
1.0 EXECUTIVE SUMMARY

The second tracking and monitoring visit to Lusaka Province started in November 2002 after the inaugural one to Central province of June 2002.

The Team yet again had not agreed with the Government of the Republic of Zambia through the submitted Memorandum of Understanding by the Team. But all parties were basically agreed in principle on the modus operandi and terms of reference of the Team.

Lusaka being the cradle of government provided the Team with actually the starting point in the tracking and indeed monitoring the HIPC resources.

The Ministries visited included, Finance, Education, Home Affairs, Health, Legal Affairs, Works and Supply, Youth, Sports and Child Development, Communication and Transport, Agriculture and Co-operatives, Science, Technical and Vocational Training, Community Development and social Services and Tourism, Environment and Natural Resources Energy and Water Affairs and Commerce.

This report is divided into two parts:

- i. Technical Evaluation and**
- ii. Financial Analysis and Evaluation.**

The Technical Evaluation reflects the physical inspections undertaken on projects to ascertain whether value for money is accrued or not to the benefit of the intended target population. The voice of the poor was given a hearing through interviews administered when visiting projects sites.

The Financial Analysis and Evaluation details the audit trails in terms of receipts of debt relief, disbursements and payments for goods and services so procured. Collaborative qualitative information from the Technical Evaluation part was sought by the Team to check the effective and efficient utilisation of the HIPC resources.

The major findings in this report have revealed similarities in the problems faced in the initial phases of utilising the HIPC resources by government departments and spending agencies as also reported in the Central province.

Throughout the report, the Team has highlighted its observations, comments and made recommendations to the extent of demanding for further investigations by law enforcement agencies of government.

A synopsis of key issues from the visit to Lusaka province by the Team has been given below this executive summary.

The key stakeholders who mainly are Civil Society, World Bank, IMF, UNDP, DFID etc, expressed concern at our Central Province HIPC reports findings circulated to them and anxiously, are waiting to hear from the Team on what remedial actions have been taken by the Ministry of Finance and other arms of government. It is our view that a separate report be furnished to us to enable us report back.

On the whole, the management of HIPC resources in Lusaka Province and indeed from the line ministries points have on the average been misapplied and this is reflected in the majority of cases highlighted in decision points for further action by the Ministry of Finance and National Planning. But what is more important is for the poor people targeted in their local situations to be mobilised to participate in the whole process of managing the HIPC Initiative resources from project identification to implementation. This will cultivate a sense of ownership of the poverty reduction programmes and consequently lead to greater transparency and accountability.

2.0 SYNOPSIS OF KEY ISSUES

Zambia's accession to the Highly Indebted Poor Countries Initiative (HIPC) has entailed an agreed regime of debt cancellations by creditor nations and multilateral institutions. These debt cancellations, as per the HIPC Initiative prescriptions required to be channelled toward poverty alleviation as a complement to the Poverty Reduction Strategy Paper (PRSP) implementation. However the usage of these HIPC resources has witnessed unmitigated abuse of the same and thus, the appointment of the External Monitoring Team. The findings have revealed similarities in the problems faced in the initial phases of utilising the HIPC resources as follows:

- Project Identification
- Project Costing
- Project Implementation
- Certification
- Lack of internal controls especially that of supervision and segregation of duties
- Lack of dedicated staff to monitor usage of funds and implementation of projects
- Lack of communication between the benefiting ministries and Ministry of Finance on the status of progress in the projects being undertaken and the social impact there in
- Commingling of resources and use of HIPC funds to finance the line Ministry operations in form of capital expenditure and salaries and allowances
- The HIPC account at Bank of Zambia is no longer used and Accountant General's office is using the main account (99) to fund HIPC operations contrary to the instructions given by them
- The public is failing to comment on the abridged quarterly financial statements on HIPC disbursements, which are advertised in the press because the reports are too concise and require to be very detailed i.e broken down by province, district and constituency so that communities benefiting from the projects can easily identify them and comment on its performance and the contractor.
- The beneficiary communities in the districts or provinces are not aware of HIPC funds and their purpose. As a consequence some projects have not been of benefit to the respective communities and the funds have remained unutilised.
- A significant portion of the HIPC funds by both Ministry of Finance and beneficiary line ministries have remained in banks and unutilised.
- It was observed that the arbitrary allocation of resources was in most cases not in conformity with the project costings resulting in the spreading the resources thinly and thus accounted for some shoddy

works on a majority of projects such as feeder roads, dams, and low cost houses.

However with the newly introduced activity based budgeting it is hoped that the Bottom – Up approach to project identification will help communities in various provinces and districts internalise ownership of the projects and contribute at all levels from project identification through implementation and monitoring and evaluation. This community involvement has been pronounced under the RIF Projects under District Agricultural Coordinators (DACOs). It is unfortunate that some DACOs have sought to take advantage of the communities who are sometimes not knowledgeable of the community entitlements and drawing procedures. It was evident that some community Chairpersons, Treasurers and Secretaries were actually being used as vehicles for the misapplication of HIPC resources.

Being the cradle and seat of all ministerial headquarters, Lusaka provided the best vantage point for the commencement of monitoring activities. The Team started by visiting the line ministries, departments and agencies to establish audit trails and the flow of funds and obtain details of the projects/programmes and their exact locations and in general the progress in the management of the HIPC resources with reference to the guidelines which were issued out to all line ministries.

Support institutions visited included the Office of the President (Lusaka Provincial Administration) and the Office of the Vice President and the Disaster Management and Mitigation Unit (DMMU) where a lot of resources were disbursed.

The team encountered unencumbered cooperation in some ministries and faced intractable resistance in others. The findings from the Lusaka tracking and monitoring activities were both positive and negative. It should be emphasised here that the positives were clearly evident in terms of improved quality of life and/or the outlook of the infrastructure for which the HIPC resources were intended. This was also the case for places or project sites where shoddy work was done. However where resources are suspected to have been misapplied or misappropriated more detailed investigations are recommended inasmuch as some findings are not conclusive. This should also apply to cases where collusion is suspected. Below is a synopsis of the findings ministry-by-ministry.

2.1 EDUCATION SECTOR

The HIPC Initiative in its augmentative role focussed on a number of critical areas to ameliorate the educational facilities including:

- Structural rehabilitation and construction works
- Construction of teachers' houses
- Desks, chairs and other teaching aids
- Teaching materials
- Painting of classrooms

The distribution of HIPC resources across the above categories are said to be guided by the school census and needs assessment which was undertaken some time back and consolidated into a national database. The legitimacy of this claim is in no uncertain terms suspect because if this was the case a school like Chipapa Basic could not have been left in its current state of abject disrepair and near collapse. In addition amounts allocated to schools for teaching materials could have been differentiated according to the needs and pupil carrying capacity of individual schools as opposed to the almost equal amount given across the board. This bespeaks arbitrary allocation criteria.

Desks Procurement and Distribution

As a parallel and supplementation to the efforts being undertaken under BESSIP a total of 1,838 desks were distributed in Lusaka province to various schools (**see appendix Xvii**). Almost all desks were accounted for as delivered and reconciliation of records portrayed the picture on the ground.

However the seemingly faultless desk physical distribution was badly blemished by the unacceptable and detestable quality of the desks particularly those supplied by Tampo Technick. At the stores (for the Provincial Education Office) it was discovered that more than 30% of the desks in the storeroom did not have tops and others were either disjointed or not properly fixed bringing into question the authenticity of the tendering award procedures and certification authorities and the basis for effecting payment. This picture was not different from the physical inspection of those desks distributed to schools in Lusaka Province, as the situation was even more abysmal as the desks were said to have fallen apart barely two (2) months from day of receipt. This was notwithstanding the fact that Tampo Technick (Z) Limited was more expensive (ZMK 188,000 per desk) on a per unit basis as compared to Appollo Enterprises (ZMK 167 288 per desk)

It is recommended that this contract to Tampo Technick (Z) Limited be revisited as the ZMK 276,924,000 does not seem to have delivered the requisite benefits. The company needs to be investigated and the circumstances under which they got the contract investigated

Rehabilitation and Construction of Schools Infrastructure

As a point of departure for the disbursement of rehabilitation finances communication with the intended beneficiaries should be streamlined with a view to ensuring that the beneficiaries receive prior information of availability of HIPC resources as opposed to receiving this information from potential suppliers of services.

By far the most impressive of all rehabilitation works and standards as a paragon of optimum resource utilisation (only second to the University of Zambia) was Lusaka Girls Secondary School which received a paltry ZMK 4 million and managed to repaint the school and completed a Home Economics classroom which was at roof level. In addition the school managed to rehabilitate some pieces of furniture, replaced windowpanes and repaired a number of cisterns. It was clear that this school could do more if granted more resources.

Construction of Teachers Houses

The rural housing scheme was progressing steadily with standard three bed roomed houses being constructed at Chongwe, Chiawa and Mugulumeno Basic Schools. Teachers' morale was evidently elevated and even those contemplating leaving the rural areas were spurred to stay on. It was however observed that in some cases materials were procured through the Provincial Educational Officer (PEO). This in effect delimited the monitoring and evaluation to physical inspection only inasmuch as accountability for financial resources remained under the ambit of the spending officers in Lusaka. Devolution of responsibility and accountability to the points of project implementation will be important for future utilisation of HIPC resources at all levels in the educational sector.

Purchase of School Materials

The largest component of the school requisites was that of textbooks. Despite the expressed capacity by the individual schools to source their own books in accordance with their perceived priorities and sources the PEO's office recommended Longman and Macmillan for the entire Lusaka

province. This only served not only to undermine the essence of economic liberalism but also opens channels for officials obtaining illegitimate incentives.

Further, the recommended suppliers do not seem to have the capacity to satisfy the overwhelming demand as not a single school has been able to receive the full extent of its ordered books. This includes even cases where the books are fully paid for. It is our strong view that recommending two supplies without capacity to deliver has only served to undermine a legitimate and highly beneficial programme.

High Education – The University of Zambia -Lusaka

The University of Zambia (UNZA) stood out with its traditional tag of “paragon of excellence” by putting in place an elaborate schema of priorities and work, which involving the project management process as follows:

- Development of work plans using Project Evaluation and Review Technique (PERT)
- Identification of the critical path (Critical Path Analysis – CPA)
- Identification of requisite manpower and expertise
- Development of bills of quantity

The committee also conducted a cost benefit analysis given the dearth of financial resources with such considerations as:

- Using in- or out-house labour (the engineer, plumbers, electricians, architect and so on)
- Using in- or out-house materials (metal fabrication, welding, block-making etc.)
- Engage external contractors through competitive tendering

The resultant benefits from the well thought out planning process were immense and included:

- An estimated monthly saving of ZMK 100 million on water;
- Savings of ZMK 355 million on furniture repairs;
- Accumulated savings of up to 60% on all procurements;
- Significant improvements in the conditions in the Library basement;
- Amelioration of general health and hygiene standards from meagre resources has been accomplished;

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- In addition the sewerage system is being improved by relaying concrete sewer pipes damaged by trees while boosting the flow to the main line at the Mass Media Complex;
 - Most of the student's hostels have been repainted and glazed, taps re-fixed, cisterns replaced and electrical fittings installed.

Evelyn Hone College

The foregoing should provide abundant lessons to the Evelyn Hone College where a need exists to devolve from the Provincial Building Engineer (PBE) to college authorities since these are the custodians of the infrastructure and clearly appreciate the needs and priorities of the college. In fact it is clear that painting works were badly done, the contractor at no cost to the college should replace non-functional geysers installed at the college and the certification is questionable.

2.2 HOME AFFAIRS

A number of projects were undertaken in the Police Service in such areas as:

- Cells rehabilitation
- Water and sanitation
- Governance
- Community policing and
- General facelift of police facilities

Cells Rehabilitation

The scope of works undertaken at Woodlands, Chilenje, Kabwata, Central and Emmasdale police stations included replacing lighting covers, burglar bars, and windows, roofing, installation of hand wash basins, construction of feeding bays, painting and flooring. These were satisfactorily undertaken. However drainage systems, which were cleared, could not be tested, as there was no water at most of the Police Stations. It was suggested that booster pumps and extra tanks be considered for installation to alleviate the water scarcity problem.

Water Supply and Sinking of Boreholes

United Chemolide Limited drilled a borehole to the cost of ZMK 72 974 786 at Balmoral Police Station and another two including installation of water tanks and pumps at the Chelston Police Camp at a whopping cost of ZMK 633 million. Apparently the latter are not effectively operational and water problems have persisted in the camp. At the most these would only cost K60 million in total.

Benefits

The benefits for undertaking rehabilitation works of the magnitude witnessed in the police service are immense and in some cases immeasurable. Some of these include the following:

- The rehabilitation and improvements in the general outlook of the cells and the police and prison facilities has brought to reality observance of human rights and international protocols that call for respect for suspects and condemned criminals.
- The face-lifts have also brought a more sanguine out look to the Police and Prison services as opposed to the rough and brutal perception associated with law enforcement agencies.
- The works have also served to promote health and sanitation within the premises thus eliminating the stigma of squalor identified with prison cells creating a conducive environment for undertaking custodial and reformatory services more effectively.

It is perceived that more benefits could have been delivered more effectively if critical project anchors such as water supply and reticulation were addressed. Even in places where water supply was addressed like Chelston Police camp the contractor's performance was not commensurate to the financial outlay and specifications.

Decision Points

In order to mitigate the abuse of HIPC and other public resources and of course guide others to ethically manage these resources selflessly and judiciously the team wishes to strongly recommend that appropriate action be taken as regards the matters highlighted in the tableau below:

No.	Project Description and Contract Amount (CA)	Contractor	Problem Area	Target of Investigation
1	Manufacturing and supply of school desks (CA- ZMK 276,924,000)	Tampo Technick (Z) Limited	Desks of unmerchantable quality	<ul style="list-style-type: none">• Management of the contractor• Certification officials• Procurement officers
2	Supply of Materials (textbooks)	Only Longman and MacMillan were	<ul style="list-style-type: none">• Why did PEO's office select the suppliers?• Why limit spectrum	<ul style="list-style-type: none">• PEO's jurisdiction over sourcing of school requisites.

		recommended	of sourcing? Current indications are that the two supplies do not have capacity <ul style="list-style-type: none"> • How many orders have been issued to these companies and how many have been fulfilled? 	<ul style="list-style-type: none"> • Criteria used to select these two companies? • Capacity of the two supplies of supplying the entire province
3	Chipapa Basic School	None	School on the verge of collapse	Why no HIPC or other resources have not been channelled to this needy school is bewildering. Buildings require to be rehabilitated as a matter of urgency.
3	Evelyn Hone College		<ul style="list-style-type: none"> • Painting of a single coat as opposed to the contract specifications • Non Functioning geysers installed at the institution 	<ul style="list-style-type: none"> • Investigate the certification authorities as they where the basis of payment • Re-install geysers
5	Sinking 3 Boreholes and installation of elevated tanks at Chelston Police and Balmoral camps	United Chemolide Industries Limited	<ul style="list-style-type: none"> • Small and malfunctioning pumps • Unrealistic pricing • Untenable Transportation cost • Lack of Post installation servicing given the high contract value 	<ul style="list-style-type: none"> • United Chemolide management • Certifying officer(s) • Payment Authorising officer • The tender committee

2.2 MINISTRY OF HEALTH

Two major areas of focus for the years 2001 and 2002 to the health delivery system were rehabilitation works of health institutions and procurement of medical supplies. Some of the specific programmes included:

- Roll back Malaria
- National Aids Council Programmes
- Rural Health Housing
- Procurement of Drugs

These are ongoing programmes targeted at both specific and general health care problems.

Receiving, Management, Storage and Distribution of Drugs

Medical Stores Limited is the contract holder for receiving management, storage and distribution of drugs to the various health institutions. At Medical Stores there are no systems of controls nor monitoring on the part of the Central Board of Health. The stock control mechanism is extremely poor and fails to identify the recipients by order and confirmation. In addition the Ministry of Health is only informed when drugs are received at Medical Stores Limited. No ministry officials are present to supervise or authenticate receipt and conformity to order and received quantities. More stringent control mechanisms should be instituted, as great potential for complicity and fraud exists.

Areas that could require immediate and more detailed investigation include but not limited to the following:

- The system of drug procurement is questionable inasmuch as drugs are obtained from any chemist or drug dealer. There is no distinction of Retailers, wholesalers and manufacturers.
- Cheque no. 447055 paid to Ng'ansa Pharmaceutical for ZMK148, 750,000 on 19/9/2001 had no tax invoice attached. On 24/09/2001 the same amount was paid to Ngansa through cheque no. 447057. No officer authorized the second payment although tax invoices are attached to the payment voucher. There is a possibility that there has been double payment on this transaction. At the time of the audit we could not find Goods Received Notes (GRNs) for this particular transaction.
- Cheque nos. 447060 and 447084 dated 24/9/01 and 10/10/01 for ZMK6, 215,700 and ZMK206, 080,410 respectively had unstamped invoices attached to the payment vouchers. In such a situation it is not clear whether the drugs passed through Medical Stores Limited or they went to an unknown place.

It is being recommended that a system of monitoring all incoming, stocks at hand and outflows and to whom they are allocated should be put in place as the current system simply relies on the trust that people in procurement at CBoH have in Medical Stores staff. In addition sources of these drugs in terms of donations, HIPC, Government and so on should be clearly documented so that even if the stocks are commingled, records should indicate the source for reconciliation purposes.

The University Teaching Hospital

The palpable need for the UTH to maintain more than ideal standards of hygiene and retain structural first rate-rate infrastructure was long recognised as an objective necessity. Almost all clinical areas and wards needed plumbing works, replacing electrical fittings, broken doors and shelves and patching of ceiling boards. Broken windowpanes were replaced and ceramic tiles fitted in ablution blocks. A new innovation was also introduced whereby corridor rails were secured to prevent trolleys from brushing against the walls.

It was observed that much as the wards looked very clean some key problems would have to be resolved by Landmate Engineering (the Contractor) in such areas as follows:

- Plumbing work done but water is not flowing
- Taps replaced but they are still malfunction
- Cisterns cannot flush
- The company started with replacement of a ceiling before dealing with leaking roof such that the new ceiling is already smudged.

