



Jesuit Centre for Theological Reflection

**Analysis of
The Report of the Auditor General
On
The Accounts for the Financial Year ending 31st December 2017
Selected Cases of Mismanagement and Maladministration of
Public Resources**

**Compiled By
Innocent Ndashe**

2019

CONTENTS

1.0 Introduction.....3

2.0 Overview of the 2017 AGs Report.....4

3.0 Implications of the irregularities and abuses5

4.0 Select District Cases of Concern in the 2017 report.....7

5.0 Factors Responsible for Funds Mismanagement.....11

6.0 Conclusion.....11

7.0 Recommendations.....11

1.0 Introduction

Improved public finance management has been the Zambian citizens' outcry over the years. The Auditor General's reports have highlighted cases that require serious attention on an annual basis. They include: cases of unaccounted for funds, wasteful expenditure and irregular payments. Resource wastefulness has continued amidst high poverty levels, high unemployment, poor social service delivery and general underdevelopment. According to the 2015 Living Conditions Monitoring Survey (LCMS), Zambia's national poverty levels stands at 54.4% whilst rural poverty at 76.6%. Youth unemployment according to the 2017 Labour Force Survey stands at 17.4% and general unemployment statistic at 41.2%. Addressing these social and economic challenges require sufficient allocation and efficient utilization of resources.

The Auditor-General's Office in Zambia has a constitutional mandate to audit use of all public resources in the Republic to strengthen accountability and transparency with the aim of building public confidence. This is according to Article 212 of the Constitution. Article 212 requires the Auditor General to, not later than nine months after the end of a financial year, submit an audit report to the President and the National Assembly, on the accounts of the Republic audited in respect of the preceding financial year.



Figure 1: The Auditor-General's Office in Zambia has a constitutional mandate to audit use of all public resources

This oversight institution is mandated to give reasonable assurance to the Parliament, the Executive and other stakeholders and much more importantly to the people of Zambia that the Government is operating in accordance with established financial reporting standards. To a certain degree therefore, the Auditor General's office assists the National Assembly, the Executive and the general populace in regard to assessing the application of public resources and general execution and implementation of programmes by the Executive.

Following the production and publication of the Auditor General report for 2017, Jesuit Centre for Theological Reflection has carried out an analysis of public finance management in 2017 to mobilise, lobby and promote action on the use of public resources. JCTR annually takes keen interest in this report driven by the desire for a just Zambian society guided by faith, where everyone enjoys the fullness of life. The Centre would want to see appropriate measures implemented to improve public finance management in public institutions. This is because if the situation is not addressed, public finance mismanagement will continue to deprive the country of much needed financial resources required to facilitate meaningful development.

As part of its general advocacy strategy and engagement, JCTR is involved in monitoring service delivery in targeted communities and public resource utilization. To this effect, some of the activities that JCTR undertakes include: monitoring of national debt levels, annual analysis of the national budget, annual analysis of the Auditor General’s Report, presentation of budget submissions to the parliamentary committee, tax and non-tax proposals to the Ministry of Finance and other ministries.

2.0 Overview of the 2017 AGS Report

Table 1: Highlighting national level issues of concern largely due to general weak internal controls in public offices

No.	Expenditure area	Amount Involved In Kwacha		
		2017	2016	2015
1.	Irregular payments	21,791,360	1,591,348	115,350,860
2.	Misappropriation of funds	5,036,051	3,618,127	-
3.	Unaccounted for funds	31,200,930	386,834	193,910
4.	Wasteful expenditure	7,865,395	3,586,879	39,854,959
5.	Unaccounted for stores	6,370,531	14,428,573	13,460,323
6.	Irregularities in procurement (e.g. failure to follow procurement procedures)	1,051,686	509,535	35,701,492
7.	Undelivered materials	1,486,568	116,759,240	251,523,804
Grand Totals Per Year		74,802,521	140,880,536	456,085,348

Source: Report of the Auditor General on the Accounts for the Republic on the Financial Report for the Year 2017

2.1 Irregular Payments

Irregular payments refer to payments made outside the normal practice or acceptable regulations or norms. In 2017, there was an increase in waste compared to 2016. Though, the waste was much higher in 2015. In 2017, waste was K21,791,360 compared to K115,350,860 in 2015.

