maturity investments	84,265	10,003	8,027
Other receivables	14,595	10,215	10,480
Reinsurance receivables	263,290	113,913	90,931
Deferred acquisition costs	10,099	7,689	4,544
Deferred tax	5,747		
Bank and cash balance	35,751	8,983	11,024
Total current assets	**532,026**	**246,102**	**186,756**
Total assets	**729,414**	**398,051**	**344,043**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	33,500	33,500	33,500
Deficit on revenue reserves	(133,031)	(179,532)	(193,370)
Revaluation reserves	137,917	61,912	57,732
Total Shareholders deficiency	**38,386**	**(84,120)**	**(102,138)**
Non current liabilities			
Deferred tax		1,612	4,602
Unearned premuims	98,329	54,741	71,302
Retirement benefit obligation	38,220	33,659	34,954
Total non-current liabilities	**136,549**	**90,012**	**110,858**
Current liabilities			
Outstanding claims	220,616	45,709	81,612
Reinsurance payables	65,132	83,442	58,598
Other liabilities	236,800	204,578	140,829
Amounts due to related companies	24,746	50,380	50,380
Current tax liabilities	6,031	4,254	3,239
Bank overdraft	1,153	3,796	665
Total current liabilities	**554,478**	**392,159**	**335,323**
Total Liabilities	**691,027**	**482,171**	**446,181**
Total Equity and Liabilities	**729,414**	**398,051**	**344,043**

Source: Audited Financial Statements for the Financial Years ended 31st December 2018, 2019 and 2020

The following were observed:

- **Liquidity**

  - **Working capital**

    Working capital is the capital of the business which is used in the daily operations, calculated as the difference between current assets and current liabilities.

    A review of the Statement of Financial Position revealed that the company operated with a negative working capital as shown in table 24.4 below.

    Consequently, the company had unpaid statutory obligations of K151,069,282 staff obligations of K11,758,185 and unpaid claims in amounts totalling K220,455,359 as at 31st December 2020.

Table 24.4: Working Capital and Current Ratio

Details	2020 K'000	2019 K'000	2018 K'000
Current Assets	532,026	246,102	186,756
Current Liabilities	554,478	392,159	335,323
Working Capital	**(22,452)**	**(146,057)**	**(148,567)**
Current Ratio	0.96: 1	0.63: 1	0.56 : 1

  - **Current Ratio**

    The current ratio measures a company's ability to pay off its short term liabilities as and when they fall due using its current assets. It is expressed as a ratio between current assets to current liabilities. The acceptable ratio is 2 to 1.

    As shown in table above, the current ratio for ZSIC-GI as at 31st December 2018, 2019 and 2020 was 0.56 to 1, 0.63 to 1 and 0.96 to 1 respectively, which was below the acceptable current ratio.

- **The Solvency Margin**

  The solvency margin of an insurance company is the size of its capital relative to all risks it has taken which is often expressed as a difference between long-term liabilities and total assets.

  Section 36(2) of the Insurance Act of 1997 (as amended) states that, "An insurer shall not carry on insurance business of any class other than life insurance unless the admitted assets of the insurer, so far as they are identifiable with the statutory fund maintained in respect of that class, exceed the admitted liabilities in respect of that class by ten per centum, or such higher or lower margins as may be prescribed by regulations made under this Act in relation to that class of insurance business."

In this regard, a solvency margin of 10% set by the Act was applicable to ZSIC GI during the period under review. However, a review of the financial statements revealed that ZSIC-GI had recorded solvency margins of negative 79%, 56% and 12% in 2018, 2019 and 2020. See table 24.5 below.

Table 24.5: Solvency Margin

Details	2020	2019	2018
Total Assets K'000	601,027	259,796	251,481
Total Liabilities K'000	691,027	482,171	319,897
Excess assets above requirements K'000	(89,256)	(270,592)	(86,415)
Solvency Margin (%)	**-12**	**-56**	**-79**

- **Receivables Collection Period**

According to the company's Credit Policy, the average credit period on insurance receivables was 60 days. Receivable turnover days is calculated by dividing the insurance and reinsurance receivables by net premium income, which is then multiplied by 365 days.

However, during the period under review, the company was not efficient in collecting its debts in that the receivable days ranged from 168 to 239 which was in excess of the credit period of 60 days. See table 24.6 below.

Table 24.6: Receivable Turnover Days

Details	2020	2019	2018
Net premuim written (K'000)	372,919	254,707	227,517
Insurance and reinsurance receivables (K'000)	171,709	166,693	144,789
Receivable Turnover Days	168	239	232

e. Operational Matters

i. Failure to Remit Insurance Levies

Statutory Instrument (SI) 100 of 2007 requires an insurance company or a person whose premium or source for the premium is obtained from a business carried out in Zambia to pay a levy on the gross premium income of each general insurer at a rate of 0.8 percent per annum.

Contrary to the SI, as at 31st August 2021, ZSIC GI owed PIA insurance levy amounting to K3,572,454 out of which K3,500,000 had been outstanding for over twelve (12) months.

ii. Failure to Collect Premiums and Claims from Reinsurance

Clause 9.23 of the Credit Management Policy stipulates that all debts that remain outstanding after the normal recovery process has been exhausted and where the debt has reached 30 days past the due date would be passed on and followed up by the Debt Recovery Manager before being referred to a debt collection agency or for legal action.