Landmate Engineering Limited should be recalled to rectify the problem areas or else (depending on the contract) legal action should be instituted.

Another problem area was found in D-Block where the contractor – Tampo Technick (Z) Limited – did an extremely poor job. This in fact is treated as the worst of the UTH project and a mark of abject professional misconduct denominated by the following:

- Plumbing works were not touched as per contract requirements
- Laundry room sinks have to be unblocked every day
- Carpentry works were messy and handles to cupboards were a medley of metal, wood and plastic all in different colours.
- Electricity trips almost every day due to the poor workmanship on electrical fittings
- Some sockets were left dangerously hanging
- A hole drilled in the Milk engine (milk room) has not been sealed
- A sink fitted to the nurses bay fell off
- Sink for washing utensils was fitted with wood and is now rotting
- Painting was done without filling and at times painting was done round the holes

To crown it all, the contractor is said to have abandoned the assignment after having received ZMK 25 million in February 2002. This is the same contractor who supplied substandard desks under the Ministry of Education.

General Benefits Derived

- Good facelift: infrastructure was dilapidated
- Leaking roofs are always messy but the situation has remarkably improved
- Laboratory equipment has been received through HIPC and considering that the old equipment could no longer suffice the hospital is doing very fine.
- Drugs are readily available now than before, as HIPC and other financiers of drugs have been augmenting government efforts.

Key Decision Points

Further investigations are required and culprits brought to book in the cases listed in the table below.

No.	Project Description and Contract Amount (CA)	Contractor	Problem Area	Target of Investigation
1	Rehabilitation of D-Block at UTH (Plumbing, electrical fitting, carpentry works, painting etc.)	Tampo Technick (Z) Limited	<ul style="list-style-type: none"> • Generally, sloppy work and endangered the lives of the infants kept in this ward. • Have disappeared from the project site without finishing work 	How contract was awarded (refer to a Mr. Mukonta who introduced this company to the Hospital at Works and Supply) Also refer to the poor quality desks supplied to paid for (corruption cannot be ruled out)
2	Dental/Adult filter Clinic	Sinetech	<ul style="list-style-type: none"> • Roof is leaking 	Recall them to redo the work failure to which legal action should be taken.
3	B-Block – plumbing works and roofing	Landmate Engineering	<ul style="list-style-type: none"> • Plumbing works are still faulty. • Roof should be sealed and ceiling replaced. 	Recall them to redo the work failure to which legal action should be taken.

2.4 THE JUDICIARY

The Judiciary department through its Headquarters received HIPC resources for partitioning the Sheriff's office and fitting window and doorframes and resurfacing the floors. Much as the works have commenced they are by far behind schedule inasmuch as they were supposed to have been completed late last year but delays in the disbursement of funds derailed the execution.

Other intended beneficiaries under the Judiciary department included the Matero Local Court where VIP (Ventilated Improved Pit latrines) toilets were supposed to be constructed. In addition painting of the building was poorly done and electrical fittings mounted where a medley of old and new white furniture/benches had not been purchased.

Industrial Relations Court

The Industrial Relations Court received HIPC funds amounting to ZMK 228 million through the Judiciary Department to purchase the court buildings from National Pension Scheme Authority (NAPSA) valued at ZMK1.1 billion by the Government Valuation Department. ZMK 200 million was paid towards the price consideration and the balance of K28 million was paid to a contractor for painting the building, mounting grill doors and re-aligning the steel fence but no works have been done so far. It would be in order either to recoup the ZMK 28 million with interest or contract another firm to undertake the works or compel the same firm to undertake the specified works.

Supreme Court

HIPC funds extended to the Supreme Court were used to rehabilitate two toilet bowls for the Supreme Court Justices, partitioning of the Clerk of Supreme Court offices, and mounting of the water tank and piping to have water articulate effectively. Makolo Steel was contracted to undertake the works.

At the time of the team's visit the water tank was not mounted on the steel stands and further there were leakages on the new piping fitted.

High Court

The Team found that HIPC funds were used to rehabilitate offices and partition and paint Judges Chambers to create more room and a conducive atmosphere for newly appointed ones. In addition new carpets were laid. Unfortunately the “conductive atmosphere” was adulterated by the inappropriate use of water paint.

Usage of Funds

It was noted that close to K200 million was spent on food, hotel accommodation and seminar allowances during the Judges seminars/workshops at Masiye Motel, Protea Hotel, Tuskers Hotel and Mulungushi International Conference Centre. This is contrary to the stipulated utilisation of HIPC resources

It was further observed that the benches, table and chairs that were bought for the local courts were not yet delivered at the time of our visits. The said items were contracted to Minda Engineering who have so far been paid the following amount on the strength of a quotation and not an invoice or delivery note: -

	Date	chq. No.	Amount (ZMK)
a.	13/12/02	3163	2,225,000
b.	07/06/02	175	4,140,000
c.	23/07/02	81	3,310,000

Recommendations

- Payments for goods or services should be done only upon satisfactory delivery of goods or services.
- Judiciary must re-negotiate the terms of purchase and payment for the IRC with NAPSA.
- The rehabilitation of the roof at the High court and the tank installation and piping must be redone.

2.5 THE ROADS DEPARTMENT

A greater portion of HIPC resource is channelled towards rehabilitation and maintenance of roads. By their nature road works are very expensive and thus a lot of HIPC resources have gone in this direction. A number of roads, drainage systems and culverts were done in Lusaka province, as delineated in the following sections.

Chongwe District Roads

The Shikabeta Road under construction by the Zambia National Service (ZNS) was progressing well although they were not constructing drainage systems and mitre drains making the road vulnerable to damage by water. In addition, Central Investment were contracted to construct drainage structures and to install culverts and paid ZMK 10 727 500 out of a contract price of ZMK 35 572 500. On the other hand, the culverts constructed by Meenge Enterprises were satisfactory. The culvert on Rufunsa Resettlement road done by Choice Build Zambia Limited for a value of ZMK 247 639 8000 in March 2002 was incomplete and of substandard. Surprisingly the contractor was fully paid

Kafue Roads

The Kabanana-Chisakila Road with accompanying culverts were poorly done. However Frachmub Enterprises Limited contracted to construct bridge box culverts on Chiawa–Chisakila Road on Chipongwe River did a superlative job. On the other hand Palabe Enterprises works on one of the culverts on the Chiawa–Chisakila Road were below standard.

It was also observed a matter requiring urgent attention that the embankments of the road and its drainage along the Kafue-Chirundu Road constructed by B.B.C Property Investments Limited at a contract price of ZMK 127 158 150.00 out of which ZMK 115 599 265.00 was paid in April 2002 was badly done. Some portions of the embankments are falling off and need to be reinforced. One point where the river is diverted was poorly done such that the intended course of the river has been compromised and the river is headed towards damaging the road as the embankments are missed by the water currents which are instead eroding the soil that protects the road – the river diversion needs to be redone.

Recommendations

- The outstanding accounted for sum of ZMK 3 billion under the Ministry of Local Government and Housing for feeder road rehabilitation should be further investigated to clearly circumscribe the circumstances surrounding its utilisation. The Team suspects misapplication of resources. This pertains to contracts with the Zambia national Service from 2001 through to 2002.
- The Provincial Road Engineer's office needs to be further investigated on the supervision allowances drawn as accountable imprest and the recipients thereof and also procurement and utilisation of fuel meant

for feeder road rehabilitation in Lusaka Province. From the costings of ZNS include fuel for hire of equipment and at the same time PRE's office provided fuel to sites. There is no reconciliation of the fuel received by each piece of equipment for each feeder road. This matter was discussed with Acting PRE, Mr. Mutakela, and the Director, Land Development Branch of ZNS Lt. Colonel Muyinda.

2.6 MINISTRY OF SPORTS, YOUTH AND CHILD DEVELOPMENT

A total of ZMK1.4 billion HIPC resources were channeled to the Ministry of Sports, Youth and Child Development to finance a number of projects. It was observed that:

- The Bank Reconciliations for the period under review were not prepared and therefore it was difficult to ascertain the exact amount of money that was spent to date.
- Most payment vouchers did not have any invoices attached. Payments were made on the strength of a quotation.
- Neither imprest given for sitting and other allowances have been retired nor any valid explanation given at the time of monitoring.
- Two Cheque of equivalent to \$6,000 each have been paid to Global Professional & Entrepreneurship for a training project. Cheque number 018 of 14/11/2001 has no relevant accounting documents attached.
- It was further observed that Cheque number 013 dated 26/10/01 for K24, 500,000 and Cheque number 0019 dated 21/11/01 for K10, 845,000 were paid to Faroka Import & Export Trading for the construction of a car park at the Kalingalinga Youth Centre, which at the time the Team visited the centre this year there was no fee paying car park constructed. This is almost two years after the funds were paid.
- Chiyota Youth Resource Centre did not receive the 10 sewing machines, 26 mattresses, 60 pockets of building cement and two solar panel purported to have been delivered by the Ministry of Sports, Youth and Child Development. The question is - what happened to these machines and materials? No satisfactory answer was received from the Ministry of Sports, Youth and Child Development.

Recommendations

- Further investigation must be instituted to determine the payment of \$12,000 to Global Professional & Entrepreneurship.
- Only invoices and Completion Certificates must be used as a basis for payment of goods and services and not quotations.
- Imprest must be retired within the specified period.

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- The two payments of ZMK 24,500,000 and ZMK 10,845,000 for the fee-paying car park have to be investigated and the custodians of the money and the centre held accountable.

2.7 COMMUNITY DEVELOPMENT AND SOCIAL SERVICES

The Ministry of Community Development received HIPC funding amount to K8.2 billion split in the following tranches.

Date	Amount K 000
August 2001	4,650,000
September 2001	2,850,000
July 2002	<u>700,000</u>
TOTAL	<u>8,200,000</u>

However according to the disbursement records at budget office, an amount of K40.2 billion was released to the Ministry of Community development. An amount of K32 billion meant for farmers support programme therefore purported to have been transferred to this ministry was not received. However upon further investigation, it became apparent that the Budget office transferred this amount to ABSA Bank in the Republic of South Africa.

At a meeting held with the Acting Permanent Secretary, Budget Office, Director Budget and Accountant General, the Team was not availed correspondence and any satisfactory reasons as to why this payment was made and entries made in such a manner.

Recommendation

- Further investigation must be instituted to determine the release, purpose and beneficiaries of K32bn by the Ministry of Finance and National Planning

2.8 MINISTRY OF LOCAL GOVERNMENT AND HOUSING

The funding details were not available at the time the audit was carried out, however the main HIPC capital expenditure for the Ministry included the following:

- Rehabilitation of various roads throughout the country,
- Drilling of boreholes and Water Rehabilitation projects in selected parts of the country,

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- iii) Building of low cost houses through Africa Housing Fund in selected parts of the country and
 - iv) Rehabilitation of markets.

Observations

- Bank reconciliations were not done on regular basis.
- Contracts were awarded using Selective Tender method as opposed to the more conventional method of Open Tender.
- 5% Retention on most of the road contracts is observed but no retention is kept on contracts for boreholes.
- 50% down payment was being made before the works could begin on all the contracts although the contracts are silent on this.
- The balance of 50% is paid even before the submission of the Completion Certificate is made.
- The Boreholes Completion Reports showing the Yields (which is cardinal in knowing the results of the borehole drilling) does not form part of the important documents required to be submitted before final payment is made.
- A payment of K654, 190,460 on Cheque no.1505 dated 29/12/2001 was made for the purchase of the Traffic Lights to be used at the junction Katima Mulilo – Great East Roads. This road is not covered by the HIPC funds. These traffic lights have since been removed from the road and are in the custody of the contractor – Air Radio – and not with the Ministry. The funds were used with the intention of replacing it in a short time. At the time of audit these funds were not replaced.

2.9 MINISTRY of FINANCE and NATIONAL PLANNING

As part of the HIPC implementation programme a component for monitoring and evaluation was incorporated and financed by the HIPC resources. Payments were made for the execution of various tasks under this programme.

Internal Auditors Tours

The following drawings were made for the facilitation of tours by the internal audit team at the Ministry of Finance and National planning:

CHQ No.	NAME	AMOUNT (K)	PROVINCE
8783	H.M. Mubuka	8,660,000.00 *	N/Western
8790	A.L. Sililo	5,000,000.00	Western
9825	J. Mukubesa	5,000,000.00	Southern
9832	M. Mukonde	5,000,000.00	Lusaka

9831	G. Chitwa	5,000,000.00	Copperbelt
9846	M. Banda	5,000,000.00	Central
9847	J. Chungu	5,000,000.00	Northern
9889	J. Daka	5,000,000.00	Eastern
9878	I. Chilumanda	5,000,000.00 *	Luapula
8416	H. Mubuka	4,500,000.00	N/Western
Cash	N.F. Nkolola	140,000.00 *	
TOTAL		53,300,000.00	

* - Denotes that Accountable Imprest was retired

It is the view of the team that the Ministry of Finance and National planning should give an example in ensuring strict compliance to the ministerial rules and regulations. The nine (9) un-retired payments should be followed up and ensure that the officers have retired the imprest.

Recommendations

Monitoring and control over HIPC funds should be enhanced to ensure due economy, efficiency and transparency. All the concerned officers who drew these funds should either account for them or made to pay back.

2.9.1 OFFICE OF THE VICE PRESIDENT

Relief Food

The community, particularly in Luangwa overtly expressed their happiness about the relief maize having been distributed. However a number of issues remain unresolved with regard to HIPC resources and conditions for utilisation as follows:

Allowances

The following allowances were paid in 2001 and 2002 to officers of Disaster Management and Mitigation Unit (DMMU) contrary to conditions for HIPC expenditure:

DATE	CHO No.	PAYEE	AMOUNT K	PURPOSE
21/8/01	109	Moffat Malawo	2,205,000	Allowances
28/08/01	112	Grace Gondwe	1,220,000	Tender Sitting
28/08/01	113	Grace Gondwe	1,020,000	Tender Sitting
04/07/02	716874	Faides Mumba	9,005,000	Tech Comm
TOTAL			13,450,000	

This evident misuse of HIPC funds should be refunded from the RDC.

Accountable Imprest Drawings

(a) *Unretired Accountable Imprest*

A total of ZMK 343,120,705 (Three hundred and forty three million one hundred and twenty thousand seven hundred and five Kwacha) was paid out from HIPC funds as accountable imprest to thirteen (13) officers from Disaster Management and Mitigation Unit (DMMU) between September 2001 and October 2002. To date these amounts remain outstanding with no evidence of follow up from the concerned officers as to how and when the outstanding amounts will be retired.

It is clear that the amounts drawn under accountable imprest have not been used exclusively for the poverty reduction programme.

Recommendations

The officers from DMMU have breached general accounting requirements as regards prompt retirement of the accountable imprest. The withdrawal of these funds has reduced allotment to HIPC activities, which would have benefited the poverty reduction programme. It is strongly recommended that the concerned officers should refund the amounts owed to the HIPC funds.

Maize Procurement

All maize procured under the Sable Transport contracts was priced at an average of US\$190 per metric ton and all documentation and tender requirements were satisfied.

Lamise Investments also supplied maize for the drought relief exercise to the Office of the Vice President (OVP) and were paid a total of US\$544,482.27 equivalent to ZMK2, 537,287,378 for the supply of 2016 tones of maize. This procurement was irregular in that;

- The procurement is said to have been 'authorised' by the Vice President without going through the tender process.
- Part payment of ZMK1bn was disguised and paid from an account (non-HIPC), which had initially received (misposted) ZMK4 619,200 and ZMK751, 564,800 arising from this expensive and irregular supply of maize.
- It is not known where this maize was distributed since no documentation was provided to the Tracking and monitoring Team

by DMMU despite having afforded the Unit sufficient time to provide these.

Recommendations

Management should ensure that the following are in place:

- That all the large procurements of maize are properly tendered and that the thresholds are strictly adhered to.
- That the price of the maize is within the competitive landed costs
- That the statements of accounts from all suppliers, transporters etc are detailed and should be accompanied by narrative indicating all dispatch and point of receipt details.
- That the loss of between ZMK657, 619,200 and ZMK751, 564,800 be recovered from Lamise Investments.

2.9.2 THE LUSAKA PROVINCE (OFFICE OF THE PRESIDENT)

It was observed that proper accounting procedures are not followed when making various payments. The following are some of the irregularities detected:

- Cheque no. 125042 dated 31/10/2001 paid to Chainama Hotel for ZMK 23,000,000 had neither payment voucher nor supporting documents available.
- Cheque no. 125051 dated 6/11/2001 paid to Justina Kamanga for ZMK 1,200,000 had neither supporting documents nor payment voucher.
- Cheque no. 125068 dated 5/12/2001 paid to Z N S for ZMK 70,000,000 had no documents available for audit.

It was further observed that though there is a requirement for one to retire the Imprest within a specified period of time, such a requirement is not strictly observed. Almost all the payment voucher checked did not have any attachments for retirement. The following are some of them:

Date	Cheque no.	Payee	Amount ZMK
31.10.2001	125043	Robby Ngulube	670,000
09.11.2001	125054	Mercy Chapeta	10,000,000
13.12.2001	125092	Emmanuel Musonda	5,976,710
19.12.2001	125251	Robby Ngulube	7,000,000
31.12.2001	000012	Lukwesa Nick Jones	5,000,000
24.05.2002	000021	Joe Mwinga	3,000,000
28.05.2002	000024	Mercy Chapeta	9,000,000

The above queries were brought to the attention of the Principal Accountant, but could not give any satisfactory answers. We recommend that these amounts be quitted or reimbursed by the named officers.

Lusaka Vocational Training Centre

The Centre received a total of K145, 068,500 for the rehabilitation of the buildings and training programmes. It was observed that:

- There were no Bank Reconciliations done for the whole period of the review.
- There were no returns made for the Imprest given as shown below.