2.2 Misappropriation of Funds

Misappropriation of Funds refer to the use of public funds for personal purposes or crediting public funds to a private bank account. Misappropriation in 2017 increased by K1,417,924 to K5,036,051 from K3,618,127 in 2016.

2.3 Unaccounted for Funds

Unaccounted for Funds refers to failure to properly account for the funds. The situation in 2017 shows a drastic sharp increase from K386, 834 in 2016 to K31,200,930 in 2017. Though between 2015 and 2016, the increase was equally slightly by over 100 percent, from K193,910 in 2015 to K386,834 in 2016 but cannot be compared to an increase of 7,965 percent in 2017.

2.4 Wasteful Expenditure

Wasteful expenditure refers to expenditure incurred where there is no benefit derived. Under the Ministry of General Education in 2017 for example, K15, 221, 245 was disbursed for the sponsorship of orphans and vulnerable pupils under the criteria which was difficult to ascertain as the Ministry had no database for the orphans and vulnerable pupils that were targeted for sponsorship. The year 2017 actually saw an increase in waste from K3,586,879 in 2016 to K7,865,395 in 2017, an increase of 119 percent. Though, the waste was much higher in 2015, K39,854,959.

2.5 Unaccounted for Stores

Unaccounted for stores refers to lack of receipt and disposal details for goods procured. For example, under the Ministry of General in 2017, there was K150, 157 purported to have been on general stores (K20, 007) and fuel (K130, 150) which never had supporting documentation. However, though, there was a slight increase in waste in 2016 (K14,428,573) compared to 2015 (K13,460,323), there was a drastic reduction in 2017. Waste reduced to K6,370,531, reflecting a 56 percent reduction.

2.6 Irregularities in Procurement (e.g. Failure to Follow Procurement Procedures)

Irregularities in procurement refers to the breach of rules, regulations or laws. For instance, failure to comply with the Zambia Public Procurement Authority, ZPPA, Act and procurement guidelines. A drastic reduction has been recorded between 2015 and 2017. In 2015, waste amounted K35,701,492 whilst in 2017, it amounted K1,051,686. However, of concern is that despite reducing to K509,535 in 2016, there was a recorded increase in 2017 to K1,051,686, reflecting an increase of 106 percent.

2.7 Undelivered Materials

Undelivered materials – refers to goods paid for but not received. Between 2015 and 2017, a significant reduction has been recorded in waste related to undelivered materials. There has been a reduction of 99 percent, from a waste of K251,523,804 in 2015 to K1,486,568 in 2017.

The situation in 2017 shows that in the areas of irregular payments, misappropriation of funds, unaccounted for funds, wasteful expenditure and irregularities in procurement, there was actually an increase in waste in 2017 compared to 2016. Though wastage in areas including irregular payments, irregularities in procurement and wasteful expenditure was much higher in 2015. Between 2015 and 2017, a significant reduction has been recorded in waste related to undelivered materials. And a reasonable improvement in waste related to unaccounted for stores between 2016 and 2017.

3.0 Implications of the Irregularities and Abuses

Unaccounted for funds and irregular payments, etc.: would have huge negative impact on the access of essential services by citizens. Most rural areas in Zambia do not have sufficient infrastructure and readily available facilities in essential areas such as education and clean and safe water supply. Unaccounted for funds and irregular payments are robbing the nation of the resources needed to invest in social amenities. Taking Mongu as an example, there was K31,200,930 (**unaccounted for funds**), K21,791,360 (**irregular payments**) and K24,134 received by 5 officers at the Provincial Education Office in **Mongu** in subsistence and meal allowances contrary to Cabinet Office Circular Minute of 2015. These resources could have been invested in improving infrastructure in education and in boosting supply of clean and safe water. The funds could have helped address challenges in rural areas in areas such as water and education. More especially that funding to critical areas of service delivery has been insufficient. In the 2019 national budget for example, only K258 million was allocated to school infrastructure to address high challenges of insufficient infrastructure in most Government schools.

Figure 2: Challenges of Infrastructure in Education:



Figure 3: Challenges of Infrastructure in Education



In 2017, wastefulness from irregular payments, misappropriation of funds, unaccounted for funds, wasteful expenditure, unaccounted for stores, irregularities in procurement and undelivered materials totaled K74,802,521. This amount if prudently utilized under an effective, accountable and

transparency system could ease the burden of vulnerable households. According to the LCMS (2015), extreme poverty stands at 40.8%. With such an amount, Government could have reached 831, 139 households on a social cash transfer at a monthly support of K90.