However, ZSIC GI Limited did not collect premiums in amounts totalling K337,973,241 from 9,878 customers and K35,211,607 for claims from reinsurance companies and the amounts had remained outstanding for periods exceeding 90 days. As at 30th September 2021, no action was taken against the defaulting customers.

iii. Management of Salvages

- **Disposal of Salvage Motor Vehicle – Sportero ABV 8045 - Choma**

  Section 6.3 of the Salvage Management and Disposal policy states that, "Immediately the insured property has been declared a write- off, upon receipt of the assessor's report, the company shall give first preference to retain salvage to claimant."

  On 7th June 2018, a salvage vehicle was offered for sale at K9,000 and payments made on 12th June 2018. However, there were no assessment reports and claim details for the motor vehicle.

- **Unaccounted For Salvage – GRZ 138 CH - HQ**

  On 13th October 2019, a claimant's vehicle GRZ 138CH was involved in a road accident and the assessor recommended a total loss with a salvage value of K28,000. On 27th December 2020, a salvage offer was made to the highest bidder at K31,500 and who made payment on 8th February 2021.

  In a memo dated 13th April 2021 to the Director Technical from the Claims Manager, it was indicated that the buyer erroneously collected a wrong vehicle GRZ 563 of the same colour from the brokers yard and upon realisation of the error, the salvage was returned to the salvage yard. It was also indicated that the salvage broker had earlier taken possession of GRZ 138 CH without following the procedure of salvages. As at 30th September 2021, ZSIC GI had refunded the bidder the amount of K31,500.

  However, a physical inspection conducted in August 2021, revealed that the vehicle GRZ 138CH was not at the garage and no action was taken against the salvage broker.

- **Failure to Write off Salvages from the Books of the Company**

  Clause 6.15 of the salvage policy states that salvages not disposed of after attempts outlined in clause 6.9 through to 6.14 would be written off from the books of the company and surrendered to Local Authorities. Further, clause 6.13 states that, "Salvages not sold during the public auction shall be offered to salvage breakers on bulk buying basis.

  A review of the salvage register revealed that as at 30th September 2021, ZSIC GI had twenty four (24) vehicles located at two (2) Salvage Garages in Lusaka with reserve prices in amounts totalling K372,750.

  However, no public auction or offer to salvage breakers was conducted by ZSIC GI and the vehicles had not been surrendered to the Local Authority as some vehicles had been in the garage from as far back as 2013.

f. Procurement Matters-Contract for supply and delivery of Motor Cover Notes

On 14th August 2018, ZSIC General Insurance Limited and Rank Industries Limited entered into a contract for the supply and delivery of motor cover notes, non-motor cover notes and 4-part receipts at a total contract sum of US$191,450 with a delivery period of twelve (12) months subject to renewal for another year based on performance.

The contract sum was to be paid as indicated in the payment table 24.7.

Table 24.7: Payment Terms

No.	Item Description	Quantity	Amount US$
Lot1: Security Printing			
1	Electronic Motor Cover Notes (single Sheets)	85,000 Sheets	37,400
2	Motor Cover Note Books	3,200x50x5	134,400
Total			**171,800**
Lot2: Non Security Printing			
1	2-Part Non-motor cover Notes printed without conditions at the back of the original on the NRC continous paper A4	80 Boxes	8,400
2	4-Part Receipts A5 Size	75 Boxes	11,250
	Total		**19,650**

Section 54 (2) (e) of the Public Procurement Act of 2008 stipulates that; (2) No Contract, Purchase Order, Letter of Bid Acceptance or Other Communication in any form conveying acceptance of a bid or award of contract shall be issued prior to: (e) Any other approvals required, including the approval of the contract by the Attorney-General. However, the contract between ZSIC General Insurance and Rank Industries Limited valued at US$191,450 was entered into without approval from the Attorney General. As a result, the following weakness were observed in the contract:

i. Failure to Include Interest Rate

Section I of the General Condition of Contract (GCC) 19.3 and 19.4 Terms of Payment stipulates that;

19.3. Payment shall be made promptly by the purchaser by, but in no case later than sixty (60) days after submission of an invoice or request for payment by the supplier and the purchaser has accepted.

19.4. In the event that the purchaser fails to pay the supplier any payment by its due date or within the period set forth in the Special Contract Condition (SCC), the purchaser shall pay the supplier interest on the amount of such delayed payment at the rate shown in the SCC, for the period of delay until payment has been made in full whether before or after judgement or arbitrage award.

However, a review of the Special Contract Condition (SCC) revealed that the rate of interest payable for delayed payments was not included in the condition of the contract as a result, it was difficult to ascertain what rate of interest was applicable.

ii. Payment of Interest

During the period from October 2018 to May 2020, the supplier charged interest in amounts totalling K165,651 due to failure by ZSIC-GI to settle invoices on time. As a result, an amount of K115,630 was paid to the supplier on 15th December 2020.