Date	Cheque no.	Amount	Payee
			K
30/10/01	204	6,440,303	V J Chanda
01/11/01	210	3,325,000	V J Chanda
07/11/01	214	5,100,000	V J Chanda
21/11/01	222	1,680,000	V J Chanda
06/12/01	223	2,350,000	V J Chanda
10/12/01	228	1,500,000	V J Chanda
14/12/01	231	1,860,000	V J Chanda
09/08/02	239	1,500,000	V J Chanda
20/9/02	243	1,500,000	V J Chanda
02/10/02	245	2,579,500	V J Chanda
10/10/02	248	1,680,000	V J Chanda
25/10/02	004	1,292,500	V J Chanda

- Some funds were used for the maintenance of Administrative motor vehicles.
- Some funds were used for paying out staff salaries, house rentals, gents' suits, phone cards etc. without authority from the Ministry.

It was further observed that a Mr. Victor J Chanda who is working in the Accounts Office is not an Accountant but a Stores person. Mr. Chanda has formed up his own company- VJC Enterprises. According to the information gathered this company purportedly supplies the Training Centre with items ranging from training materials, electrical items, stationery and maintenance works. The following are some of the Cheque issued to VJC Enterprises.

Date	Chq. no.	Amount	Details
30/10/01	205	4,980,000	Training materials
07/11/01	213	2,778,200	Training materials
15/11/01	219	4,890,000	Welding course material
21/11/01	221	2,000,000	Stationery and electrical items
19/12/01	236	3,500,000	Buildings maintenance work

On further check of the records it was noted that there are no Goods Received Notes on payment vouchers for the items purportedly supplied by this company. Due to such seriousness of non-existence of division of labour and running of accounts office by unqualified personnel our suspicions are that VJC Enterprises has not been supplying the materials that were being paid for. In fact on the days 30/10/01, 07/11/01 and 21/11/01 he received two Cheques (with Cheque numbers in chronological order) on each occasion for Accountable Imprest and supply of training materials. It is quite amazing how the need for imprest coincidentally matched the need for training materials on three occasions within a space of one (1) month.

Recommendations

- Imprest returns must be made within the specified period
- There should be separation of duties between accounts and stores
- HIPC funds must be used as per guidelines and not for administrative purposes like paying salaries, as is the case under review.
- Proper records of accounts including Bank Reconciliation should be maintained.
- The Centre must desist from doing business with employees.
- Mr. V. J. Chanda must be investigated for abuse of office and possibly theft by public servant.

2.9.3 MINISTRY OF AGRICULTURE (RIF)

Rural Investment Fund (RIF) received HIPC funds worth 11.476 billion through the Ministry of Agriculture. RIF is a World Bank funded project and was initiated in 1996. The objective of RIF is mainly to mobilise communities into groups, identify their needs and provide infrastructure.

RIF is spread throughout most remote parts of the Country, hence it was thought prudent that the Ministry of Agriculture channel their resources through RIF.

The key project regimes included the following:

- Sinking of boreholes
- Construction of fishpond
- Erection of dams
- Construction of storage sheds
- Sinking of wells
- In some cases rehabilitation of feeder roads and construction of bridges

It would appear RIF is merely a transit point and the funds are expended at the Districts. Apparently the Districts do not send returns of ultimate expenditure to Head Office.

RIF has a lean structure and hence is unable to effectively monitor the Districts. In addition, award of contracts and monitoring is done at District level. The employees at District level are Government employees and HIPC (-RIF) duties are extra to their normal duties.

Recommendations

- The HIPC guidelines need to be specific on the aspect of conveying HIPC projects through an existing donor funded project. This could create conflict of interest and blur impact assessment.
- RIF has a very lean structure to effectively supervise the huge amounts of funds being disbursed to the Districts. The staff handling the projects at district level are government employees and at lower management levels hence the temptation of abuse cannot be ruled out.
- The Guidelines are not specific on the mode of maintaining bank accounts. Whilst other Ministries have been forbidden to hold huge balances with Commercial banks so as to arrest the circulation of money, RIF has been allowed to hold balances with Commercial banks. This is a contradiction of terms.

2.9.4 GENERAL CONCLUSION

It should be understood from the outset that the intention of this report is not to incriminate but ensure that conditions set for the utilisation of HIPC resources are complied with. In light of this, it is clear from the foregoing that the utilisation of HIPC resources has had a great impact on some communities and has also witnessed a very high degree of abuse, misapplication and general lack of economy, transparency and accountability. A lot of resources have been channeled into avenues completely unrelated to the ideals of the HIPC Initiative. Such areas included:

- Payment of allowances
- Drawings of accountable imprest (which remains unretired)
- Purchases of fuel and oils
- Purchase of motor vehicles
- Repairs of motor vehicles
- Purchase of PBAX and communication facilities
- International travel e.t.c

In addition some contractors have not lived up to their professional calling and have instead overtly demonstrated a clear departure from professional ethics. Other contractors it should be stated have been very exemplary and professional in the execution of their contracts.

On the whole, the HIPC Initiative is a laudable effort at poverty alleviation and once systemised the benefits will be monumental and easily translate into tangible benefits for the vulnerable communities for which it is intended.

Generally it is being recommended that Criteria for selecting contractors should include inter alia:

- Domicile - contractors who are locals should be given priority
- Sound professional background
- Tender price
- Qualifications of contractor's support staff
- Willingness to employ local unskilled labour

Emphasis should be on quality and durability in lieu of quantity.

In light of the foregoing and all future works, it is being recommended as follows:

- All works should be certified before any payments are made and certification authorities should be accountable for whatever they certify.
- All works should be undertaken as per plan. Resources should not be spread too thinly as this tends to compromise quality.
- All contractors engaged should at bidding stage provide performance guarantees
- The government should sensitise all HIPC funds recipients by way of circular on the requirements of the HIPC funding.

PART ONE – TECHNICAL EVALUATION

3.1 PREAMBLE

Since September 2001, when the Government of the Republic of Zambia, through a ministerial appointment, constituted the HIPC Tracking and Monitoring Team comprising professional bodies and civil society organisations, very little progress was made until the year 2002. However and as a direct concomitant of the official commissioning, circumscribing the Terms of Reference and signing of the Memorandum of Understanding the Team went full throttle into the monitoring activities a result of which is this Lusaka report. Being the cradle and seat of all ministerial headquarters provided the best vantage point for the commencement of monitoring activities.

The Team started by visiting the line ministries, departments and agencies to establish audit trails and the flow of funds and obtain details of the projects/programmes and their exact locations and in general the progress in the management of the HIPC resources with reference to the guidelines which were issued out to all line ministries. The Ministries visited included:

- Ministry of Education
- Ministry of Finance
- Ministry of Home Affairs
- Ministry of Health
- Ministry of Legal Affairs
- Ministry of Works and Supply
- Ministry of Youth, Sports and Child Development
- Ministry of Communication and Transport
- Ministry of Agriculture / Science, Technical and Vocational Training and
- Ministry of Tourism, Environment and Natural Resources

Other auxiliary institutions visited included the Office of the President (Lusaka Provincial Administration) and the Office of the Vice President and the Disaster Management and Mitigation Unit (DMMU) where a lot of resources were disbursed.

The Team received unfettered cooperation in some ministries and faced insurmountable and organised resistance in others. The situation was further alarmed by the incarceration of some officials in other provinces on account of abusing HIPC resources. However the Team intrepidly sought to execute its mandate as effectively as possible and uncovered a

plethora of value enhancing HIPC resource applications on one hand and panoply of abuse of these resources on the other.

This report provides a running analysis of a ministry-by-ministry HIPC resources utilisation and points out the vital decision points for the law enforcement agencies to pursue while suggestions and recommendations are also made.

3.1 EDUCATION SECTOR

The deterioration in educational standards and the resultant, plummeting progression rates have been accounted for by reduced teacher-pupil contact hours, increased number of pupils per classroom, elevated pressure on teachers, poor working environment and deplorable conditions of service for teachers/lecturers and a host of other problems. These and other problems have negatively impacted on the delivery of quality education and have been of major concern to the government and stakeholders.

The above and other problems have spurred government to designate education as one of the priority areas and acceded to the “education for all” protocol. Given this brief background the education ministry was allocated resources under the HIPC initiative to supplement such other programmes as BESSIP, PAGE and so on. The HIPC Initiative in its augmentative role focussed on a number of critical areas to ameliorate the educational facilities including:

- Structural rehabilitation and construction works
- Construction of teachers’ houses
- Desks, chairs and other teaching aids
- Teaching materials
- Painting of classrooms

The foregoing project areas constituted the thrust of the Team’s financial, institutional and social audits. The Team’s visit to the Ministry of Education was quite educative although the accountant who was the custodian of most information was not available. However the Deputy Provincial Educational Officer (Mr. M. Mtine) was on hand to facilitate information collection. The team learnt that sometimes financial resources for various school requisites are channelled through the Provincial Educational Officer’s (PEO) office for onward distribution to target beneficially schools and at times directly to schools.

Regarding criteria for such distribution, the Ministry was more systematic in undertaking this task. The Ministry conducted a school census and needs assessment in terms of structural adequacy of schools, rehabilitation and material needs and support facilities requirement resulting in the consolidation of a national database. It was learnt that reference is usually made to this database whenever resources have to be disbursed to respective schools.

In addition the Zambia Education Project Implementation Unit (ZEPIU) that was initially a World Bank project has been transformed and incorporated into the Ministry of Education as the channel of resources distribution to the schools, colleges and Universities.

Desks Procurement and Distribution

A total of 1,838 desks were distributed in Lusaka province to the various schools identified as needy in the school census and needs assessment. This supplemented BESSIP, which was also undertaking the task of desk distribution. Physical inspection and counting at the various schools had one truism – all desks were accounted for as delivered and reconciliation of records portrayed the picture on the ground.

The deplorable workmanship and extremely abominable quality of the desks bespattered the seemingly flawless desk distribution statistics. In the first place, the Team's inspection of the stores for the Provincial Education Office uncovered an unacceptable level of negligence on the part of the certification authorities on whose authority payments were effected. This was due to the fact that more than 30% of the desks in the storeroom did not have tops and others were either disjointed or not properly fixed. In order not to establish a completely negative opinion of the desks and the contract for manufacturing these desks the inspection was extended to the beneficiary schools. The revelations were an appalling array of deformed desks most of which were held in place by ropes and wires of forms. Further investigation revealed that these desks started falling apart barely two (2) months after receiving them. This is not with standing the fact that huge sums of money were expended on the purchase of these desks as shown in the table below.

Table 1

DATE	SUPPLIER	ORDER	RECEIVED	BALANCE	TOTAL AMOUNT
19.08.02	TAMPO TECHNICK (Z) LTD	1473	1473	NIL	276,924,000
19.02.2002	APPOLLO ENTERPRISES	845	845	NIL	141,358,375
04.07.2002	AGRI TOOLS	77	77	NIL	15,400,000
GRAND TOTAL		2395	2395	NIL	433,682,375

The Team also observed that Tampo Technick (Z) Limited was more expensive (ZMK 188,000 per desk) on a per unit basis despite the fact that it had a bigger order and therefore more economies of scale compared to Apollo Enterprises (ZMK 167, 288 per desk) whose quality was relatively higher and had a smaller order.

The Team noted a material discrepancy in the records obtained from the PEO's office, which indicated that 90 desks were delivered to Mpemba Basic School when the school received only 40 desks.

Generally, the table below shows the distribution of desks purchased from GRZ and HIPC funds. Apparently there was no break down to show purchases made from HIPC funds or indeed GRZ funds:

Table 2

S/N	NAME OF SCHOOL	ISSUE NOTE NO.	NO. OF DESKS
1	Chongwe Basic	213265	40
2	Lukwipa	458507	20
3	Lufunsa	458506	40
4	Kampeketete	458505/458511	60
5	Nkalamabwe	458509	13
6	Kasenga	213254	40
7	Shikabeta	213282/458508	80
8	Mpemba	213276/213276/213268	90
9	Chipeketi	313273	40
10	Chinyunyu	213280	100
11	Lubalashi	313274/213283	20
12	Kasisi Basic	213275/213277	80
13	Nyangwena	213279	60
14	Bimbe	213281	40
	TOTAL		723

Supply of desks was also verified and found satisfactory in the Chiawa area. Below is a table showing the distribution:

Table 3

S/N	NAME OF SCHOOL	ISSUE NOTE	NO.OF DESKS
1	Chipapa	213256	20
2	Kasenje	213257	20
3	Nankanga	213258	20
4	Chiawa	213264	20
5	Lishiko	213260	18
6	Mpamba		30
7	Mufungautsi	458501	30
8	Lusaka west	213251	40
	GRAND TOTAL		198

These desks were manufactured by Tampo Technick (Z) Limited a company which was said to have been operating at the Provincial Commissioner of Works (PCW) premises and has since been evicted by the Provincial Administration Office of the President. Further investigations revealed that the proprietors of the company had connections with Ministries (Education, Works and Supply and Finance) staff. Establishment of the exact links were deemed to be beyond the scope of the Team's audits and outside the terms of reference (surprising the same company did a slovenly job at the UTH D-Block – refer to section 4.4). It is the team's considered opinion that this company and all those who could have been involved in the tendering process, certification and passing payments should account for their actions.

What is even more disturbing is that ZEPIU, whose facilities the team inspected later, had the capacity to produce and supply durable and relatively cheap desks. Even where these have been supplied attestations were that the beneficiaries have had no problems for a long time.

Rehabilitation and Construction of Schools Infrastructure

At Munali Girls Secondary School interviews revealed that there was gross miscommunication between PEO's office and the school. The verbal communication that funds were available for the construction of various infrastructure depending on school requirements was not followed by release of finances even after the school had prepared bills of quantities.

Interestingly however the school started receiving contractors who had inside information on the availability of funds for rehabilitation. This seems to indicate in no uncertain terms intentions to defraud through connivance

between ministries staff (Education, Finance and Works and Supply) and contractors who were bent on short-circuiting the tendering procedures. In addition the need to streamline disbursements procedures resurfaced in Lusaka as schools are informed of availability of finances without being sensitised as to the procedures to follow in order to access such funds.

At Kabulonga Boys High School the Team learnt of all the tendering procedures, which were complied with by the Project Management Committee (PMC). At the time of inspection only a small portion of the intended rehabilitation works had been completed. This involved construction of a demarcation wall to establish a computer room and Technical Drawing Laboratory. All materials were procured through the PEO's office. Other areas where rehabilitation works had been conducted included the staff room, toilets and chemistry laboratory. It was envisaged that finances granted to the school were intended to undertake more work. This was notwithstanding the fact that the works so far undertaken did not merit the exhaustion of ZMK 100 million.

By far the most impressive of all rehabilitation works and standards as a paragon of optimum resource utilisation (only second to the University of Zambia) was Lusaka Girls Secondary School which received a paltry ZMK 4 million and managed to repaint the school and completed a Home Economics classroom which was at roof level. In addition the school managed to rehabilitate some pieces of furniture, replaced windowpanes and repaired a number of cisterns. It was clear that this school could do more if granted more resources.

Construction of Teachers Houses

The rural teachers' houses construction was progressing steadily with standard three bedroomed houses being constructed at Chiawa and Mugulumeno Basic Schools. At Chiawa Basic two houses had roofs, another two were at slab level, one had just completed foundation and the last one foundation being dug. Mugulumeno Basic School had one house almost completed with plastering already started while the other one had reached at roof level and the final one was at foundation stage.

It was learnt that materials are procured from Lusaka through the Provincial Educational Officer. This made it very difficult to evaluate the success level of the project, as at the time of assessment no figures were available from the PEO as to how much had been spent on the houses at Chiawa and Mugulumeno Basic Schools. However from the evidence on the ground and distance from civilisation it is safe to suggest that the progress is good and the housing projects will soon start bearing fruit.

The two schools are small rural schools such that the interviews with potential occupants were able to elicit responses almost immediately. The teachers were very excited and pleased that the government had recognised their plight and the importance of their professional calling. Some of those who were contemplating leaving the rural areas to pursue teaching careers at private schools in the metropolis were quick to state that incentivising rural teaching will always keep them in rural areas, as there is no better incentive to pursue in town. Provision of high quality housing would also seek as a gesture of repositioning the teaching profession at high levels of reverence.

Like in Chiawa and Mugulumeno progress on the construction of teachers' houses was progressing very well in Chongwe. However the system of payments somewhat varied in that in Chongwe the school was responsible for procuring materials consisting of 80% of the total project cost. The remaining 20% is what is remitted to the contractor for its contractual works and labour.

Purchase of Materials

The allocation towards the purchase of materials was relatively small and ranged from ZMK 4 million to about ZMK 8 million. Earmarked materials included textbooks, chalks and laboratory chemicals. By far the largest component was that of textbooks. Almost all schools indicated that they had the capacity to source their own books in accordance with their requirements. However the PEO's office recommended the sources of books contrary to the school demands. The recommended suppliers were Longman and MacMillan for almost all schools in general (Zambia) and Lusaka province in particular. It is our considered view that this does not support the spirit of economic liberalism where enhanced competition has left quality to be the major marketing asset for suppliers.

As a result of recommending the aforesaid suppliers for the province massive pressure was created to the effect that not a single school has been able to receive the full extent of its ordered books. This includes even cases where the books are fully paid for. It is our strong view that recommending two supplies without capacity to deliver has only served to undermine a legitimate and high beneficial programme. It will be of critical importance that the circumstances leading to these recommendations are thoroughly investigated as we suspect that certain officials were obtaining commissions (or illegitimate incentives) from the resultant bulk purchases from the Lusaka Province schools.

Mukamambo II High School

This school deserved special treatment due to its special circumstances. Mukamambo II High School was opened in 1999 from the ruins of the 1930's and was last used by students in 1966. The buildings were being used by the nearby teachers college as piggeries before its rehabilitation. Initially, the project was perceived as a non-starter and the structures as beyond human habitation. The local community insisted that it was their only hope to see their "girl child" complete secondary education. It started as a self-help project under FEMSR and FAWEZA who provided the financial support until towards the year 2001 when the government came to assist through HIPC funds. The school has now more than 150 girl child students attending senior secondary schooling.