4.0 Select District Cases of Concern in the 2017 Report

4.1 Mongu

4.1.1 Irregular Payments

At Lewanika General Hospital, a total of 21 officers received K8, 500 outside Cabinet Office Circular No. 11 of 2013, Clause 7 (iv) on meal allowances. Cabinet Office Circular No. 11 of 2013, Clause 7 (iv) states that meal allowances shall only apply to officers working outside their normal duty station on an official assignment for eight (8) hours or more but not including an overnight stay. However, contrary to this regulation, 21 Officers received the allowance whilst working at their stations of duty.

At the Provincial Education Office (PEO), 5 officers were paid subsistence and meal allowances in the amount of K24, 134 contrary to Cabinet Circular Minute of 2015. Cabinet Circular Minute of 2015 disallows payment of subsistence and meal allowances for activities undertaken within the district boundary. The records show that 5 officers received the K24, 134 for activities undertaken within the district boundary. At Holy Cross Secondary School, 7 officers were paid K12, 385 for activities undertaken within the district boundary in subsistence allowances. Whilst at Mongu College of Education, 2 officers were issued with imprest in the amount of K70, 140 to enable them pay tuition fees at the University of Zambia (UNZA), despite there being no authorization from the Teaching Service Commission or Public Service Management Division (PSMD).

4.1.2 Unaccounted for Stores

Expenditures of K7, 496 and K60, 296 on general stores and K45, 000 on fuel at PEO and Holy Cross Secondary School and Mongu College of Education respectively had no supporting documentation. Contrary to Public Stores Regulation No. 16, which requires that there be receipts and disposal details to support an expenditure.

Table 2: Wastage related to irregular payments and stores

No.	Area of Wastage	Institution	Amount (K)
1	Irregular Payments	Lewanika General Hospital	8,500
		Provincial Education Office (PEO)	24, 134
		Holy Cross Secondary School	12, 385
		Mongu College of Education	70, 140

2	Unaccounted for Stores	Provincial Education Office (PEO)	7,496
		Holy Cross Secondary School	60,296
		Mongu College of Education	45,000
Total Amount Abused			227,951

If the abused amount of K227,951 was channeled and well utilized in a sector such as health it could have made a difference in improving citizens’ access to quality health care services. Access to quality health care still remains a challenge in provinces such as Western Province.



Lubosi Health Post in Mongu



Toilets at Lubosi Health Post in Mongu

4.2 Copperbelt

4.2.1 Irregular Payments

At Chibote Secondary School in Mpongwe, 2 officers were paid K7, 323 in meal allowances contrary to Cabinet Circular Minute of 2015 which disallows payment of subsistence and meal allowances for activities undertaken within the district boundary.

4.2.2 Misappropriation of Funds

At Chibote Secondary School in Mpongwe, an Accounts Assistant forged the signature of the Head Teacher and withdrew K102, 853 by December 2016. At the time of audit in April 2018, only K10, 000 had been deducted leaving a balance of K92, 853 for him to settle. The officer had however been paid K95, 021 in salaries despite not even been reporting for work since December 2016. The records show that no disciplinary action had been effected.

4.2.3 Unaccounted for Stores

In Mpongwe, at Chibote Secondary School, an expenditure of K119, 933 on general stores had no supporting documentation. Contrary to Public Stores Regulation No. 16, which requires that there be receipts and disposal details to support an expenditure.

Table 3: Wastage related to irregular payments, misappropriation and stores

No.	Area of Wastage	Institution	Amount (K)
1	Irregular Payments	Chibote Secondary School in Mpongwe	7, 323
		Chibote Secondary School in Mpongwe	95, 021
2	Misappropriation of Funds	Chibote Secondary School in Mpongwe	92, 853
3	Unaccounted for Stores	Chibote Secondary School in Mpongwe	119, 933
Total Amount Abused			315,130

4.3 Southern Province

4.3.1 Unaccounted for Stores

At the Zimba District Education Board Secretary (DEBS)’s office, contrary to Public Stores Regulation No. 16, there were no receipts and disposal details to support an expenditure of K2, 540 on general stores.