However, it was not clear how the interest amounts were determined as the clause on interest in SCC did not indicate the rate applicable.

g. Administrative Issues - Failure to Collect Outstanding Rental Income

Clause 3 (3.1) of the Commercial Lease Agreements stipulates that a tenant shall pay the rental and any VAT thereon quarterly in advance.

However, a scrutiny of the age analysis for rental receivables as at 31st December 2020 revealed that ZSIC GI was owed amounts totalling K2,731,242 by tenants and former tenants and this amount had been outstanding for more than one year.

Further, the amount remained uncollected as at 30th November 2021.

h. Asset Management - Failure to Submit an Asset Disposal Report to the Secretary to the Treasury

Section 44 (6) of the Public Finance Management Act No.1 of 2018 stipulates that a local authority, statutory corporation or state owned enterprises shall be required to submit to the Secretary to the Treasury a disposal of asset report within thirty days or after conclusion of the disposal process.

A review of the asset register and disposal file for the period under review, revealed that ZSIC General Insurance Ltd disposed of ten (10) motor vehicles valued at K343,000.

It was however observed that an asset disposal report was not prepared and submitted to the Secretary to the Treasury. See the table 24.8 below.

Table 24.8: List of Assets Disposed Off

No.	Asset Details	Asset Code	Name	Proceeds K
1	1997 Toyota Corolla ABZ 5889	MV010066	Toyota Corolla –ABL 5889	26,000
2	2007 Nissan Hardbody ABK 8127	MV030004	Nissan Hardbody-ABK 8127	61,000
3	2001 Mazda Etude AAZ 1008	MV070009	Mazda Etude 160	8,500
4	1996 Toyota Corolla ABK 4500	MV010012	Toyota Corolla	32,000
5	2006 Toyota Land Cruiser ABZ	MV010062	Toyota L/Cruiser-ABZ 9033	80,000
6	2007 Nissan Hardbody ABJ	MV030005	Nissan Hardbody-ABK 7526	39,500
7	2001 Toyota Corolla AAX	MV010015	Toyota Corolla	15,000
8	2004 Isuzu KB320 ABD 2668	MV020013	Isuzu KB320 Double Cab	25,000
9	1995 Toyota Rav4 ABC 9676	MV010013	Toyota	10,000
	Total			**297,000**

i. Staff Related Matters

i. Failure to Pay Outstanding Statutory Obligations

As at 31st December 2020, ZSIC GI Limited owed statutory obligations in amounts totalling K151,069,282 to National Pension Scheme Authority (NAPSA-K21,015,687) and Zambia Revenue Authority (ZRA-K130,053,595) in respect of pension contributions, Insurance Premium Levy, VAT, Income Tax, Withholding Tax and PAYE. See table 24.9 below.

Table 24.9: Outstanding Statutory Obligation

Institution	Principal K	Interest K	Penalties K	Total K
ZRA				
Insurance Premuim	10,607,643	221,325	3,923,314	14,752,282
VAT	973,362	(404,441)	994,798	1,563,719
Paye	99,739,517	502,977	2,047,626	102,290,119
Income tax	2,855,834	177,435	859,775	3,893,045
Withholding tax	5,255,043	211,348	2,088,038	7,554,430
Total	**119,431,399**	**708,644**	**9,913,551**	**130,053,595**
NAPSA			21,015,687	**21,015,687**
Grand Total				**151,069,282**

As at 30th November 2021, the amounts had not paid.

ii. **Failure to Remit Staff Pension Contribution**

ZISC GI maintains a pension fund where members promised pension benefits are calculated by way of a predetermined formula, and where the employer is the guarantor of such benefits. All members of staff contribute to the fund 10% and the company contributes 20% of pensionable salary per annum. The company contributes to the Zambia State Insurance Pension Trust Fund (the "Fund), to provide benefits to its employees under ZSIC Life Limited.

A review of the financial statements revealed that ZSIC GI had not remitted amounts totalling K11,758,185 to the defined contribution fund as at 31st December 2020, some of which had been outstanding as far back as July 2017. See table 24.10.

Table 24.10: Non Remittance of Pension Funds

Date	Employee Contribution (EE)	Employers Contribution (ERs)	EE'S+ER'S TOTALS K	Amount Paid K	Amount Outstanding K
Outstanding contribution from July 2017					2,485,872
2018	1,555,267	3,110,535	4,665,802	2,711,724	2,012,682
2019	1,655,272	3,310,542	4,965,814	2,316,506	2,649,308
2020	1,536,774	3,073,548	4,610,323	Nil	4,610,323
Total	4,747,313	9,494,625	14,241,939	5,028,230	9,927,231
Total Outstanding Balance					**11,758,185**

As at 31st December 2020, the Fund was in deficit of K38,220,000. Consequently, as at 31st August 2021 a total of ten (10) retired employees who were owed K12,211,173 had been retained on the payroll and paid salaries totalling K3,334,913 during the period from April 2019 to August 2021.

25 ZSIC LIFE PLC

25.1 Background

a. Establishment

ZSIC Life Plc was incorporated on 23rd April 2008 and commenced business on 1st January 2009. The company's core mandate is investment management, supervision and it is an authorised Pension Fund Manager, managing various participating Schemes.