The school received the following HIPC funds:

1. ZMK 120 million for the rehabilitation of water system and sanitation. In this amount, the school built an ablution block, drilled a borehole, which is equipped with a pump, paid labour, and transportation costs. The amount was retired to the accountant and report submitted to the Deputy Permanent Secretary - Ministry of Education.
2. ZMK 21 million was received through DEO's Office Chongwe. This amount was used to purchase 40 dining benches and 20 tables procured from Chris Furniture limited in Lusaka.
3. ZMK 50 million for the rehabilitation of the main dormitory. The works undertaken were as follows;
 - Replacing doors and broken window panes
 - Breaking of inner walls to create more space
 - Replacing rotten rafters
 - Replacing roofing sheets
 - Plastering inside and outside of the entire dormitory
 - Painting inside and outside
4. ZMK 120 million for teachers houses which is being controlled from PEO's office. This funding was at the time of the visit not yet utilised.

The total amount received by the School under HIPC funding is ZMK311 million.

Observation and Recommendations

Ablution Block

The HIPC Monitoring Team observed that the workmanship on the ablution block was substandard and by far fell short of the standard specifications. Specifically the following were observed;

- The laundry basins were not properly installed. The Team noted that the basins were fixed at different angles and heights. This will obviously cause water logging in the basins and ultimately lead to short lifespan of the basins.
- The floors were either not watered to facilitate concretization or had little or inferior cement application. This has led to serious cracking and normal durability of the building is uncertain.
- Poor workmanship was also observed on the ablution block. There is evidence of water sippage from the shower rooms on the walls of the building indicating also that there was little or inferior cement application.
- It was confirmed that payments were made without proper certification of the works undertaken.

Desks and Benches

These were found to be in good condition and were all accounted for.

Dormitories

The Monitoring Team observed the poor workmanship on the dormitories. Specifically the following were detected:

- The plastering was inferior both internally and externally. This also may have been as result of little or inferior cement application. The walls are already chipping off at the edges.
- The floors were either not watered or had little or inferior cement application, that is, the cement-sand was improperly done. This has led to severe fracturing and normal durability of the building is doubted. This is the same for the staircase.

Meeting with the School Board

After the visit to the school and upon the school board hearing how dissatisfied the Monitoring Team was with utilisation of the funds, the

school board visited the Secretariat of the Monitoring Team with a view of explaining how the tendering procedures were conducted and retirement.

It was clear that there was apprehension by the School Board particularly as relates to future support that the school seriously needs. The school Board therefore sought to clarify the contentious issues as follows:

Criteria for selecting contractors -

- (a) Once funds are received members of the local community were encouraged to apply
- (b) The PTA and Board scrutinized the applicants and awarded tenders on the basis of the following;
 - Domicile - contractors who are locals i.e. Chongwe District are given priority
 - Sound professional background
 - Tender price
 - Qualifications of contractor's support staff
 - Willingness to employ local unskilled labour

In the first allocation the Board intimated that the lowest bidder got the contract. In the team's view this connotes that price took precedence over all other set criteria. In the last two allocations, the labour cost was fixed at 20% of the total building materials.

The Board also asserted that in the first allocation, the contractor was paid ZMK 14,850,000. The Board and PTA had recommended Mbiiza Enterprises for being the lowest local bidder with traceable references.

After the construction of the ablution block, the board and PTA were happy with the work done. The Board advised that this was followed by visits from PEO office inspectors headed by the Deputy PEO. Later, this was followed by a visit by the Permanent Secretary Mrs. B Y Chilangwa, the PEO Mr. Bowasi and other senior officials from the Ministry of Education. The Board informed the Monitoring Team that the comments of the ministry officials convinced the board of the good works hence the next meeting of the Board and PTA recommended Mbiiza enterprises to continue with other works.

It was the conception of the Team that the Board seems to involve in image preservation inasmuch as it was apparently clear that the

workmanship was extremely inferior. The team advised the school board to consider canceling the contract due to poor workmanship.

The Team also advised as follows:

- All payments should in future be made after proper certification
- That they should consider contractors who will tender with Bid/Performance Bonds

Recommendations

The funding of the school under HIPC was a commendable decision. However, it was the opinion of the Team that the school Board and the Parent Teachers Association (PTA) spread the little funds too thinly in trying to cover most of the areas that were at the verge of collapse. This is evidenced by the decision made on the ablution block. Instead of following the plan of 6 toilets and 6 shower rooms, 12 toilets and 13 shower rooms were built. Emphasis should be on quality and durability in lieu of quantity.

There was also money diverted from the rehabilitation of the dormitories to replace missing/broken glass panes to the classrooms. Priorities should be observed and vehemently upheld as it is the view of the Team that rehabilitation of dormitories in a boarding school is far more critical than fixing window panes in classrooms. This could have been done from other such sources as the PTA fund. In light of the foregoing and all future works, it is being recommended as follows:

- All works should be certified before any payments are made
- All works should be undertaken as per plan. Resources should not be spread too thinly as this tends to compromise quality.
- All contractors engaged should at bidding stage provide performance guarantees
- The government should sensitize all HIPC funds recipients by way of circular on the requirements of the HIPC funding.
- For Mukamambo II High School, further funding is recommended in order to bring the school to proper habitable standards for the betterment of the "girl child" education.

Chipapa Basic School

The school has been in existence since 1955 and in between 1968 and 1972 the first Republic President Dr. Kenneth Kaunda used to visit it regularly (Meffy Temple). It was the Team's view that this school also

deserved a note on its own as it stood out as the ultimate epitome of abject neglect. The school is barely 20 kilometres from the capital city – Lusaka - yet it looks like it is in the remotest inaccessible regions of the country. The school is in a horrendous state of abject disrepair with literary no windowpanes, no doors and it's a matter of time before the grade one classroom collapses. Much as the desks (60) derived from the Lusaka Resources Centre are still intact and in very good shape the school is a sorry sight and bears the outlook of a derelict, primeval village after heavy bombardment or cannonade – the school needs urgent attention and HIPC resources can do very well in delivering benefits to this forgotten school.

Chongwe High School

The school received a total of ZMK 222 million for which a field visit and audit were undertaken. These financial resources were mainly used for rehabilitation of 21 classrooms and 28 dormitories. Specifically the following works were undertaken:

- Burglar proofing
- Door replacement
- Painting
- Plumbing (replacement and rehabilitation of cisterns/sinks)
- Electrical fittings replacement

The works were undertaken by Pavia Investments Limited at a cost of ZMK 44 million. Procurement of building materials was the responsibility of the Project Management Committee comprising:

- The Headmaster
- 2 Community members
- The Deputy Headmaster
- The Bursar
- 2 Teachers
- The Buildings Officer
- The Education Officer and
- 1 Headman

This ensured wider participation in decision making with regard to the priorities of the school apart from guaranteeing some level of accountability. In addition to rehabilitation works dining tables were procured from Shonga Steel.

Whilst the school's outlook appeared impressive considering the fact that it had been closed at one point, the workmanship by the contractor with respect to painting was poor inasmuch as scrapping and filling of cracks was not done. The contractor was not being properly supervised and appeared to be in hurry to finish the job irrespective of quality considerations.

The assessment and priority of the works to be carried on the school was done by the building officers from Lusaka and was not appropriately done. The school is stuck with excess paint. At the time of the assessment the school had a serious water problem that should have naturally taken precedence over other works but this was not considered. Instead the school had to use PTA funds to repair the borehole. It is the Team's conception that HIPC resources are essentially project related and could have been better channelled to the rehabilitation of the borehole and other areas of need as appropriately done and alluded to above. PTA funds could have been directed at recurrent expenditure and emergencies.

Education Broadcasting Services.

The Team extended its activities to the Educational Broadcasting Services (EBS) Headquarters based at the Zambia Institute of Mass Communications Education Trust (ZAMCOM) and was informed that HIPC funds accounted for about 50% of the resources available for the Interactive Radio Instructions Centres (IRIC) through out the country and mostly educational materials like Mentors' Guide publications, pencils, note books, recorded audio tapes, chalkboards, chalk and indeed radios have been purchased from HIPC resources. A total of ZMK 214 171 400.00 has been expended on materials procured from Penmarks Limited, Chris Furniture and ZEPH.

It was learnt that NORAD initiated the project and currently USAID consultants are examining the programmes acceptability, popularity and efficacy in the urban and rural areas.

In Lusaka District there are about 38 centres strewn in most compounds and townships and there are 300 centres through out the country. Learning instructions are broadcast through the Zambia National Broadcasting Corporation on channel 2 on a programme called 'learning at Taonga market' mainly during mid-day and mid afternoon. These centres are predominantly hosted by church organisations and other NGOs manned by volunteers called mentors who facilitate the learning process. The centres house grades 1 to 5 and examinations are set by the ECZ

while PEOs and DEOs are involved in the Administration and monitoring of the project.

Most of the children drawn by the project to the centres are from vulnerable communities like orphans, other economically disadvantaged and the physically challenged. Our survey of the said communities revealed that the project is becoming popular so much that some parents are removing their children from basic schools and taking them to the Centres. In effect, if these programmes are proved efficacious it connotes that accomplishment of education for all is not on a far-fetched horizon. In fact the response from the benefiting communities is overwhelming.

Decision Points

In order to mitigate the abuse of HIPC and other public resources and of course guide others to ethically manage these resources selflessly and judiciously the team wishes to strongly recommend that the appropriate action be taken as regards the matters highlighted in the tableau below:

Table 4

No	Project Description and Contract Amount (CA)	Contractor	Problem Area	Target of Investigation
1	Manufacturing and supply of school desks (CA- ZMK 276,924,000)	Tampo Technick (Z) Limited	Desks of unmerchantable quality	<ul style="list-style-type: none"> • Management of the contractor • Certification officials • Procurement officers
2	Supply of Materials (textbooks)	Only Longman and MacMillan were recommended	<ul style="list-style-type: none"> • Why did PEO's office select the suppliers? • Why limit spectrum of sourcing? Current indications are that the two supplies do not have capacity • How many orders these 	<ul style="list-style-type: none"> • PEO's jurisdiction over sourcing of school requisites. • Criteria used to select these two companies? • Capacity of the two supplies of supplying the entire province

			companies have received and how many have been fulfilled?	
3	Chipapa Basic School	None	School on the verge of collapse	Why no HIPC or other resources have not been channelled to this needy school is bewildering. Buildings require to be rehabilitated as a matter of urgency.

High Education – The University of Zambia

The visit to the University of Zambia (UNZA) was one of the most interesting characterised by two (2) sharp contrasts. Initially the Bursar (a Mr. Sichamba) refused to see the team and instead elected to avail himself on New Year's Eve knowing fully well that he was not going to be available. This communicated some tacit level of impropriety and manipulation. This prompted the team to seek audience with the then Acting Vice Chancellor. It was apparent that he was a model of transparency and total commitment to university development as he cancelled a very critical meeting electing to meet the team impromptu. He invited the resident engineer and architect to be part of the deliberations.

The team learnt that the University, on being informed of potential future funding under the HIPC Initiative constituted a Rehabilitation Committee and identified priority areas as follows:

- Water development and Reticulation
- Library basement air conditioning
- Electrical distribution system and accessories
- Sewerage disposal system
- Plumbing works
- Glazing and Hostels rehabilitation
- Construction of perimeter or boundary fencing
- Rehabilitation of residential area
- Lighting

-
- Roof replacement and water proofing
 - University road network resurfacing
 - And any other arising issue requiring repairs

The total project costs were estimated at ZMK 12 billion, which effectively connoted that the ZMK 500 million received by the University was infinitesimally small given the scope of work envisaged. It was also learnt that the University only received 10% of the pledged ZMK 5 billion from the government. In fact all pre-planning and projectisation processes were based on the ZMK 5 billion financial commitment government made. The projectisation process involved:

- Development of work plans using Project Evaluation and Review Technique (PERT)
- Identification of the critical path (Critical Path Analysis – CPA)
- Identification of requisite manpower and expertise
- Development of bills of quantity

The committee also conducted a cost benefit analysis given the dearth of financial resources with such considerations as:

- Using in- or out-house labour (the engineer, plumbers, electricians, architect and so on)
- Using in- or out-house materials (metal fabrication, welding, block-making etc.)
- Engage external contractors through competitive tendering

It was reckoned that utilising internal resources particularly as regards manpower would be more efficacious and monitoring, evaluation and review of satisfactory project task execution would be easier. This, it was thought, would also help the University accomplish its quest to eliminate middlemen in the materials or input supply chain as they artificially elevated prices.

The university also recognise that the problem of theft was an omnipresent one. Vulnerable fittings included electrical accessories, cisterns, toilet sits, water basins, taps and other small items. In this regard the University had to devise ways of stemming theft or making it difficult to steal. Innovations in the University property protection has included but not limited to the following:

- All sockets will be engraved with the letters “UNZA” (samples already available) and cost 60% less from Eclipso Co. Limited of Zimbabwe.

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- Cisterns have been changed to flash units with letters “UNZA” etched on them as a deterrent. The Flash Master Valves cost the same as cisterns therefore no price overrun
 - Taps have been changed to press based as these are more difficult to steal

University Water Supply

The University houses more than 6000 people and an additional 4000 visitors patronise the premises on a daily basis. This bespeaks the criticality of water supply and sanitation. This however is a tall order given that the piping in the University is over 30 years and was in a hopelessly leaking condition.

It was reported that the University owed Lusaka Water and Sewerage Company about ZMK 1 billion and supply was disconnected (two weeks before the team’s visit). The situation was saved by the provision of HIPC resources, which have, since been used to seal the leaking pipes, rehabilitate and reactivate two boreholes. The underground water tank with a capacity to continuously supply water for six (6) hours has also been rehabilitated with massive savings. Sealing of pipes and reactivation of boreholes under HIPC has resulted in ZMK 100 million per month saving. It was also learnt that the University would accomplish self-sufficiency in water supply when the 800 metres water pipeline and pumps are installed. The pumps were also procured from South Africa at 60% cost saving by eliminating middlemen in the supply chain.

The above savings cannot be said to be the only benefit that have accrued from the HIPC resources as regards the University of Zambia. Some external communities like the people of Mtendere who were employed in digging of furrows and laying of pipes also benefited from employment creation.

Sewerage Disposal

The University has no trunk sewer line to convey sewerage to Machinchi sewerage processing ponds in Garden compound. In this regard the University constructed its own which has since been disused due to lack of maintenance. The HIPC resources are facilitating the rehabilitation of a 1.5 kilometre sewerage line that joins the main line at Mass Media Complex. This requires pumps of which only one is functional.

Roof Repairs

The problem of roof leakages is a general university problem as the asphalt used has a life span of about 20 years and regarding that the problem started way back in 1989 – 1990 the situation has deteriorated badly due to lack of funds. It is envisaged that where possible galvanised roofing sheets will be used and in some areas electrolytic waterproofing will be applied. This takes cognisance of the expansive and complex nature of the University infrastructure.

Under the HIPC Initiative sealing of some roof leakages has already commenced with a contract for ZMK 70 million. The library due to its sensitivity had the Asphalt membrane replaced but this lasted only few years and needs to be relaid again. It is these costly repairs that have spurred the University into ensuring that quality should be the guidepost for all rehabilitation works while price overruns should be avoided as much as possible. This seems to have worked for the University in almost all areas where HIPC resources have been applied and thus accounts for the great benefits derived by this institution through judicious application of resources.

Rehabilitation of University Furniture

Another area that can be said to have benefited from the thoughtful devotion of HIPC resources is the rehabilitation of chairs. A procurement notice for competitive tendering yielded the lowest tender price of ZMK 380 million to deal with about 300 to 500 chairs. Using in-house facilities, scrap metal and clip boards, the University managed to rehabilitate about 500 chairs at a cost of ZMK 25 million denoting a resounding ZMK 355 million saving.

General Security

The University plans to erect security fencing for both UNZA – main and Ridgeway campuses at an estimated cost of ZMK 1.5 billion. It is reasoned that this will be a Palisade fence as the University has the capacity to fabricate the fence if only steel is procured. This is thought to be another area where benefits will accrue and boost the quality of life in the university.

Conclusions and Lessons

It is estimated that the University has achieved a monthly saving of ZMK 100 million on water, saved ZMK 355 million on furniture repairs,

accumulated savings of up to 60% on all procurements and has significantly improved the conditions in the Library basement, ablutions and general health and hygiene standards from meagre resources. It is also ameliorating the sewerage system by relaying concrete sewer pipes damaged by trees while boosting the flow to the main line at the Mass Media Complex. Most of the rooms have been repainted and glazed, taps re-fixed, cisterns replaced and electrical fittings installed. These points to the potential that exists in the University to astutely and pertinently allocate scanty resources to the most important areas while at every turn averting wastage and abuse. Notwithstanding the foregoing the problems in the University remain largely unresolved, as funding is way below the institution's needs.

Key Lessons for the University's Handling of HIPC Resources

The key lessons from the University's HIPC resources utilisation are threefold as follows:

- **Devolution** of the project from the top management levels to involve and access input of ideas from all stakeholders is important and likely to bring out the best in project management
- **Systematic planning**, project phasing and identification of all requisites before commencement of implementation is critical as it provides a self-evaluating mechanism while the project management concepts provide the guideposts for methodical execution.
- **Selflessness** is important in institutional project management. While information reaching the team is signalling that top management at other institutions appointed and paid themselves as consultants this was not the case at the University of Zambia. The Rehabilitation Committee invited all stakeholders to make contributions on the priority areas and participated in the implementation process gratis.
- The spirit of **ownership** seems to have been one of the guiding philosophies as those who were called to make their contribution and input treated this as a contribution to an institution, which was legitimately theirs.
- **Cost saving and quality orientation** emerged to have been achieved synchronisingly. The University applied a lot of effort in ensuring that the resources received were applied more pervasively

and at minimum cost and has so far derived a lot of benefits for the institution.

Evelyn Hone College Hostel Rehabilitation

The College received K400 million for the rehabilitation of students' hostels. The funds were deposited in a separate account as per the requirement in the control of these funds.

HIPC funds disbursed to the college were meant to rehabilitate the roof and ablution facilities in a hostel (Mozambique). The roof collapsed due to termites, which had devoured the wooden structure. The ablution block needed improvements in the drainage system and replacement of hand basins, toilet bowls, painting and fitting of new geysers. In order to get a full picture of the utilisation of the resources allocated to the college the team met the Principal.