4.3.2 Irregularities in procurement

At Zimba DEBS’s office, 5 transactions worth K2, 949 of fuel was made on motor vehicles not on institutional fleet.

Table 4: Wastage related to stores and procurement

No.	Area of Wastage	Institution	Amount (K)
1	Unaccounted for Stores	Zimba District Education Board Secretary (DEBS)’s office	2, 540
2	Irregularities in Procurement	Zimba District Education Board Secretary (DEBS)’s office	2, 949
Total Amount Abused			5,489

5.0 Factors Responsible for Funds Mismanagement

- I. Weak Internal Controls - One aspect highly cited in the Auditor General’s report is that of weak internal controls. For instance, in the Ministry of General Education, the Audit Committee rarely met. Instead of meeting every quarter or four times in a year, in the period (2017) under review, the Committee only met once. Further the three (3) internal audit reports produced had not been reviewed thereby making it not possible to ascertain how their oversight role was accomplished.
- II. Failure to Follow Regulation – For example, under the Ministry of General Education, K15, 221, 245 was disbursed for the sponsorship of orphans and vulnerable pupils under the criteria which was difficult to ascertain. As the Ministry had no database for the orphans and vulnerable pupils that were targeted for sponsorship.

6.0 Conclusion

Like in similar previous reports, public funds mismanagement continued in 2017. However, it is worth acknowledging that there were great improvements in areas such as undelivered materials and unaccounted for stores. Undelivered material waste reduced from K116, 759,240 in 2016 to K1, 486,568 in 2017. Whilst unaccounted for stores waste reduced from K14, 428,573 in 2016 to K6, 370,531 in 2017. There were however sharp increases in areas of unaccounted for funds, irregular payments and wasteful expenditure. Unaccounted for funds increased from K386, 834 in 2016 to K31,200,930 in 2017 and waste pertaining to irregular payments increased from K1,591,348 in 2016 to K21,791,360 in 2017. Whilst wasteful expenditure increased from K3,586,879 in 2016 to K7,865,395 in 2017.

7.0 Recommendations

1. Government should urgently finalise revision of the Public Procurement Act to curb the loopholes or weaknesses being experienced in public procurement. Among areas - stiffen punishment to those that make government lose funds due to their inefficiencies and negligence. And strengthen areas of the evaluation and selection process for advertised government works.
2. The Secretary to the Treasury needs to ensure Internal Audit Committees in public institutions become pro-active. For instance, that they meet as frequently as provided for by Financial Regulation No. 6 which demands that Internal Audit Committees in ministries and other spending agencies meets every quarter to provide an oversight role over internal audit reports from internal audit teams. One of the functions of Internal Audit Committees is to check whether the findings and recommendations of the internal auditors have been adhered to.
3. Public Service Management Division (PSMD) should also be pro-active to ensure punishment or corrective measure is meted timely on those having had mismanaged public funds
4. Targeted trainings should be organized by the state for all key public officials such as the accountants, internal audit committees, public procurement teams and permanent secretaries to be acquainted with the provisions of the Public Finance Management Act, 2018
5. Staff development should be budgeted for and staff should be sponsored to upgrade their skills especially in the accounting units to improve their performance and handling of public funds
6. There is need for pro-activeness at the Secretary to the Treasury level to supervise works of Internal Audit Committees and ensuring they were discharging their functions diligently

References:

Constitution of Zambia (Amendment). No 2 of 2016. Article 212; Auditor General's report

CSO (2016). 2015 Living Conditions Monitoring Survey (LCMS) Report. Lusaka, Zambia

Report of the Auditor General on the Accounts for the Republic on the Financial Report for the Year ending 31st December 2017

2019

Analysis of The Report of The Auditor General on The Accounts of Financial Year Ending 31St December 2017

Ndashe, Innocent

Jesuit Centre for Theological Reflection

Ndashe, I. (2019). Analysis of the Report of the Auditor General on the Accounts of Financial Year Ending 31st December 2017 . Lusaka, Zambia. Jesuit Centre for Theological Reflection (JCTR).

<https://repository.jctr.org.zm/handle/20.500.14274/70>

Downloaded from JCTR Repository, Jesuit Centre for Theological Reflection (JCTR)