ZSIC Life Plc is wholly owned by the Government through the Industrial Development Corporation (IDC).

b. Governance

ZSIC Life Plc is governed by a Board of Directors appointed by the IDC on three (3) year renewable terms.

Section 8.2 of the ZSIC Life Plc Board Charter stipulates that the number of members of the Board of Directors shall be large enough to ensure a range of knowledge, view and experience and that the number of members would be between six (6) and eight (8) of which the majority would be non- executive. As at 31st October 2021, the Board comprised of six (6) members.

c. Management

The Managing Director is responsible for the operations of the company and is assisted by the Directors of Risk and Pensions, Individual Life and Operations, Treasury and Investments, Finance and Administration and Technical Actuarial Services. The Management team is appointed by the Board on five (5) year renewable contracts.

d. Information and Communication Technology Systems

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

i. Zamsure ERP

The system was used to manage individual life insurance, pension's administration, group risk, annuities and real estate.

ii. Micro Pay Payroll System

The system was used to manage management and general payroll.

iii. **Sun System**

The system was used to manage Financial Accounting, Asset management, budgeting and procurement.

25.2 Audit Findings

A review of accounting and other records for the financial year ended 31st December 2018, 2019 and 2020 maintained at ZSIC life Headquarters and provincial stations revealed the following.

a. Information and Communication Technology Systems

A review of the ICT systems revealed the following:

i. **Loss of Critical Data – Failure to Maintain Backups**

According to COBIT 04.07 Manage Backup Arrangements, an institution should ensure that systems, applications, data and documentation are adequately backed up. A review of electronic records at ZSIC Life revealed that on 8th April 2021, the company's database files and documents were encrypted by a ransomware called Acuna. Among the applications that were affected were SUN System, Payroll, Zamsure ERP, Microsoft Exchange and Real Estates.

Consequently, critical payroll electronic records for the period from January 2018 to December 2020 were lost after the security incident. As at 30th September 2021, the data had not been recovered and there were no backups for the stated period.

ii. **Holistic Insurance Platform (HIP)**

On 24th April 2020, ZISC Life engaged Tucana Africa (PVT) Limited of Mauritius to supply and deliver a fully customizable and centralized Holistic Insurance Platform for the National Health Insurance Scheme Project at a contract price of US$7,000,000 with a project duration of five (5) years. In addition to the capital expenditure of US$7,000,000 a charge of US$500,000 minimum annual transactional fee for software usage was payable bringing the total cost to US$9,500,000 over the five (5) year period.

As at 30th September 2021, amounts totalling US$1,500,000 had been paid on invoiced amounts of US$2,600,000.

The following were observed:

- **Failure to Secure Source Code**

  According to Appendix A section 3.6 (a) of the contract between NHIMA and ZISC Life, ZISC Life would be required to provide and maintain a fully customizable integrated Enterprise Resource Planning (ERP) information system to support the implementation of NHI Scheme. The core system would be wholly owned by NHIMA including its source code.

  A review of the Software License and Services Agreement with Tucana Africa, in respect of HIP, revealed that the vendor retained full rights to the software, including the source code.

  Further section 8.2 of the contract with Tucana Africa stipulates that the vendor may terminate the agreement for convenience and without cause at any time by giving the customer at least 180 days' notice. In the event of termination for whatsoever reason, the customer should immediately upon termination return all copies of the software and its components whether a component had been customised.

  This implied that ZSIC would fail in meeting its contractual obligations with NHIMA in that ZSIC would not be able to provide the source code to NHIMA as the source code will not have been handed over at any point in time to ZISC Life by the developer (Tucana Africa (PVT) Limited).

- **Lack of Control Over Database Administration**

  According to section 14 of the Data Protection Act No 3 of 2021, a person should not process sensitive personal data, unless;

  Sub-section 1(b) - processing is necessary for the purposes of preventive or occupational medicine, for the assessment of the working capacity of the employee, medical diagnosis, the provision of health or social care or treatment or the management of health or social care systems and services.

  Sub-section 2 - personal data under subsection (1) *(b)* may be processed when the data is processed by or under the responsibility of a professional, subject to secrecy and other obligations imposed by any law or professional bodies regulating them.

In addition, Sub-section 70 (1) - a data controller shall process and store personal data on a server or data centre located in the Republic.

A review of the contract with Tucana Africa revealed that Database Administration support (clause 6.1.5) is performed by the Vendor. However, performing such functions by an entity outside Zambia might conflict with the above provisions of the Data Protection Act.

iii. Payment of Claims without Supporting Premiums

According to ZISC Life Procedures, before claims are processed by the Claims Department, claim files are sent to the Premium Administration and Policy Services Department for verification of premiums paid.

However, a comparison between claims paid against premiums paid on the Zamsure ERP revealed that 823 payments amounting to K4,031,621.76 in respect of 580 policies were not supported by premium payments on the system.

iv. Payments with No Policy Number

A review of the payments on the Zamsure ERP revealed that sixty (60) payments for claims amounting to K269,941.56 did not have policy numbers. As a result, it was not possible to ascertain whether these payments were backed by valid policies.

b. Budget and Income

During the period under review, ZSIC Life Plc budgeted to raise amounts totalling K917,219,610 from internally generated sources against which amounts totalling K863,096,000 were collected resulting in under collection of K54,123,610. See table 25.1 below.