The Provincial Building Engineer (PBE) from Lusaka province who triggered the whole process of advertising the tender, selection, supervision and certification of the works handled the first phase of the works. The Principal of the College, Mr. M. Thandeo expressed some reservations on the way the whole job was handled by the Buildings Department and the consequent below average workmanship of the contractor- Apollo Enterprises. He said the Buildings Department disallowed some works that the Evelyn Hone College Management would have loved to be included in the Bill of Quantity. This resulted in the contractor completing the works but not to the satisfaction of the end user.

The Team found the roof and ceiling replaced, the whole hostel and ablution block painted and some hand basins replaced. Surprisingly however all the new geysers were not working. In addition, the contractor was adjudged as having performed poorly with regard to painting inasmuch as only one coat was used. This increases possibilities of decolouration and/or inconsistent colour scheme. It was clear that the contractor's interest is in reduction of overheads at the expense of quality delivery – this is unacceptable and should not be condoned.

The college paid out a total amount of ZMK 187 million to the contractor for the first phase. There is a balance of ZMK 212 million remaining for the second phase of rehabilitation works at the college. The College has not utilized the ZMK 212 million, due to the delays or indeed inertia at the Buildings Department. The Monitoring Team observed that the balance of the funds is just being wasted due to time and bank charges. We

therefore recommend that they must relinquish the management of the project to the college authorities as quickly as possible.

The college authorities through the Principal cast strong protestations and lamented the manner in which the PBE handled the whole process. They rightfully complained that they were reduced to mere spectators in the whole process and had actually voiced their sentiments and brought the issue to the attention of the Director- Planning at the Ministry of Science and Technology.

According to the Principal the second phase, which in his view was smaller in works, was awarded to a contractor who had quoted about K 300 million. The principal said he had refused to give a go ahead to the second phase. Furthermore he said he had compared with how the UNZA management handled their rehabilitation and stated that UNZA had complete control of the process of initiating their programme through supervision to certification.

Some students from the same hostel were interviewed and expressed anxiety as to when all the rehabilitation works were going to be completed. Specifically the installation of toilet bowls and doors to ablution facilities and rectification of the drainage system were cited.

Suggestions and Recommendations

It would be prudent if the rehabilitation works were devolved from government to the college authorities since these are the custodians of the infrastructure and clearly appreciate the needs and priorities of the college. In fact it would be prudent if the PBE were brought in to independently certify the works. Their direct involvement leaves abundant room for collusion as can be adduced from the use of a single coat in public facility. The Team concurs with the college authorities that they should harness the reigns of the project and internalise ownership from the beginning. Independent assessments from the ministry can be undertaken intermittently in the course of project execution.

It is also the considered opinion of the Team that the contractor at no cost to the college or the ministry replaces the non-functional geysers installed at the college. In addition it is thought that installing appliances of unmerchantable quality is not only a breach on the specifications of the contract but also depicts the unprofessional stature of the contractor and this should not be condoned if public resources are to be effectively utilised. In this regard cancellation of the contract should be considered after specific performance and rectification of the faults is undertaken.

HOME AFFAIRS

3.3.0 Zambia Police Head Quarters

The Team visited the Police Headquarters prior to undertaking inspections. There were two principal activities funded by HIPC resources namely:

- Governance programmes on community policing and
- Rehabilitation works to the physical infrastructure of police cells and
- Water and sanitation facilities in camps as well in police cells.

The team's investigation met great resistance and hostility particularly from the Principal Accountant who apparently was only one (1) month old in his office. It was intimated that projects in the police service were under the Inspection Department. Liaison between the Inspection Department and the Principal Accountant was rather foggy and indefinable. The situation was further complicated by the fact that most of the staff from the Department of Inspection had been transferred leaving only one person (Mr. Munthali). Importantly however was that a number of projects were in such areas as:

- Water and sanitation
- Cells rehabilitation
- Governance
- Community policing and
- General facelift of police facilities

3.3.1 Cells Rehabilitation

The main issues addressed in the rehabilitation of police cells were that the cells did not have ablution facilities; toilets, security lighting and roofs were vulnerable to breakage resulting in breakouts by inmates. Rehabilitation works were undertaken at Woodlands, Chilenje, Kabwata and Emmasdale police stations.

3.3.2 Woodlands Police Station Cells

Chiza Contractors was contracted to execute the works at a cost of ZMK 23 337 680. The scope of works included replacing lighting covers, burglar bars, and windows, roofing, installation of hand washbasins, painting and flooring. These were satisfactorily undertaken. However drainage system, which was cleared, could not be tested, as there was no water. It was

suggested that a booster pump and an extra tank be considered for installation to alleviate the water scarcity problem.

It was noted that the contract works were well done and one contributing reason was that contractors were only issued with bonds to avoid cheating and misapplication of funds thus assuring prompt warrant work.

3.3.3 Chilenje Police Station Cells

Risbell Enterprises was contracted to work on Chilenje Police Station Cells at a cost of ZMK 18 679 385.00. It was learnt that the tendering procedures took long and that funding was specifically for physical rehabilitation of cells and water reticulation and sanitation. The team was informed that ventilation was poor and water was very scarce bringing hygiene standards into question. It was clear that booster pumps were required.

Almost similar works were undertaken as at Woodlands Police Station. Louvers and burglar bars were fixed and a concrete roof affixed. The latter has been a subject of controversy as it was reported that almost everyday a remandee collapses as external hot conditions create the "oven effect" inside the cells. This is exacerbated by the congestion in cells. It was conceived that with improved collaboration between Ministry of Works and supply and the Police Service it could have been possible to provide for adequate ventilation in cells. Apart from the discredited ventilation system in cells it was also observed that cistern and PVC piping was not durable for envisaged use. In fact the cistern was almost falling off its harness.

On the whole, the works were well done and the terrazzo flooring in keeping with sanitation requirements with usually squalid cells environment. The toilet and shower facilities have been constructed although water needs to be reconnected as the lack of it serves defeat the purpose of rehabilitation works.

3.3.4 Kabwata Police Cells

Rehabilitation works were undertaken by Milache Enterprises at a cost of ZMK 23 337 630.00 and paid in full in September 2002. Ablution blocks facilities and eating bay were constructed, painting undertaken and missing electrical fittings replaced. Plumbing works were also performed ensuring that sanitation systems were in working order. However it was learnt that there was need for separate rooms for juveniles.

The cell roofing and doors were replaced, water basins installed and electric power reconnected. Countering the downside of extremely poor ventilation the availability of water and operational ablution facilities has reasserted some level of humane environment in the cells.

Again the cisterns and PVC piping were not durable for the expected use.

3.3.4 Matero Police Station Cells

There had been no rehabilitation works carried out at the time of the Team's visit.

3.3.5 Emmasdale Police Station Cells

The Team was informed that Datong Construction had carried out rehabilitation of police cells as specified and were paid ZMK 24, 772, 000 in September 2002. Physical inspection revealed that almost similar works as at Kabwata and Chilenje police Stations were carried out with the cisterns and PVC piping presenting the downside of the works.

3.3.6 Lusaka Central Police Station Cells

The Rehabilitation had just started at the time the Team wanted to visit and inmates had been transferred to other police cells.

4.4 Water and Sanitation works

This essentially involved the sinking and rehabilitation of of boreholes at Sikanze, Balmoral and Chelstone Police Camps.

4.4.1 Chelston Police Camp

The latter was viewed to be of greater interest with respect to the amount spent on sinking the two (2) boreholes and two (2) 10,000 litre-tanks at a whopping cost of ZMK 633 million. United Chemolide Limited owned by a Mr. Patel undertook the works.

It was clear from both the Camp Commandant (Mr. Navulele) and the Team's interviews with the residents of the camp that the pumps and boreholes were not operating effectively. The capacities of the pumps were thought to be smaller in capacity than could service the requirements of the 369 camp houses - in fact the tanks never get filled and the pumps are malfunctional at most of the time. At the time of

inspection one of the three pump metre reading devices was not operational.

Our household survey revealed that water is only regular during the rain season indicating that the boreholes could possibly be shallower than the water table, which normally rises during the rainy season, or there is supplementation from council mains. Ironically, however the Ministry of Works and Supply certified these seemingly abysmal works as satisfactory. It is our opinion that collusion and impropriety cannot be ruled out as further investigations uncovered that each tank normally cost between US\$ 700 and US\$ 900, a cost far below the contract value quoted in the material case. Also surprising is the cost of transporting these locally supplied materials of ZMK 33 million. In the team's view more detailed investigation should be conducted and if duplicity and impropriety is adduced the people involved should be brought to account for the resources and legal proceedings instituted.

This well-intentioned project certainly missed the delivery of the envisaged benefits to the families domicile in Chelstone Police Camp. As the saying goes – “water is Life” and thus the inability to provide safe water is tantamount to denying the families of the said camp a deserving quality of life. In other words this lack of satisfactory performance and abuse of public resources has endangered people's lives. It is the Team's view that the tendering procedure, supervision of works and certification be investigated further as the team is convinced that some level of dishonesty was entertained.

4.4.2 Sikanze -Edwin Imboela Police Camp

Rehabilitation of the existing borehole cost ZMK 4 371 000.00 and payment was made in September 2002. The borehole is in working order. The Department of Water Affairs also carried out some works in Sikanze Camp at the cost of ZMK 515 000.00. Current indications are that there is no problem with the subject borehole.

4.4.3 Balmoral Camp

United Chemolide Limited drilled a borehole to the cost of ZMK 72 974 786 and was paid in full in September 2002. There is need to investigate how this contract was awarded at such an exaggerated price.

4.5 Benefits

The benefits for undertaking rehabilitation works of the magnitude witnessed in the police service are immense and in some cases immeasurable. Some of these include the following:

- The rehabilitation and improvements in the general outlook of the cells and the police and prison facilities has brought to reality observance of human rights and international protocols that call for respect for suspects and condemned criminals.
- The face-lifts have also brought a more sanguine out look to the Police and Prison services as opposed to the rough and brutal perception associated with law enforcement agencies.
- The works have also served to promote health and sanitation within the premises thus eliminating the stigma of squalor identified with prison cells creating a conducive environment for undertaking custodial and reformatory services more effectively.

It is the conception of the Team that these and other benefits could have been delivered more effectively if certain important parameters were included as critical project anchors. One such critical component was water supply and reticulation. Almost all cells inspected did not have water supply apart from Kabwata Police Station while at Central Police water was rationed. This effectively defeats the purpose of improving health and sanitation. In fact even where drainage systems were attended to, tests for functional status could not be conducted. The vulnerability of rehabilitation works to abuse by contractors through mediocrity and unprofessional execution of contracts is undebatable. This should not be taken to be all encompassing inasmuch as some of the contractors demonstrated superlative performance of quality warrant work.

In addition lack of collaboration and/or direct involvement of the police command further undermined the rehabilitation projects. This complaint came directly from the police command at respective stations particularly as regards re-roofing of the cells. The police are stakeholders and better appreciate the necessary and ambient conditions for custodial services. It therefore makes sense that they should have been involved from project conception, pre-planning, architectural designs and execution. The lack of their participation has resulted in the creation of poor cell conditions, for instance at Chilenje Police Station ventilation is so poor that fainting of suspects is a daily occurrence as architectural designers and contractors

did not know the actual carrying capacity of the cells. Further no cognition was rendered to the need for juvenile cells as more and more of these have become subjects of police attention.

4.6 Decision Points

Table 5

No.	Project Description and Contract Amount (CA)	Contractor	Problem Area	Target of Investigation
1	Sinking 3 Boreholes and installation of elevated tanks at Chelston and Balmoral Police Camps	United Chemolide Industries Limited	<ul style="list-style-type: none"> • Small and malfunctioning pumps • Unrealistic pricing • Untenable Transportation cost • Post installation servicing 	<ul style="list-style-type: none"> • United Chemolide management • Certifying officer(s) • Payment Authorising officer • The tender committee

3.4 MINISTRY OF HEALTH

Two critical areas of concern for HIPC resources utilisation in the area of health delivery were rehabilitation works of health institutions and procurement of medical supplies. The Ministry received a total funding of K29, 177,355,800 during the year 2001 and 2002. A separate Bank Account for these funds was opened.

At the time of the audit there was no cashbook and no reconciliations done although the Team was told verbally by Mr Evans Bwalya that these things existed. The said financial resources were directed at the core participants in the health delivery system namely:

- Central Board of Health (CboH)
- Provincial Health Office (PHO)
- University Teaching Hospital (UTH)
- National AIDS Council (NAC)
- Roll Back Malaria

The Central Board of Health operates as an apex institution, which deals with the planning and co-ordination of health delivery operations. Most of the plans are later handed over to the procurement division where the various budget lines are translated into actual operations. As regards the period under review the drugs budget lines were as follows:

Budgetary Item	Amount (ZMK'000)
PSRP Drugs	12,500,000
AIDS Drugs	12,500,000
Roll Back Malaria	1,000,000

The AIDS programmes were underscored by the commencement of training on **Anti-Retroviral** drugs so as to put care for AIDS victims in the public domain and ensure sustainability of the programme through community programme ownership. On the whole, all drugs procured – whether for general supplies or AIDS are distributed through Medical Stores Limited. However, this does not connote that Medical Stores Limited has the prerogative to decide on the beneficiary institutions. The pharmaceutical unit at the Central Board of Health depending on the three hospital categories undertakes approvals for distribution ,namely:

- District
- Provincial and
- Specialised

The Ministry of Health concentrates on matters of policy with input from all stakeholders including the CboH, PHOs, DHOs, hospitals and other health institutions.

Specific Health Programmes

Rural Health Housing – this programme is intended to cover the whole country with a budget line of ZMK 18 billion of which ZMK 8 billion is said to have been disbursed to the beneficiary areas. However indications are that these finances have not been remitted to the respective beneficiary health institutions. It was learnt that the money has not been used as plans are being formulated and tenders circulated. The CBoH Accountant (HIPC resources) intimated that HIPC sensitisation workshops are planned for all provinces and also intended to capture the districts. The overriding objective of the workshops is to educate provincial and district health officials on the nature and configuration of the HIPC resources, utilisation, retirement or quitting and other allied procedures.

It is the Monitoring Team's perception that these workshops should have been organised well before resources were obtained from government – better still officials should have participated in the workshops organised by the Ministry of Finance and National Development regarding the management of HIPC resources.

Construction of Registry – Part of the HIPC resource has also been channelled towards the construction of the registry behind the CBoH headquarters to facilitate documentation of health related matters.

Procurement of Drugs – an elaborate procurement process for drugs was delineated and the team was satisfied that few if any breaches on set procedures are encountered. However it was noted that foreign companies manufacture most of the drugs procured and consumed in the country. In this regard it is being suggested that the advertising horizon for registration of suppliers and procurement notices should be extended to such media and facilitating institutions as:

- The internet
- Foreign magazines and bulletins
- International Newspapers
- Embassies and so on.

Receiving, Management, Storage Distribution of Drugs

The contract for storage and distribution of drugs to the various health institutions was conferred on Medical Stores Limited. The physical distribution logistics are guided by prefigured distribution rationale whereby each district has an allocation or ceiling of drawings. The key criteria for distribution in most cases was said to be population distribution, that is, the high the population the larger the quantities allocated to particular a district. In addition the number of beds at the respective beneficiary hospitals determines other allocations. Instructions are normally issued through the CBoH or district boards. Interviews with the head of procurement revealed that there is no system of controls or monitoring – reasoning that since CBoH was under-procuring the system was self-controlling. It was also learnt that the Ministry of Health is informed once the drugs are received at Medical Stores Limited. No ministry officials are present to supervise or authenticate receipt and conformance to order and received quantities. It is the opinion of the Team that more stringent control mechanisms should be instituted, as great potential for collusion and complicity exists.

The best practice could have been a follow-up, which could have meant reconfirmation of whether specific drugs have been distributed and actually been issued and consigned to the intended health institution(s) as per the claims. In accentuating the lack of systematic monitoring and evaluation the Pharmacy Specialist (Mrs Dorothy Zulu) agreed that this was a difficult task and that identification of volumes and values of specific financing sources will take a long time. It was also learnt that the Clinical Care and Diagnostics intermittently undertakes inspection tours although these are clearly inadequate.

Another difficulty was that a pooling system is in place connoting that drugs and other medical supplies from different such sources as World Bank, Donations (e.g. from CIDA), GRZ and HIPC resources are commingled such that individual sources cannot be identified or easily audited. In affect even the assessment of the social impact of HIPC resources expended on health cannot be undertaken with ease.

Coding was also very poor particularly as appears on the facility issues report and as earlier stated financing of drugs procurement is not desegregated.

Preliminary Observations

- Over 50% of the total funds were used to purchase drugs.
- Drugs were procured from any chemist or drug dealer. There was no segregation of Retailers and wholesalers.
- Contracts to supply drugs were awarded using Selective Tender method.
- All supplies come through Medical Store Limited.
- Medical Store Limited distributed these drugs to various Hospitals in the country in accordance with the percentages tabulated by the CBoH.
- Payments for the supply of drugs were upon suppliers' invoices stamped by Medical Stores. Goods Received Notes (GRNs) from Medical Stores to the paying office were not properly filed. Paying for invoices without attaching the GRNs has a danger of paying for items that are either partly delivered or not delivered at all.
- Cheque no. 447055 paid to Ngansa Pharmaceutical for K148, 750,000 on 19/9/2001 had no tax invoice attached. On 24/09/2001 the same amount was paid to Ngansa through cheque no. 447057. No officer authorized the second payment although tax invoices are attached to the payment voucher. There is a possibility that there has been double payment on this transaction. At the time of the audit we could not find GRNs for this particular transaction.

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- Cheque nos. 447060 and 447084 dated 24/9/01 and 10/10/01 for K6, 215,700 and K206, 080,410 respectively had unstamped invoices attached to the payment vouchers. In such a situation it is not clear whether the drugs passed through Medical Stores or they went to an unknown place.
 - Some payments made had no documents attached to them e.g.