Table 25.1: Budget vs. Income

Income	2020 K'000	2019 K'000	2018 K'000	Totals K'000
Net Premium Income	163,518	177,076	191,024	531,618
Health Insurance Adminstration Fees	144,833			144,833
Investment Revenue and other income	24,528	13,255	27,772	65,555
Foreign Exchange Gain	29,928	7,538		37,466
Pension Fund Management Fee	13,115	10,636	9,828	33,579
Other gain on revaluation of investment properties	27,549	15,742	6,754	50,045
Total Income	**403,471**	**224,247**	**235,378**	**863,096**
Budgeted Amount	**354,981**	**336,405**	**225,833**	**917,219**
Under/over Collection	**48,490**	**(112,158)**	**9,545**	**(54,123)**

c. Financial Analysis

i. Statement of Comprehensive Income

The Statements of Comprehensive Income for the financial years ended 31st December 2018, 2019 and 2020 were as shown in table 25.2 below.

Table 25.2: Statements of Comprehensive Income

Details	2020 K'000	2019 K'000	2018 K'000
Gross premiums	131,666	163,116	178,178
Consideration for annuities	32,411	15,801	15,875
Gross revenue	164,077	178,917	194,053
Net reinsurance cost	(559)	(1,841)	(3,029)
Net premium income	163,518	177,076	191,024
Health insurance adminstration fees	144,833		
Investment revenue and other income	24,528	13,255	27,772
Foreign exchange gain	29,928	7,538	
Pension fund management fee	13,115	10,636	9,828
Other gain on revaluation of investment properties	27,549	15,742	6,754
Total Income	**403,471**	**224,247**	**235,378**
Total Revenue	**345,994**	**200,967**	**228,624**
Total Net Claims	(146,164)	(97,670)	(93,721)
Health insurance expenses	(30,937)	-	-
Employee benefits	(81,150)	(75,506)	(61,248)
General and adminstrative expense	(97,660)	(40,291)	(32,706)
Sundry fees and other commissions	(2,415)	(1,518)	(3,325)
Commissions	(16,668)	(16,654)	(15,114)
Finance cost	(10,981)	(4,011)	(9)
Depreciation expenses	(4,969)	(2,653)	(1,363)
Total Operating Expenses	**(390,944)**	**(238,303)**	**(207,486)**
	390,944	238,303	207,486
Loss/Profit before Tax	12,527	(14,056)	(27,892)
Income Tax expense	(3,667)	(3,722)	(4,218)
Profit/(Loss) for the year	**5,432**	**(17,778)**	**23,674**
Transfer from(to) policyholder	(3,667)	(3,984)	(8,999)
FVOCI gain	-	-	449
Gain on property revaluation	5,432	42,229	-
Actuarial loss for the year	-	-	(16,318)
Total Comprehensive income/ (loss) for the year	**12,545**	**20,467**	**(331)**

Source: Audited financial statements for ZSIC Life Ltd.

The following were observed:

- **Decrease in Net Premiums**

  Net premiums is the difference between gross revenue and net reinsurance cost. During the period under review, net premiums decreased by 14% from K191,024,000 in 2018 to K163,518,000 in 2020.

- **Increase in Expense Ratio**

  Expense ratio of an insurance entity measures operational expenses incurred against net insurance premium and it is calculated through dividing operating expenses by net premiums. The lower the expense ratio the better because it means more profits to the insurance company as operational expenses are cost of obtaining new policies from insurance carriers.

  According to ZSIC Life Plc Corporate budget for 2018, the industry average expense ratio was 37.2%.

  It was however observed that ZSIC Life Plc expense ratio increased from 109% in 2018 to 239% in 2020. In this regard, ZSIC Life Plc was spending more to bring business than the premiums realised. See table 25.3 below.

Table 25.3: Expense Ratio

Details	2020	2019	2018
Operational Expense K'000	390,944	238,303	207,486
Net Premium K'000	163,518	177,076	191,024
Ratio %	**239**	**135**	**109**

- **Increase in Claims/loss Ratio**

  The claims ratio measures net claims (benefits) against net insurance premiums of an insurance entity and is calculated through dividing claims incurred by net premiums. According to Pricewaterhousecoopers (PWC) 2018 Zambia Insurance Industry Survey, the industry average for the claims /loss ratio was 46%.

  It was however, observed that ZSIC Life Plc loss ratio increased from 49% in 2018 to 89% in 2020. See table 25.4 below.

Table 25.4: Claim Ratios

Details	2020	2019	2018
Claims incured K'000	146,164	97,670	93,721
Net Premium K'000	163,518	177,076	191,024
Ratio %	**89**	**55**	**49**

ii. Statement of Financial Position

The Statement of Financial Position for the financial years ended 31st December 2018, 2019 and 2020 were as shown in table 25.5 below.

Table 25.5: Statement of Financial Position

Details	2020 K'000	2019 K'000	2018 K'000
ASSETS			
Non-Current Assets			
Property and equipment	185,076	72,799	16,470
Investment property	193,423	134,549	137,426
Other long term financial assets	128,378	66,915	94,887
Amounts due from related parties	11,000		
Total non-current assets	**517,877**	**274,263**	**248,783**
Current Assets			
Other short term financial assets			
Insurance receivables	47,227	64,813	37,073
Other receivables	87,493	44,762	82,445
Amounts due from related parties	3,341	51,942	42,890
Cash and cash equivalents	4,965	1,525	3,650
Total current assets	**143,026**	**163,042**	**166,058**
Total Assets	**660,903**	**437,305**	**414,841**
EQUITY, FUNDS AND LIABILITIES			
Equity			
Share capital	12,000	12,000	12,000
Retained earnings and other reserves	3,178	(9,364)	(30,090)
Total Equity	**15,178**	**2,636**	**(18,090)**
Insurance funds and non-current liabilities			
Unearned premiums	4,255	1,395	14,132
Policy holder liabilities	318,073	316,323	312,339
Retirement benefits obligation	13,347	13,347	20,565
Bank loan	26,665	25,000	-
Other non-current liabilities	1,935	-	-
Total insurance funds and non-current liabilities	**364,275**	**356,065**	**347,036**
Current liabilities			
Short term borrowing	16,668		-
Outstanding claims	89,299	24,618	14,947
Obligations under finance leases			
Other liabilities	151,158	48,845	66,310
Taxation payable	4,844	3,355	2,707
Amounts due from related parties	19,281	826	826
Overdraft	200	960	1,105
Total current liabilities	281,450	78,604	85,895
Total Liabilities	**645,725**	**434,669**	**432,931**
Total equity funds and liabilities	**660,903**	**437,305**	**414,841**

Source: Audited financial statements for ZSIC Life Ltd.

The following were observed:

- **Deteriorating 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. However, the working capital of ZSIC Life Plc had deteriorated by 273% from K80,163,000 in 2018 to negative K138,424,000 in 2020.

This indicated that in the financial year 2020, ZSIC Life plc was not able to settle its liabilities as they fell due. See table 25.6 below.

Table 25.6: Working Capital

Details	2020 K'000	2019 K'000	2018 K'000
Current Assets	143,026	163,042	166,058
Current Liabilities	281,450	78,604	85,895
Working Capital	**(138,424)**	**84,438**	**80,163**

- **Poor Solvency Ratio**

  Section 36 (1) of the Insurance Act No.27of 1997 states that, "An insurer shall not carry on life insurance business unless the admitted assets of the insurer, so far as they are identifiable with the statutory funds maintained in respect of life insurance, exceed the admitted liabilities in respect of the fund, or exceed it by such margins as may be prescribed by the regulations made under this act in relation to life insurance."

  Solvency ratio is calculated through dividing net assets by total liabilities. In computing the solvency ratio, two options were considered. Option one was using the Pensions and Insurance Authority (PIA) guidelines under Section 38 (2) of the Insurance Act No.27 of 1997 which excluded assets such as prepayments, receivables, properties held under security in the computation of the ratio.

  Option two was based on figures from the actuarial valuations which excluded related party transactions, insurance receivables over 90 days and subsequent recoveries.

  In both options, the admitted assets of the insurer must exceed the liabilities.

  ✓ **Option One - Regulatory Solvency as Calculated by Pension Insurance Authority**

  PIA has set a solvency ratio of 100%, however, ZSIC Life Plc had solvency ratios of negative 46%, 48% and 58% as at 31st December 2018, 2019 and 2020 respectively. See table 25.7 below.

Table 25.7: Solvency Ratio Option One

Details	2020 K'000	2019 K'000	2018 K'000
Admissible assets	660,903	442,324	388,266
Less: Inadmissible assets	(400,695)	(217,735)	(144,812)
Net Admissible assets	**260,208**	**224,589**	**243,454**
Less Admissible liabilities	**626,444**	**434,635**	**453,496**
Excess liabilities	(366,236)	(210,046)	(210,042)
Solvency Ratio	**-58%**	**-48%**	**-46%**

Source: PIA Analysis of solvency position

The poor solvency ratio results in poor settling of claims as they fell due.

✓ **Option Two - Actuarial Valuation**

The financial position of the company on the Gross Premium Valuation (GPV) basis is summarised in table 25.8 below. Assets are taken at balance sheet value less any adjustments required by the Insurance Act. Below is the calculation of the solvency ratio for the period under review.

Table 25.8: Solvency Ratio Option Two

Details	2020 with NHIMA Project Assets K'000	2020 excluding NHIMA Project Assets	2019 K'000	2018 K'000
Balance Sheet Assets	662,503	463,926	439,169	414,479
Less: Inadmissible assets	11,000	11,000	67,580	36,633
A: Net Assets	**651,503**	**452,926**	**371,589**	**377,846**
Less: Liabilities				
Acturial liabilities	318,073	318,073	316,323	312,339
Non -current liabilities	157,239	155,305	39,742	49,644
Current liabilities	173,572	61,601	78,573	70,787
B: Total Liabilities	**648,884**	**534,978**	**434,638**	**432,770**
Excess of Assets Over Liabilities(A-B)	**2,619**	**(82,052)**	**(63,050)**	**(54,924)**
Solvency Ratio %	**100**	**85**	**85**	**87**

Source: Actuarial Valuation Reports 2018, 2019, 2020

The company's solvency position had improved as admitted assets exceeded admitted liabilities by K2,619,000 representing 100% of solvency in the 2020 from negative K54,924,000 representing an insolvency of 87% in 2018.