Cheque no.	Amount	Payee
447090	179,385,000	TATA (Z) Ltd
447125	800,000,000	Central Board of Health
447129	117,424,500	International Drug Company
447111	62,950,000	Sokak Dealers

- It was further observed that funds were also used to pay for contracts entered into before the start of HIPC and some unrelated to HIPC. These are:

Cheque no.	Amount	Payee
447062	67,354,000	Sever Pharmaceutical
447063	105,500,000	Delzam Medicals
524335	130,948,903	Diamante
524336	57,733,462	Gemistar Travel and Tours

District Hospitals Rehabilitation

Provincial Health Offices were provided with HIPC funds for the rehabilitation of District Hospitals as follows:

Provincial Centre	Cheque number	Amount
Lusaka	524325	K200, 000,000
Kasama	524326	K200, 000,000
Mongu	524328	K200, 000,000
Mansa	524329	K200, 000,000
Livingstone	524330	K200, 000,000
Kabwe	524331	K200, 000,000
Solwezi	524332	K200, 000,000
Chipata	524334	K141, 138,248
Kabwe General Hospital	524333	K150, 000,000

The Monitoring Team visited the works done in Lusaka District and found the following:

-
- An ablution block was constructed at the Central Prisons Clinic. The plumbing works at this center is still going on and it is anticipated that it will be completed in one month's time.
 - Construction materials for ablution blocks at Ngombe and Mandevu have been bought although construction has not started.

The Monitoring Team will later in the year check on how funds were used in the other District Hospitals.

Recommendation

A system of monitoring all in flows stocks at hand and outflows and to who they are allocated should be put in place as the current system simply relies on the trust that people in procurement at CBoH have in Medical Stores staff. In addition sources of these drugs in terms of donations, HIPC, Government and so on should be clearly documented so that even if the stocks are commingled records should indicate the source for reconciliation purposes. Commingling stocks should also be avoided, as this does not help the reconciliation process. In fact reconciliations should be carried out fortnightly to simplify the detection of irregularities. An investigation should be carried out to ensure that the stocks said to have been collected reached the designated places

Other HIPC Initiative Activities - Kafue Area

Discussions with Dr. Msiska (Director of District Health) and guided tours were quite revealing as a number of highly beneficial projects were undertaken under the HIPC Initiative. Important of these was the completion of the Maternal Child Health (MCH) wings at Railway Clinic and Chipapa Health Centre. In addition re-roofing was undertaken at Chanyanya Health Centre while all the health institutions were repainted, doors and windows fixed and electrical wiring done.

The physical inspections pointed to professionally executed work. However there was a down side to the contract terms as the contractors were paid in the names of the owners as follows:

Heath Institution Where Work was Done	Name of Person Paid
Railway Clinic	Mr. Siame
Chipapa Health Centre	Mr. Kosam Hasan
Chanyanya Health Centre	Mr. Majere

The main concern of the Team is how these owners of contracted companies treat these revenues for tax purposes. The hunch feeling is that there is a scheme to avoid tax. This also brings into question the tender procedures, as there seems to be no system of inviting tenders. The Director however stated that the guidelines came after some money had already been spent. Nevertheless the team feels that transparent, systematic accounting systems should be emphasised at all levels. It is this lack of transparency that resulted in the ZMK 2 million intended for the 2002 World Aids commemoration (Kafue District) going into the wrong account and remains unaccounted for to date. This could seem to be a small amount but every long journey starts with the first step and therefore all unaccounted for amounts should be investigated, as they could be the tips of icebergs.

Kazimba Health Centre in Lusaka west was electrified at a cost of ZMK 7.3 million. In addition and like other health centres the institution was painted, mortise locks and glass panes replaced

The Kafue District Hospital

Lying at the base of high on the northern fringes of Kafue town is the idyllic, masterpiece of a hospital that chronicles the importance of community effort. The hospital never benefited from HIPC resources and has only benefited from the assistance of the British Embassy, Japanese Aid and community contributions. The hospital is almost complete but needs the following:

- Water tanks
- Fire extinguishers
- Wall fence
- Beds
- Laboratory equipment
- Additional surgical ward
- Gynaecological ward
- Tarring of perimeter access road
- Staff housing and so on.

The team thought it prudent to recognise this community effort and bring it to the attention of the government authorities to also take a keen interest in such a development venture and possibly allocate HIPC resources whenever available.

The University Teaching Hospital

As the name suggests the University Teaching Hospital (UTH) is, not only a medical centre but a tertiary and professional education institution as well. The institution needs to maintain more than ideal standards of hygiene and retain structurally good infrastructure. This has not been and like other institutions the situation continued to deteriorate until the HIPC Initiative intervened. Like the University of Zambia the UTH planned on the basis of the pledged ZMK 6 billion but only received ZMK 2.25 billion mainly for infrastructure rehabilitation in the following areas:

- Painting
- Plumbing
- Flooring
- Re-roofing

Almost all clinical areas and wards needed plumbing while almost all roofs were leaking and water proofing had to be done and in some areas false roofs (these are galvanised roofing sheets in lieu of the expensive Asphalt membrane) installed particularly on the main building.

It was generally agreed that some contractors were not good and therefore a retention clause had to be added to the contracts thus opening possibilities of recalling those not performing to the set standards or specifications. In addition guarantees had to be obtained on some contracts, for instance most roofing contracts carry a ten (10) years guarantee. However some of these roofs start leaking after a few days but the contractors do not return when recalled to fulfil their contractual obligations.

The hospital's legal counsel should come into play and institute legal action against those in breach of their obligation for specific performance.

A visit to the B-Block revealed a very clean environment as Landmate Engineering had undertaken tile replacement, plumbing works, fixing electrical fittings, broken doors and shelves and patching of ceiling boards. Broken windowpanes were replaced and ceramic tiles fitted in ablution blocks. A new innovation was also introduced whereby corridor rails were secured to prevent trolleys from brushing against the walls.

It was observed that much as the wards looked very clean some key problems would have to be resolved by Landmate Engineering (the Contractor) in such areas as follows:

- Plumbing work done but water is not flowing
- Taps replaced but they are still malfunction
- Cisterns cannot flush
- The company started with replacement of a ceiling before dealing with leaking roof such that the new ceiling is already smudged.

Landmate Engineering Limited should be recalled to rectify the problem areas or else (depending on the contract) legal action should be instituted.

Another problem area was found in D-Block where the contractor – Tampo Technick – did an extremely shoddy job. This in fact is treated, as the worst of the UTH project inasmuch as the entire block is like a diseased wound to which are the following:

- Plumbing works were not touched as per contract requirements
- Laundry room sinks have to be unblocked every day
- Carpentry works were slapdash and handles to cupboards were a medley of metal, wood and plastic all in different colours.
- Electricity trips almost every day due to the poor workmanship on electrical fittings
- Some sockets were left dangerously hanging
- A hole drilled in the Milk engine (milk room) has not been sealed
- A sink fitted to the nurses bay fell off
- Sink for washing utensils was fitted with wood and is now rotting
- Painting was done without filling and at times painting was done round the holes

A host of shortcomings were witnessed in the D-Block area and it was later learnt that the contractor abandoned the assignment after having received ZMK 25 million in February 2002. This is the same contractor who supplied substandard desks under the Ministry of Education.

An examination of the Dental/adult filter clinic uncovered that the joint in the roof structure was leaking for almost 100 metres. This was also the case for the Pharmacy Department. Sinetech undertook the former while Kachame Roofing did the latter. While Kachame Roofing has responded and have been on site on two occasions, Sinetech has not responded and efforts should be made to ensure that they fix the leaking roofs according to specifications and requirements.

Payments for Rehabilitation of UTH

The following are some of the payments made for the rehabilitation of UTH:

<u>Date</u>	<u>Cheque no.</u>	<u>Amount</u>
14/05/01	447051	K1, 000,000,000
10/10/01	447077	K1, 000,000,000
10/05/02	447140	K 250,000,000

Benefits

- Good facelift: infrastructure was dilapidated
- Leaking roofs are always messy but the situation has been rectified
- Laboratory equipment has been received through HIPC and regarding that the old equipment could no longer suffice the hospital is doing very fine.
- Drugs are readily available now than before, as HIPC and other financiers of drugs have been augmenting government efforts.

Other Indirect Benefits

Due to the retention clause of UTH contracts it follows that some money remains in the account and generates interest. This interest has been used on such facilities as:

- The installation of an electric boiler (at approximately ZMK 20 million)
- Rehabilitation of the dental and adult filter clinic and
- Rehabilitation of the In-service Training (Conference Centre)

Antithesis or Downside

A lot of benefits and positive attributes have been derived from the application of HIPC resources. However, the mortality rate, which is one of the indicators in the upgradation in the health delivery system, has not improved as a result of the improvements in the hospital infrastructure because most of the works only indirectly affect the health delivery system and it is hoped that soon the impact will be manifest in more tangible statistics like the mortality rate although this is a function of a lot of factors.

Key Decision Points

Further investigations are required and culprits brought to book in the cases listed in the tableau below.

Table 6

No.	Project Description and Contract Amount (CA)	Contractor	Problem Area	Target of Investigation
1	Rehabilitation of D-Block at UTH (Plumbing, electrical fitting, carpentry works, painting etc.)	Tampo Technick (Z) Limited	<ul style="list-style-type: none"> Generally, sloppy work and endangered the lives of the infants kept in this ward. Have disappeared from the project site without finishing work 	How contract was awarded (refer to a Mr. Mukonta who introduced this company to the Hospital at Works and Supply) Also refer to the poor quality desks supplied to paid for (corruption cannot be ruled out)
2	Dental/Adult filter Clinic	Sinetech	Roof is leaking	Recall them to redo the work failure to which legal action should be taken.
3	B-Block – plumbing works and roofing	Landmate Engineering	<ul style="list-style-type: none"> Plumbing works are still faulty. Roof should be sealed and ceiling replaced. 	Recall them to redo the work failure to which legal action should be taken.

Chainama Hills Hospital

The Team was impressed with the rehabilitation works, which involved a total amount of ZMK 250 million. The female ward for the mentally challenged was brought to habitable status and wire meshes replaced to protect the newly fixed windowpanes.

In addition ablution blocks to the college were painted, plumbing works done, taps replaced, cisterns installed and leaking pipes sealed. It was also learnt that the PHI housing estate had disturbed the sewer from the hospital and through the initiative of the administration sewer pipes were procured and joined to the main sewer line some 150 metres from the hospital compound.

The mortuary was also inspected as works were undertaken to ensure that it was in full operation condition and the team was satisfied that a professional job was done.

On the whole, the hospital, like UTH and the University of Zambia, put the meagre HIPC resources to very good use and ensured direct involvement of the maintenance staff during all the phases of execution.

3.5 AGRICULTURAL DEVELOPMENT/ SCIENCE AND TECHNOLOGY

Dams

An important policy thrust of the current government is agricultural development. HIPC resources were therefore allocated to the dredging of the old dam in the Chipapa area – Kalimina Dam. It was learnt that the dam used to support a lot of farmers on the northern part of the dam where water flow was controlled from the weir and spill way gates behind the dam.

The markings on the ground indicated that dredging had started but was discontinued as the grader got stuck. However repairs to the weir were done and the control spindles fixed. It was estimated that the total work undertaken at the site could not be more than 5% of the required works. This should be treated as one of the great disservices to the Chipapa community inasmuch as the dam is supposed to be a multipurpose one providing for such important aspects of life in the area as:

- Drinking and cleaning water for the people in times of water scarcity
- Drinking water for livestock
- Irrigation of crops and vegetable gardening
- Fishing and
- Recreation

This work stoppage on the reactivation of the dam should therefore be investigated further as no records exist as to how much was provided either contractually to an external person or the council. Failure to do so

will serve to undermine the policies and commitment of the government to the agricultural policies.

In addition to Kalimina Dam in Chipapa area, Luangwa District had two Dams constructed in the Chitope area. The community reported that these dams were performing well and contributing to the agricultural and recreation activities in their area.

It was evident that the benefits being derived from these dams are immense and by far outweigh the cost of constructing them. It was actually delineated that if more dams and other water development and preservation facilities were established to ensure efficient and effective ground and surface water utilisation, Zambia can really actualise the tag of being “the bread basket of Africa”.

Boreholes

A number of boreholes were sunk using HIPC resources in a number of areas including Palabana, Rufunsa, Chinkuli and Sunguni. Apart from the upper housing, which had not been constructed, the borehole at Palabana was satisfactorily operational. The team had reservations on the cost of boreholes constructed at Rufunsa (35 metres), Chinkuli (25 metres) and Sunguni (80 metres) which altogether cost a total of K 27 million regardless of the differences in the depth as indicted in the brackets above. It was observed that the cost of sinking the boreholes was not proportionate to the depth.

National Institute For Scientific Research (Mount Makulu Research Station In Chilanga)

The research station has for a long time been conducting research in various agricultural areas aimed at improving crop yields through germplasm improvements, livestock productivity improvements and pest control. Funding has always been a thorny issue with regard to the completion of long-term projects and thus government deemed it prudent that financial resources supplementation be sought from HIPC resources. The team inspected the projects that are being complimented by HIPC funds as follows:

Goats and Chickens Rearing Research Project.

This project had received K100 million in 2002 from HIPC funds and had bought 10 goats and about 10 ‘village’ chickens from the selected areas in Kafue. This was the first phase of the project. The second phase is the

growing of the cowpeas, pigeon peas and folder, which is being undertaken at the NISR fields at Silverest in Chalimbana. After one year the chicken feed and folder for goats will then be tested so as to ascertain nutritional values to improve on the rearing of the same. This is against the background that farmers in Zambia should be availed better feeds so as to increase their goats and chickens productivity to sustain their economic activities.

Pest Resistance in Teaks and other Parasites Project

This project also received K100 million but needed more than this as the cost of the equipment required was more than the allocated funds as the teaks and other parasites colonised in the laboratories were all lost as they needed to be kept in the equipment which was required but has never been bought.

It is felt that government should include stakeholders before distributing money, as the preparation of budgets should be akin to the cost of machinery and equipment. Sometimes phasing of projects can help in lieu of receiving finances (like the ZMK 100 million) can cannot be utilised. Since no research has been undertaken it implies that money has not benefited the institute and agricultural development, which it is intended to subserve.

It is further perceived that the absence of research to detect the resistance of various strains of vermin and other parasites to pesticides being employed in Zambia could be attributed to the now more prevalent cases of corridor and other diseases especially in the Southern Province. This has resulted in the catastrophic demise of cattle and the loss to farmers, both commercial and peasant, is incalculable.

It is therefore important that financial resources meagre as they could be should be judiciously utilised to avert disasters for farmers. In other words ways have to be sought to ensure that paltry financial resources are translated into real benefits as result of advancement of research and technology.

Reproduction Improvement in Cattle Research Project.

Previously this project was financed from financial assistance sourced from the International Atomic Agency (IAA) and the government. However and in accentuating the criticality attached to agricultural development the project was allocated ZMK100 million of HIPC funds. The research is aimed at improving the reproduction and productivity of dairy

cattle. The HIPC funds are mainly being used for the purchase of laboratory equipment.

The research was reported to be progressing well and hopefully farmers will benefit from the results and be able to increase the production of milk which will eventually go a long way in uplifting the nutritional values of the people of Zambia.

Other projects being undertaken under the aegis of HIPC resources that are likely to benefit agriculture and the general Zambian populous include:

- Biogas Plants for Schools Project
- Weaning Food Material Project
- Lusitu Grass Project
- Jatropha Project

3.6 THE JUDICIARY

The Judiciary department through its Headquarters received HIPC resources for the various wings it houses as follows:

Lusaka Province Sheriff's Office

The Team visited the Sheriff's office located in the Industrial area off Lumumba road towards the south of the city and met with Mr. Majata - the Sheriff.

At the Sheriff's office works to partition the offices and fitting window and doorframes and resurfacing the floors had commenced. The works were being executed by the PBE who also supplied the workforce. However the materials were being procured by the Sheriff's office while the Judiciary Headquarters controlled the disbursement of funds.

It was learnt that the works were supposed to have been completed late in 2002 but delays in the disbursement of funds resulted in the extension of the execution horizon. The Team inspected the works and found some progress with quality finishes to the walls and floors.

The sheriff expressed happiness at the project as he said the completion will make his officers have some privacy in performing their duties and also that the auctions could be undertaken inside the building even if it was during the rain season.

The next phase of the project will be the construction of the Sheriff's offices.

Matero Local Court

The HIPC funds received through the Judiciary Department were used to build VIP toilets for the public attending court sessions, painting the building, mounting electrical fittings inside the court and buying office furniture and new benches.

The Team found that the VIP Toilets were not yet completed and that the design, it was realised, needed to change to a water borne system considering the number of people who go the court and therefore the quotation was being reviewed by the contractor Fred Bert.

The electrical fittings mounted were a mixture of old and new and the office furniture and benches were not purchased or supplied. The contractor, Mindu Engineering undertook the painting and electrical fitting works.

The court staff interviewed complained that they were using broken chairs and that there were no chairs for either plaintiffs or defendants in the docks.

The Team observed that there was need to get the building secured by putting burglar bars in windows and grill doors.

Industrial Relations Court

The Team called at the Industrial Relations Court and met Mr. K.M.M Lubinda the Assistant Registrar who related that the court had secured HIPC funds amounting to ZMK 228 million through the Judiciary Department to purchase the building, which belongs to National Pension Scheme Authority (NAPSA). The building was assessed as valued at ZMK1.1 billion by the Government Valuation Department, which was also the offer price.

The team learnt that in January 2003 and before valuation by Government Valuation Department, the Industrial Relations Court paid ZMK 200 million to NAPSA. However the sale agreement of January 2003 requires that the outstanding balance of ZMK 900 million be settled within three calendar months to discharge the sale agreement. It is hoped that the sale agreement will not be allowed to lapse as the building is worth the

transaction inasmuch as it was designed as a court with courtrooms and chambers and offices and therefore befitting the functions of the Industrial Relations Court.

The balance of K28 million HIPC funds was paid to a contractor for painting the building; mounting grill doors and re-aligning the steel fence but no works have been done so far. It would be in order either to recoup the ZMK 28 million with interest or contract another firm to undertake the works or have the same firm commence the execution of specified works.