However, the exclusion of the NHIMA project resulted in the company continuing in its insolvent state as experienced in the previous years with admitted liabilities exceeding admitted assets by K82,052,000 representing insolvency of 85% in 2020.

Further, ZSIC Life Plc has a 5 year contract with NHIMA ending in 2025 However, if this contract is not renewed, there is significant risk of the company returning to its insolvent position.

d. Operational Matters

i. Failure to Satisfy Minimum Solvency Requirements

Section 36 (1) of the Insurance Act No.27of 1997 states that, "An insurer shall not carry on life insurance business unless the admitted assets of the insurer, so far as they are identifiable with the statutory funds maintained in respect of life insurance, exceed the admitted liabilities in respect of the fund, or exceed it by such margins as may be prescribed by the regulations made under this act in relation to life insurance."

However, it was observed that that during the period under review ZSIC Life Plc did not meet the minimum solvency requirements. According to the PIA, as at 31st December 2018, 2019 and 2020, ZSIC Life Plc needed a total of K210,042,000, K210,046,000 and K366,236,000 capital injection respectively to meet the minimum solvency requirements as stipulated in Section 36(1) of Insurance Act.

As at 30th September 2021, the solvency requirement had not been met.

ii. Non- Compliance with the Premium Policy

The ZSIC Life Premium Policy stipulates that only 10% of the premium should be used as management fees from twenty six (26) individual Life Products and 15% of the Premium from Chikwama and Kwacha products. In this regard, ZSIC Life Plc was expected to invest 90% of the premium from twenty six (26) individual Life Products and 85% of the premium from Chikwama and Kwacha products.

An analysis of Investment Activity Tracking Schedule for 2018 to 2020 showed that only 14% and 9% of premiums for 2018 and 2019 respectively were invested while 77% was invested in 2020.

Contrary to the Premium Policy, the company spent a total of 86%, 91% and 23% of the premium on management fees for the years 2018, 2019 and 2020 respectively. See table 25.9 below.

Table 25.9: Premium Investment Analysis

Details	2020 K	2019 K	2018 K
Premium	131,666,000	163,116,000	178,178,000
Invested amount	100,989,687	15,099,549	24,555,573
Management fee	**30,676,313**	**148,016,452**	**153,622,427**
% of invested amount	**77**	**9**	**14**
% of management fee	**23**	**91**	**86**

iii. Weaknesses in Investment Management

According to ZSIC Life Premium Policy, a percentage of premium is invested in various portfolios e.g. money markets, equity, real estate etc. The returns from these investments are used to settle claims when they fall due. However, the following were observed.

- **Poor Performance of Real Estate Investments**

A review of the annual performance of real estate revealed that direct costs on rentals when compared to rental income had increased from 34% in 2018 to 51% in 2020 with some properties recording losses when considered individually. See table 25.10 below.

Table 25.10: Performance of Real Estate

Details	2020 K	2019 K	2018 K
Rentals	17,298,869	18,731,846	17,340,807
Expenses	8,867,646	9,420,753	5,822,673
Net rentals	8,431,223	9,311,093	11,518,134
Expenses as a percentage of rental income	**51%**	**50%**	**34%**

In response management indicated that some of the major property costs included water bills, security charges and electricity for common areas and management had put in place a number of measures to address the property expenses such as the following:

- ✓ Water meter separation and installation of individual prepaid meters;
- ✓ Security camera installations; to take away the physical human intervention which is poised to bring down the security charges significantly;
- ✓ Introduce service charges at the gated residential properties to aid in reducing the utility costs such as electricity bills; and

- ✓ Engaging a consultant to carry out a market study to determine the Highest Best Use (HBU) of the properties. The outcome and recommendations of the report would chart the way forward with the property management.

However, as at 30th September 2021, management had not yet introduced the proposed measures to reduce property expenses.

- **Failure to collect Rentals**

An analysis of Rental Aged Analysis Detail Listing revealed that ZSIC Life Plc was owed amounts totalling K36,884,795 as at 31st December 2020 by various tenants who were renting properties situated in different parts of the country. Some of the tenants had been owing ZSIC Life Plc from as far back as 2017. As at 31st October 2021 the amount had not been collected.

- **Unsigned Tenants Agreements**

During the period under review, ZSIC Life Plc entered into 735 tenant agreements with various tenants. However, 290 tenancy agreements were not signed as at 31st December 2020 as shown in the table 25.11 below.

Table 25.11: Rental Lease Agreements Management

Southern Region			
Year	**Signed**	**Unsigned**	**Total**
2018	61	103	164
2019	81	77	158
2020	153	3	156
Total	**295**	**183**	**478**
Nothern Regional			
2020	150	107	257
Grandtotal	**445**	**290**	**735**

In response management stated that it had put in place rigorous lease monitoring mechanisms to ensure that all tenants that did not return the signed copies were given notice of eviction.

However, as at 30th September 2021, management had not availed any copies of eviction notices for tenants that had not signed lease agreements.

iv. Failure to Pay Claims

Outstanding claims comprise amounts outstanding in respect of claims arising from the underwriting of insurance contracts.

A scrutiny of the audited financial statements for the period under review revealed that outstanding claims increased by 497% from K14,947,000 in 2018 to K89,299,000 in 2020 with some claims being outstanding for periods exceeding a year. See table 25.12 below.

Table 25.12: Outstanding Claims

No.	Year	Amount K
1	2018	14,947,000
2	2019	24,618,000
3	2020	89,299,000

e. Failure to Remit Statutory Obligations

Contrary to Income Tax Act Chapter 323 of the Laws of Zambia, and the NHIMA Act No. 2 of 2018, amounts totalling K32,436,013 deducted from employees and due to Zambia Revenue Authority (K31,944,575) and the National Health Insurance Management Authority (K491,438) had not been remitted to the respective Institutions as at 31st December 2020.

Further, amounts totalling K1,515,367 deducted from various officers at ZSIC Life Plc as pensions contributions to ZSIC Pensions Trust Fund had not been remitted as at 31st December 2020.

As at 31st October 2021, the amounts had not been remitted.

f. Asset Management

i. Loss of Revenue - Vacant Properties

A review of the budgeted rental income against actual income for the period under review revealed that the company did not generate revenue from vacant properties in various locations in amounts totalling K7,827,253 due to state of the properties as some properties.

In addition, a review of fixed asset register for the period under review, revealed that ZSIC Life Plc owned among others, 22 KOPA Flats on plot No. SD3/ER/F748 in Ndola. The flat had five units which were leased out at K2,835 per month. According to a letter dated 17th November 2020, all tenants were given a notice of termination of lease and were asked to vacate the flats by 19th February 2021 to pave way for renovations.

However, as at 31st October 2021, no renovations had started and yet the flats were vacant for a period of over eight (8) months resulting in a loss of revenue in amounts totalling K113,400.

ii. Poor State of Infrastructure

ZSIC Life Plc had several properties on the Copperbelt Province. A physical inspection carried out in September 2021 at 30 Copa flats, 22 Copa Flats, Telnor House, Premium Plaza, Premium Plaza Extension, Kabinaga flats in Ndola and Ex-Legal building, Sunlam building and Insurance House in Kitwe revealed that most of the buildings were in a state of disrepair due to lack of maintenance.

Particularly, the following defects were observed:

- Dilapidated sewer system
- Cracked and unpainted walls
- Non-functional lighting system
- Leakages in toilets, geysers and roof
- Damaged, windows, tiles, doors, ceiling board and kitchen units

See pictures below.

Figure 25.1: Damaged tiles - 22 Copa Flats and leaking roof - Telnor House

Figure 25.2: Cracked Walls- Cosdown House and Kabinga Flats

Figure 25.3: Leaking Geyser -Kabinga Flats and Damaged Ceiling Board - Premium Plaza

Figure 25.4: Broken Windows and Unpainted Wall - Telnor House Ndola

Figure 25.5: Poor painting of Sanlam Building and Leaking Roof – Ex Legal Building in Kitwe

26 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 to strengthen corporate governance;

ii. The boards of directors for parastatal bodies and other statutory institutions must ensure that financial reports are prepared annually in compliance with the Companies Act Chapter 338 of the Laws of Zambia;

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. The 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. The management of parastatal bodies and other statutory institutions must ensure that procurements are made in line with Public Procurement Act No. 8 of 2020;

ix. The Central Bank must ensure that the international reserves are maintained at levels set by the Minister of Finance;

x. Management of Times Printpak Zambia Limited must ensure that board resolutions on liquidation of the is implemented; and

xi. The management of parastatal bodies and other statutory institutions must improve on the management of infrastructure to avoid deterioration of assets value.

27 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.

28 RECOMMENDATIONS OF THE COMMITTEE ON PARASTATAL BODIES

Appendix 3 to this report summarises the status of outstanding issues as at 31st December 2020 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 2020.

29 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.	National Health Insurance Management Authority
2.	Zambia Medicine Regulatory Authority
3.	The Judiciary
4.	National Science and Technology Council

APPENDIX 2

List of institutions in the Report whose Financial Statements are Certified by Private Auditors

No.	INSTITUTION
1.	Bangweulu Water Transport
2.	Bank of Zambia
3.	The Copperbelt University
4.	Industrial Development Corporation
5.	Kapasa Makasa University
6.	Luanshya Technical Business College
7.	Mongu Trades Training Institute
8.	National Housing Authority
9.	Nitrogen Chemicals of Zambia Limited
10.	Road Transport And Safety Agency
11.	Times Printpak Zambia Limited
12.	Tobacco Board of Zambia
13.	Zambia Airports Corporation Limited
14.	Zambia Daily Mail Limited
15.	Zambia Educational Publishing House
16.	Zambia Railways Limited
17.	ZSIC General Insurance
18.	ZSIC Life Plc

APPENDIX 3

SUMMARY OF UNRESOLVED ISSUES AS AT 31st DECEMBER 2020

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.