Supreme Court

HIPC funds extended to the Supreme Court were used to rehabilitate two toilet bowls for the Supreme Court Justices, partitioning of the Clerk of Supreme Court offices, and mounting of the water tank and piping to have water articulate effectively. Makolo Steel was contracted to undertake the works.

At the time of the Team's visit the water tank was not mounted on the steel stands but was lying on the ground and further there were leakages on the new piping fitted. The Deputy Permanent Secretary was advised to call back the contractor to come and either seal the leakages or replace the pipes and mount the tank on the steel stands to prevent rusting and indeed raise the water pressure.

Furthermore the Team noticed that the window frames were not painted in the Clerk of The Supreme Court offices that were partitioned.

Before the tour of all the buildings (Supreme, High Court and Magistrate) the team had a briefing on how the HIPC funds were being managed in the office of the Deputy Permanent Secretary. The team learnt that the PBE undertook the works without the involvement of the officials from the courts (Supreme, High Court and Magistrate). This was also the case at Evelyn College where work was not done satisfactorily. The team was requested to recommend that the PBE should include the beneficiating Institutions in the whole process especially the supervision and certification of works. This will also be beneficial to the PBE's office, as it will avoid unnecessarily suspicions of collusion and connivance, which are currently a reality.

Anxiety was also expressed for the Team to quickly visit other provinces, especially the Copperbelt, to monitor the rehabilitation works being carried out on Courts by various contractors.

High Court

The Team found that HIPC funds were used to rehabilitate offices and partition and paint Judges Chambers to create more room and a conducive atmosphere for newly appointed ones. In addition new carpets were fitted. Unfortunately the “conductive atmosphere” was adulterated by the inappropriate use of water paint.

General Observations

- It was observed that a separate bank account was maintained for the HIPC funds although initially this was a problem.
- Bank reconciliations have been done for the whole period under review.
- Generally most of the payment vouchers checked were duly authorized although not all the relevant documents were attached to them. It was observed that most payments were done on the presentation on a quotation and not invoices. The danger with this type of accounting is that:
 - ❑ Payment can be make without ever receiving the goods or services paid for;
 - ❑ There can be partial supply of goods or services and it would be very difficult to follow up the balances;
 - ❑ Shoddy works can be carried out and no claim of the difference can be done.

Usage of Funds

It was noted that close to K200 million was spent on food, hotel accommodation and seminar allowances during the Judges seminar/workshop at Masiye Motel, Protea Hotel Tuskers Hotel and Mulungushi International Conference Centre. The details are given below:

Date	Cheque No.	Amount	Payee
09/10/02	85	7,740,000	Tuskers Hotel
09/10/02	86	47,615,000	Masiye Motel
14/10/02	87	31,060,500	Protea Hotel
17/10/02	89	14,260,000	National Assembly Motel
17/12/02	90	6,061,825	Mulungushi International Conference
02/12/02	94	23,670,000	Lomance Mpande - allowances
11/12/02	95	10,555,000	Amon Hamuandulo – allowances

11/12/01	96	5,000,000	Lloyds Service Station – fuel for seminars
11/12/02	97	1,542,000	Stationery World
12/12/02	98	12,300,000	Nathan Mwanza – allowances
12/12/02	99	16,927,872	Ibis Gardens
12/12/02	100	5,250,000	Lesley Mwando – allowances

It was further observed that the benches, table and chairs that were bought for the local courts were not yet delivered at the time of our visits. The said items were contracted to Minda Engineering who have so far been paid the following amount on the strength of a quotation and not an invoice or delivery note: -

13/12/02	3163	2,225,000
07/06/02	175	4,140,000
23/07/02	81	3,310,000

It was further noted that K20, 251,700 and K46,285,275 on Cheques 58 dated 19/5/02 and 91 dated 22/10/02 respectively were paid for the resurfacing of office floor, partitioning and electrical fittings at the Sheriffs Office. This work has been given to the Buildings Department who are still on the site. It was the view of the Monitoring Team that this job has taken rather too long and the value of money is getting eroded.

As earlier alluded to, the Monitoring Team observed that K200 million was paid to NAPSA toward the purchase of the Industrial Relations Court building through Cheque number 481406 dated 03/01/2003. Though this payment was made in the period not covered by our review, due to the amount involved, the Team considered it material enough to warrant a follow up. NAPSA accepted this payment on condition that the balance of K900 million would be paid within three calendar month form the date of the first payment. At the time of our visit to the IRC no further payments were made and the three months had already lapsed. The Teams' concern is that the K200 million paid might be forfeited as rental. This would then mean that the money had been utilized on administrative purposes and would tantamount to misapplication of HIPC fund.

Recommendations

- Payments for goods or services should be done only upon satisfactory delivery of goods of services.
- Judiciary must re-negotiate the terms of purchase and payment for the IRC with NAPSA.

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- The rehabilitation of the roof at the High court and the tank installation and piping must be redone.

3.7 THE ROADS DEPARTMENT

If HIPC resources have derived great utility, it is safe to say that a greater proportion has gone to the rehabilitation and maintenance of roads. By their nature road works are very expensive and thus the reason why a lot of HIPC resources have gone in this direction. A number of roads, drainage systems and culverts were done in Lusaka province as delineated in the following sections.

Luangwa District Roads

The Luangwa Road D145 had the culvert constructed by Chitaba Building and a part payment of ZMK 12 936 850.00 out of the total contract price of ZMK 48 557 600.00 was made in March 2002.

Another contractor; Ashland constructed a culvert on the same road and were paid K 34 934 750.00 in March 2002 with balance of K 3 848 400.00 remaining.

Chongwe District Roads

The Team inspected the Shikabeta Road under construction by the Zambia National Service (ZNS). The works by Meenge Enterprises on the culvert were satisfactory. But the road has no drainage provisions or mitre drains on either side of the road. This absence of drainage lines and mitre drains are likely to increase water sippage onto the road and cause damage to the road.

It was learnt that Central Investment were contracted to construct drainage structures and to install culverts and paid ZMK 10 727 500.00 out of a contract price of K 35 572 500.00. This seemingly unconventional as the road contractor is supposed to construct the mitre drains in the course of constructing the road.

The culvert on Rufunsa Resettlement Road was also inspected and found that the works were not finished and the quality of works are not up to standard even though the contractor Choice Build Zambia Limited had been paid the full amount of ZMK 247 639 800 in March 2002. The costing of the project was rather unrealistic. It is recommended that the work be redone or a reimbursement be sought from the company. In addition the

officers involved in the certification of this slapdash job should also be investigated for passing substandard road works.

The Palabana Road, D 153, and two culverts were inspected and found to be poorly done especially the drainage lines and indeed the first culvert on the same road was rated as unsatisfactory.

Kafue Roads

The Kabanana-Chisakila Road was inspected together with the culverts and were found to be poorly done.

Frachmub Enterprises Limited were contracted to construct bridge box culverts on Chiawa–Chisakila Road on Chipongwe river in the amount of ZMK 82 201 083 and have a balance of ZMK32 194 218 yet to be paid. The construction works were superlative.

Palabe Enterprises works on one of the culverts on the Chiawa–Chisakila Road were below standard.

The contract involved pontoon installation and construction of the apron. A total sum of ZMK 64 494 733.00 was paid in June 2002 and there is a balance of ZMK 22 821 435.00 to be paid.

The embankments of the road and its drainage along the Kafue-Chirundu Road were also inspected. These works were undertaken by B.B.C Property Investments Limited and the contract price was ZMK 127 158 150.00 out of which ZMK 115 599 265.00 was paid in April 2002. Some portions of the embankments are falling off and need to be reinforced. One point where the river is diverted was poorly done such that the intended course of the river has been compromised and the river is headed towards damaging the road as the embankments are missed by the water currents which are instead eroding the soil that protects the road – the river diversion needs to be redone.

Kapongo Feeder Road-Kafue District

The team inspected this road, which is off Kafue Road in Shimabala area and found workers of the Contractor a Mr. Chibuye putting 900 mm round concrete culverts. Some culverts were cracked signalling poor cement-sand application.

The portion where culverts were being put was a seasonal river. The community could hardly use the road in the rain season. This was worse

for the farming community whose vehicles could get submerged at this point.

Mr. Phiri from the Provincial Road Engineer's (PRE) office was said to have given the tools to the contractor on site and the Team did not find a supervisor.

On the whole, the feeder road was in fairly good condition.

Chipongwe-Shimabala Feeder Road-Kafue District

The road was found in fairly good condition except for one portion, which needs a culvert.

Chipongwe – Shimabala Road Culvert

The Team found the contractor, Windmill Traders, with their supervisor on site . The original box culvert was small and with heavy rains and non-clearance of debris from the running Chipongwe River, caused the water to run over the bridge and thereby becoming impassable especially in the rain season.

The contractor had extended the culvert by adding two 900mm concrete round culverts on the northern side but was found putting two old and smaller culverts on the southern side of the bridge. The supervisor Mr. Ackim Mwanza was asked to remove the old small culverts and put the 900mm round concrete culverts.

The contractor was also found compacting gravel on the bridge instead of constructing a concrete or cement deck, on top of the bridge.

This is a clear case of cheating by a contractors and a case should be raised with this contractor so that it serves, as an example for would be liars. It would be beneficial for the nation to have such contractors blacklisted from participating on all future HIPC projects. Contractors should always feel proud to retrospectively look back and muse that they constructed a durable bridge, road or culvert. HIPC rules should be stringent enough to punish those in breach of the trust accorded to them, as did Windmill Traders.

Shimabala-Chipapa Feeder Road

The road was found in fairly good condition but required one culvert on one portion.

Kuomboka Road-Chawama

The Team found ZNS compacting the road, which emanates from Chawama road and traverses Kuomboka compound en route to the Seventh Day Adventist Church recently built eye clinic.

The road was impassable to small cars during rainy season and further had very big potholes that patient and other road users found it extremely uncomfortable. In fact some residents interviewed expressed happiness on the rehabilitation of the road.

However there is no drainage provision on the side of the road and when asked about it the supervisor from ZNS said that they were not tasked to do the drainages.

Ngwerere Feeder Road – Off Kabwe Road

The Team drove on the road of which 17 kms was done by ZNS. However the road goes to up to Chisamba and the part which has not been worked on is very bad and yet it is in the farming area to provide easy access to markets of produce and farming inputs

The road has no provision of drainage on the sides and some portions require culverts as they have already been damaged by water. Other portions require gravelling to cover the slippery clay soil. There is urgent need to attend to the foregoing by the PRE's office – ask contractor to re-do parts which have been damaged by rain water.

Otherwise the road is generally good and goes through TATA, Galunia and Elensdale farms.

D154 Feeder Road – Ngwerere – Chelston Road

The Team drove on the newly graded road noting that some seriously damaged parts were subjected to spot gravelling and compacting by the PRE's office.

However some parts were undulating and needed more gravelling while others were troughs resulting from the natural terrain and therefore require culverts to facilitate water passage.

Otherwise the road is fairly good except towards the junction with the Great East road where there are big potholes and during the rain season

water and loose gravel create thick mud. Patching with gravel will be needed urgently.

Twin Palm Feeder Road

The Team drove on the entire road, which was done by various small contractors. Each small contractor was allocated a portion of the road. The road issues from Simon Mwansa Kapwepwe road in Chainda compound and extends southwards on the eastern fringes of Ibex Hill before meandering westwards to join Lake Road near the ZAMTEL housing complex.

Some portions are very bad especially from the point of Chainda/Avondale area that do not have drainage lines and the compacting of the gravel was not done to standard.

However the parts near to the ZAF base and those adjacent to the Leopards cemetery are much better. The road is now leading to the new Meanwood Corporation housing complex in Ibex Hill and will certainly provide an alternative access apart from the great east road access way, which is very busy high way.

Recommendations

- We recommend that there should be strict adherence to all Accounting Procedures before any payment can be made. Relevant documents must be attached to all payment vouchers
- Control on the use of Imprest cash must be exercised
- Imprest must be retired within a specified period of time
- Procedures on the use of HIPC funds must strictly be followed
- More investigations must be instituted into why HIPC fund were used to procure motor vehicles, computers and PBAX
- Proper system of recording drawing and usage of fuel must be instituted.

Other Comments

The Monitoring Team interviewed a few people along the roads inspected. The people's views were that the government had done a commendable job to open up these feeder roads. These roads, which were impassable during the rain season, were now passable. The communities could now visit and help each other using these cleared roads.

3.8 MINISTRY OF SPORTS, YOUTH AND CHILD DEVELOPMENT

Funding

According to the records availed there was K1.4 billion available for expenditure during the period under review.

Accounting

- The Ministry has kept a separate bank account for HIPC funds as per the requirement of the Accounting Procedure of these funds.
- The Bank Reconciliations for the period under review have not been done and therefore it was difficult to ascertain the exact amount of money that has been spent so far.
- Most payment vouchers checked did not have any invoices attached. Payments were made on the strength of a quotation.
- Neither imprest given for sitting allowance and other allowances has been retired nor any valid explanation given at the time of monitoring.

Observations

Two Cheque of equivalent to \$6,000 each have been paid to Global Professional & Entrepreneurship for a training project. Cheque number 018 of 14/11/2001 has no relevant accounting documents attached while Cheque number 0023 dated 06.12.2001 has some documents attached. There was no satisfactory explanation given for these two payments. There is a likelihood that Global Professional & Entrepreneurship have been paid twice for the same service.

It was further observed that Cheque number 013 dated 26/10/01 for K24, 500,000 and Cheque number 0019 dated 21/11/01 for K10, 845,000 were paid to Faroka Import & Export Trading for the construction of a car park at the Kalingalinga Youth Centre. At the time of the visit to the Centre the contractor had not started any works on the car park. This is almost two years after the funds were paid.

Further observations revealed that Youth and Sports utilized their funding as follows:

- Buying of cement, iron sheets and hand tools for various Youth Centres in the Country. However the cost of these items was increased due to transport cost which was hired from Lusaka to deliver the items to various Youth center throughout the Country. The Monitoring Team

is of the view that such transport costs can be avoided if buying of such items is localized or decentralized.

Date	Cheque no.	Amount	Payee
14/9/01	0698	23,500,000	Oltom Investment
19/10/01	008	24,986,500	Oltom Investment
▪ Buying of blankets, bed sheets, towels and mattresses for Youth Centers although to date some Centers have not received the items.			
14/9/01	0699	10,904,000	Almacs Investments
14/9/01	0697	2,990,000	Radian Stores
▪ Buying of fertilizer for youth empowerment			
19/10/01	007	24,942,000	Oltom Investment
▪ Buying of sewing machines			
19/10/01	009	23,400,000	Zambia Sewing Machines
26/10/01	014	24,840,000	Safiya's Fashions Limited
▪ Renovations at King George Youth Centre in Kabwe			
25/10/01	012	24,875,000	Comasi Enterprises
22/10/01	011	19,800,000	Safiya's Fashions Limited

It was however noted that although a number of youth project items had been procured, Kalingalinga Youth Centre is still not being utilized despite the various seminars and workshops conducted for the benefit of the youth regarding their empowerment through skills development.

Recommendations

- Further investigation must be instituted to determine the payment of \$12,000 to Global Professional & Entrepreneurship.
- Only invoices and Completion Certificates must be used as a basis for payment of goods and services and not quotations.
- Imprest must be retired within the specified period.

Chiyota Youth Resource Centre

The centre did not receive the 10 sewing machines, 26 mattresses, 60 pockets of building cement and 2 solar panel purported to have been

delivered by the Ministry of Sports, Youth and Child Development. The question is - what happened to these machines and materials? No satisfactory answer was received from the Ministry of Sports, Youth and Child Development.

Kalingalinga Youth Centre

The team called on the centre and found that HIPC resources had been expended on various materials and works as follows:

- Curtains were purchased from Kidman Florist in October 2001 using HIPC funds amounting to ZMK 22 508 887.
- Wire fence was purchased in October 2001 from Cell Secure at a total purchase consideration of ZMK 5 275 000.
- The Centre had also contracted Faroka Import and Export to
- Construct a fee paying car park and made payment in October 2001 (ZMK 24 500 000) and November 2001 (ZMK 10 845 000).

But when the Team visited the centre this year there was no fee paying car park constructed.

The Centre is meant for the Youths in Kalingalinga to engage in income generating activities so as to empower them socially and economically. Kalingalinga Youth Centre must be put to optimum use immediately as it would be a waste of resources to keep it as a white elephant.

The Ministry of Sports, Youth and Child Development disbursed the total amount of ZMK 63 128 887.

The two payments of ZMK 24,500,000 and ZMK 10,845,000 for the fee-paying car park have to be investigated and the custodians of the money and the centre held accountable. This centre deals with some of the most vulnerable youths in the country and failure to account for well intentioned resources should invite stringent sanctions and punitive action.

Lusaka Women's Clubs

The Department of Community Development funded some Women's Clubs in Lusaka from the HIPC funds as shown in the table indicating the benefiting groups, projects engaged in and amounts below:

Table 7

Group	Constituency	Project	Amount (ZMK)
TUSO Club	Lusaka central	Piggery	1 180 000
Mukalaba Club	Lusaka Central	Poultry	1 590 000
Zambia Mulungushi China		Tye and Dye	1 600 000
Household Chemicals		Tye and Dye	2 000 000
Farmers Barn		Tye and Dye	400 000
SM Hafelije & Co.		Tye and Dye	291 000
NationalTrust Fund for Disabled (NTD)		Micro-Credit	400 000 000
Twikatane Club		Tailoring	2 970 000
GRAND TOTAL			410 031 000

The Team was unable to trace the location of the clubs to assess the usage and/or abuse of the funds at the time of undertaking the audits at the Ministry of Community Development and Social Services. The funding of women's clubs is to empower them to engage in income generating activities and consequently sustain their living. The funds are supposed to be revolving so that other groups could access the same. This is done under the social safety net program for the vulnerable in society.

3.9 MINISTRY OF LOCAL GOVERNMENT AND HOUSING

The funding details were not available at the time the audit was carried out, however the main HIPC capital expenditure for the Ministry included the following:

- v) Rehabilitation of various roads throughout the country,
- vi) Drilling of boreholes and Water Rehabilitation projects in selected parts of the country,
- vii) Building of low cost houses through Africa Housing Fund in selected parts of the country and
- viii) Rehabilitation of markets.

Observations

- The Ministry maintained a separate account for the HIPC funds as per the requirement. However the Bank reconciliations were not done on regular basis.
- Contracts were awarded using Selective Tender method as opposed to the more conventional method of Open Tender.
- 5% Retention on most of the road contracts is observed but no retention is kept on contracts for boreholes.
- 50% down payment was being made before the works could begin on all the contracts although the contracts are silent on this.
- The balance of 50% is paid even before the submission of the Completion Certificate.
- The Boreholes Completion Reports showing the Yields (which is cardinal in knowing the results of the borehole drilling) does not form part of the important documents required to be submitted before final payment is made.
- K14.6 million on Cheque number 1410 dated 02/11/2001 was paid to Officers as allowances contrary to the laid down rules of the use of HIPC funds.
- A payment of K654, 190,460 on Cheque no.1505 dated 29/12/2001 was made for the purchase of the Traffic Lights to be used at the junction Katima Mulilo – Great East Roads. This road is not covered by the HIPC funds. These traffic lights have since been removed from the road and are in the custody of the contractor – Air Radio – and not with the Ministry. The funds were used with the intention of replacing it in a short time. At the time of audit these funds were not replaced.

Comments

The Director of the Department of Infrastructure and Support Services (DISS) Mr. Luwambo appreciated the HIPC initiative. He said that through this initiative the Ministry had provided the vulnerable people with houses, clean drinking water and roads that are now passable.

The Director further indicated that HIPC funds did not come in good time hence the rash in awarding the contracts by the use of selective tender. He further said that there was a requirement to exhaust these funds by a specific date. This meant that they had to award contracts with minimum delays since the rain season was also around the corner. He further said it was not possible for them to supervise all the contracts, as they had no financial capacity to do so. Supervision was therefore delegated to the District Engineers.

The Monitoring Team visited some of the roads in the Central Province and findings were covered in an earlier report.

The Monitoring Team further visited the Housing Project in Linda Township. The Ministry has so far provided K2.0 billion toward this project.

Date	Cheque no.	Amount ZMK
16/11/01	1411	300,000,000
23/11/01	1413	700,000,000
21/7/02	1521	600,000,000
		400,000,000

The Monitoring Team commended this project to be very good and all efforts must be put in order for it to continue. The full report on this project circumscribed below.

Low Cost Housing Fund - Linda Compound

The Team visited the African Housing Fund (AHF) pilot project launched in 1986 by GRZ with NORAD's financial assistance to provide low cost affordable housing units in Linda compound which has about 17,000 households whose mainstay is casual employment in nearby farms and others are subsistence farmers leasing land.

AHF offers housing and micro-finance loans to the community which is organised into eight zones with each zone forming a Forum that assess the needs of its members to access the loans through applying by paying a fee of K 10 000.00. AHF buys all building materials and supervises the construction works.

The loan repayment is graduated into 5 years with an interest of 27%. Beneficiaries have to pay 10% deposit in kind (maize, labour or materials) or cash for AHF to start building. The average cost of unit as of last year was ZMK4.5 million with the beneficiaries' contribution.

HIPC funds have been secured as counterpart funding to the project and 50 housing units of two rooms each have been built so far and another 10 units are under construction. Repayments are put in a revolving fund and separate accounts are maintained for HIPC funds, although they are controlled from AHF Head Office.

Recommendations

- The ZMK 654 million used for the traffic lights must be refunded to HIPC account.
- Reconciliations must be done every month.
- There should be a system of properly costing road maintenance contracts to avoid over pricing.
- Final payment for the contracts should only be made upon submission of a Completion Certificate and when valid inspection has been done.
- Proper tender procedures must be followed at all cost to eliminate instances where officers award contracts to incompetent friends and kin.
- Limits in value when awarding the tender must be observed. The situation where one contractor (United Chemolide Industrial Zambia Limited) has been awarded a Kabwe Water Rehabilitation contract in excess of K2.319 billion must be discouraged. Part payment of this contract was made on Cheque no.001530 dated 31/07/2002 for K200 million.

The Team also visited one micro-finance credit beneficiary who was in the business of poultry and had 200 birds. Another one was making window and door frames and was supplying the housing project.

Some residents interviewed expressed satisfaction at the performance of the project and that there was demand for more loans to be given out as there was a long waiting list of applicants.

However the biggest hindrance in the meantime was the land issue as most residents were not willing to release part of their land where they are living and located in the project area to other residents to build and indeed the two councils; Lusaka and Kafue have not resolved the alternative of issuing land which is not being held on common lease to be cleared for more AHF funded houses to be built. The total area of land required for each housing unit is 450 sq.m.

As a result of the above the AHF is still holding on to some HIPC funds to be utilised.

Relief Maize- Office of Vice-President

The office of the Vice-President using HIPC procured relief maize funds to alleviate the hunger situation through out the country caused by drought and consequently poor harvest in the 2000/2001 farming season.

Various NGOs, church organisations and other civil society were identified to participate in the distribution of relief maize to the most vulnerable groups. Maize is basically the staple food of most Zambians. **Appendix Xiii** shows the distribution relief maize in Lusaka Province.

MINISTRY OF FINANCE

Background

The ministry of finance vis a vis Budget office is the initial starting point of all HIPC transactions. The ministry of finance, budget office in particular is the custodian of control 49 the holding account at Bank of Zambia for HIPC relief funds. HIPC relief funds are held in this account for onward transmission to line ministries. Previously the HIPC relief funds had been pooled with GRZ funds in control 99.

Whilst we got fairly commendable reception from other ministries, we cannot hesitate to comment on the considerable resistance from the ministry of finance. In view of this resistance we were unable to satisfy our selves with the completeness of the HIPC funds, which had been collected in control 99 and 63 since the inception of the HIPC Initiative

Observations

[A] Income

We were unable to obtain independent confirmation of the total HIPC relief funds deposited into control 99 and later control 49 and how much had been disbursed to line Ministries since inception. We faced stiff resistance from the Ministry of Finance Officials to allow us permission to seek independent confirmation from Bank of Zambia. It would appear that control 63 is no longer being used.

[B] Disbursements To Line Ministries

Despite the set back in [a] above we had some discussions with Budget office officials regarding disbursement procedures.

It came out that the planned activities submitted to line Ministries when requesting for HIPC relief funds are inconsequential when determining

how much each Ministry should be allocated. The allocations are based on the availability of funds and the HIPC relief funds at each repayment period are persistently below the repayment threshold amount as per Donor Schedule. Budget office is therefore left with no option but to scale down the budget submissions from the line Ministries.

Comments

[a] The refusal by Ministry Finance to allow the HIPC Tracking and External Monitoring Team to seek independent confirmation from Bank of Zambia has serious repercussions on the completeness of the funds being audited at line Ministries. A case in point the K32 billion which cannot be accounted for between Ministry of Finance and Ministry of Community Development. In the absence of a thorough audit at source it is difficult to establish at which point this amount went missing. There is a very high likelihood that some amounts marked for line Ministries may have been diverted.

[b] Projects by nature have an economic threshold below which quality and completion will be compromised. The arbitrary scaling down of Ministry submissions has therefore had a very negative impact on quality and completion period of some projects. There is an apparent contradiction in terms. Where as the guidelines require that Line Ministries identify projects before receiving the HIPC funds, the Line Ministries are constrained to moot projects round the amounts they actually receive to ensure they maintain a fair balance between quality and successful completion of the project. In effect the initial submission by Line Ministry is merely a general guideline.

Recommendations

[a] We recommend that the External HIPC Tracking and Monitoring Team be accorded an opportunity to undertake a thorough audit at Ministry of Finance and National Planning.

[b] There is need to streamline the adequacy and frequency of disbursements to that they are in tandem with project identification needs of the communities.

PART TWO

4.0 FINANCIAL ANALYSIS AND EVALUATION

Aside from undertaking qualitative and technical evaluation of projects undertaken with HIPC resources the team also sought to collaborative the qualitative analysis with the quantitative evaluation, which essentially dealt with the establishing audit trails of the HIPC resources.

4.1 MINISTRY of FINANCE AND NATIONAL PLANNING

As part of the HIPC implementation programme a component for monitoring and evaluation was incorporated and financed by the HIPC resources. The funding for HIPC activities for 2001 and 2002 in the above Ministry of Finance and National Planning were tabulated to the Monitoring Team as follows;

Table 8

S/N	Ref, No.	Date	Narration	Amount (K)
1	921	18/09/01	Capex – Motor Vehicle	100,000,000
2	733/2001	26/07/01	Workshop	95,717,250
3	803/2001	17/08/01	Dissemination	56,364,000.00
SUB TOTAL 2001				252,081,250
4	429	28/06/02	PRP- Monitoring & Implementation	500,000,000
5	616/2002	04/09/02	Workshop	88,000,000
SUB TOTAL 2002				588,000,000
GRAND TOTAL				840,081,250

A number of payments were made directly related to the management and operation of the HIPC resources. Outlined below are the specific line items disbursed from the Ministry of Finance and National Planning.

Internal Auditors Tours

The following drawings were made for the facilitation of tours by the internal audit team at the Ministry of Finance and National planning:

Table 9

CHQ No.	NAME	AMOUNT (K)	PROVINCE
8783	H.M. Mubuka	8,660,000.00 *	N/Western
8790	A.L. Sililo	5,000,000.00	Western
9825	J. Mukubesa	5,000,000.00	Southern
9832	M. Mukonde	5,000,000.00	Lusaka
9831	G. Chitwa	5,000,000.00	Copperbelt
9846	M. Banda	5,000,000.00	Central
9847	J. Chungu	5,000,000.00	Northern
9889	J. Daka	5,000,000.00	Eastern
9878	I. Chilumanda	5,000,000.00 *	Luapula
8416	H. Mubuka	4,500,000.00	N/Western
Cash	N.F. Nkolola	140,000.00 *	
TOTAL		53,300,000.00	

* - Denotes that Accountable Imprest was retired

It is the view of the team that the Ministry of Finance and National planning should lead the way in ensuring strict compliance to the ministerial rules and regulations. Visual inspection of the table above indicates that out of eleven payments only three were retired or acquitted. This is very unfortunate as people who are supposed to charter the course for others are the ones flouting simple and straightforward rules and regulations.

We further observe that HIPC resources were used by the Internal Auditors in their normal course of duties when the same should have been sourced from RDCs.

Central Province – External Monitoring & Tracking Expenses

The following Drawings were made:

DATE	CHQ No.	NAME	AMOUNT (K)
24/06/02	9054	Evans Mumbi	22,140,000.00
26/09/02	8550	T. Phiri	<u>17,250,000.00</u>
	TOTAL		<u>39,390,000.00</u>

Accounted for as follows:

Overnight/sitting allowances	K 21,990,000.00
Out of pocket	K 3,010,000.00
Fuel	K 3,338,395.89
Accommodation & Food	K 10,505,700.00
Stationery	K 224,000.00
Lunch allowance	K 230,000.00
Cash Refund	K 91,904.11
TOTAL	<u>K39,390,000.00</u>

The above expenses were seemingly properly accounted for. However, further scrutiny by the Monitoring Team revealed that Mr. Evans Mumbi reflected that the Team had spent a night at Forest Inn in Mkushi/Kapiri Mposhi when in fact the Team just had lunch there. The inclusion of accommodation overstated the expenditure by ZMK 675 000.00. Further, on the schedule for sitting and out of pocket allowances the same officer included Mr. D. Phiri as having been part of the Team as a driver when this was not the case. The purported driver drew a total of ZMK 575 000.00 in allowances and there is a glaring disparity in the signatures to acknowledge receipt of funds for sitting allowances and out of pocket allowances.

HIPC Workshops

A number of workshops were held and various amounts disbursed as follows:

Chq No.	Payee	Purpose	Amount (K)
6100	E.Mumbi- Allowances	Kafue Gorge sensitization	21,880,000.00
6101	E.Mumbi- Accomodation	Kafue Gorge sensitization	15,691,619.31
9695	K. Hara	Chrisma Workshop -Allowances	45,658,550.00
9745	National Assembly Motel	Accomodation	8,950,500.00
9744	Chrisma Hotel	Conf facility	15,400,000.00
8498	Mulungushi Conf Ctr	Conf Facility	9,837,450.00
TOTAL			117,418,119.31

The above expenses were properly accounted for with all documentation held at the Ministry of Finance and National Planning.

Summarised Expenditure

(a)	HIPC Workshops	K 117,418,119.31
(b)	Monitoring & Tracking	K 39,390,000.00
(c)	Internal Audits Tours	K 53,300,000.00
(d)	Capex	<u>K 100,000,000.00</u>
	TOTAL EXPENDITURE	<u>K 310,108,119.31</u>

Summary Of Income & Expenditure At Ministry Of Finance and Economic Planning

Other than what is highlighted below under Observations and findings, the above-summarised expenditure was generally incurred with due economy, efficiency and transparency. However, the Monitoring Team was not availed any documentation or records regarding the ZMK 500 million received by the Ministry for Monitoring and Implementation of PRP.

Unretired Accountable Imprest

Observation

We noted amounts were availed to the internal auditors to carry out audits on the HIPC funds releases to the provinces. As indicated above, a total of K53.3 million was taken out as accountable imprest for the exercise. Only North Western and Luapula provinces have retired the imprests while the rest of the amounts totaling K39.5 million remain unreconciled. No supporting documents were provided during the review. The auditors' reports for visits undertaken were unavailable for review. It is therefore apparent that there is little monitoring and control by the MoFNP officials.

Impact

This is a breach to general accountability requirements. The withdrawal of these funds, which have not been properly accounted for has reduced allotment to HIPC monitoring activities.

The Ministry of Finance and National Planning staff charged with the responsibility of the HIPC funds is abrogating their responsibility by failing to review and monitor the outstanding accountable imprest amounts. These payments if not followed up may result in defaults by the individuals concerned and it will be practically impossible to recover the advanced monies.

Recommendations

Monitoring and control over HIPC funds should be enhanced to ensure due economy, efficiency and transparency. All the concerned officers who drew these funds should either account for them or be made to pay back.

Management should ensure that there is constant monitoring of outstanding amounts to ensure due economy, efficiency and transparency. The outstanding amounts under accountable imprest should be monitored regularly preferably every two weeks.

4.2 OFFICE OF THE VICE PRESIDENT

Relief Food

The Team also tried to follow up the relief food from the Office of Vice-President, which was said to have been distributed to Luangwa District. OVP it is reported had delivered 50 tons of maize by Sable Transport with Truck registration No. AAL 4345 through the Evangelical Fellowship of Zambia at Kaunga shed in April 2001. The community overtly expressed their happiness about the relief maize having been distributed.

The funding details for the Cabinet office under Office of the Vice President (OVP) for both 2001 and 2002 was as indicated below;

Table 9

DATE	DETAILS	PURPOSE	AMOUNT(K)
01/08/01	DRP	Poverty Reduction Prog	2,000,000,000
21/09/01	DRP	Poverty Reduction Prog	1,000,000,000
06/11/01	DRP	Poverty Reduction Prog	2,000,000,000
15/11/01	DRP	Poverty Reduction Prog	585,714,286
25/11/01	DRP	Poverty Reduction Prog	4,000,000,000
		Sub total 2001	9,585,714,286
01/05/02	NCMDS	Water Supply	200,000,000
01/05/02	NCMDS	Rehabilitation	500,000,000
18/06/02	DRP	Poverty Reduction Prog	2,000,000,000
28/06/02	NCMDS	Water Supply	200,000,000
28/06/02	NCMDS	Rehabilitation	500,000,000
17/09/02	DRP	Poverty Reduction Prog	13,000,000,000
		Sub total 2002	16,400,000,000
TOTAL			25,985,714,286

The following were the categorised disbursements for 2001.

Table 10

DETAILS	AMOUNT	%
Advance payments to lead NGOs	80,000,000	0.84
Payments to lead NGOs	1,397,366,622	14.69
Allowances	4,445,000	0.05
Accountable Imprest	156,060,000	1.64
Maize Procurement	6,783,770,409	71.31
Adverts	13,803,012	0.15
Fuel purchases	63,500,000	0.67
Repairs to Motor Vehicles	24,725,494	0.26
Payments to Transporters	33,550,000	0.35
Transfers to District Offices	90,000,000	0.95
Mealie Meal Purchases	4,000,000	0.04
Various	861,604,440	9.05
TOTAL	9,512,824,977	100

It will be noted that most of the expenditure was incurred on Relief Maize procurement followed by cost of distribution by the leading NGOs. Other than the exceptions under observations and findings below, it can be said that for 2001, generally the majority of the funds were used for the appropriate purpose. The category of various payments above includes ZMK 664,255,377 paid to Reamaton of United Kingdom for Tents and Bridges.

The following were the categorized disbursements for 2002.

DETAILS	AMOUNT	%
Payments to lead NGOs	763,251,712	4.65
Allowances	9,005,000	0.05
Accountable Imprest	187,060,705	1.14
Maize Procurement	8,108,539,471	49.44
Adverts	13,929,036	0.08
Fuel purchases	40,000,000	0.24
Payments to Transporters	928,746,103	5.66
Transfers to District Offices	105,000,000	0.64
Mealie Meal Purchases	4,619,730,000	28.17
Various	1,521,194,550	9.28
TOTAL	16,296,456,577	100

The category of various payments above includes ZMK1, 430,000,000 transferred to National College for Management and Development Studies for water supply improvements and rehabilitation.

Allowances

Observations

We observed that the following allowances were paid in 2001 and 2002 to officers of Disaster Management and Mitigation Unit (DMMU) contrary to conditions for HIPC expenditure;

DATE	CHO No.	PAYEE	AMOUNT K	PURPOSE
21/8/01	109	Moffat Malawo	2,205,000	Allowances
28/08/01	112	Grace Gondwe	1,220,000	Tender Sitting
28/08/01	113	Grace Gondwe	1,020,000	Tender Sitting
04/07/02	716874	Faides Mumba	9,005,000	Tech Comm
TOTAL			13,450,000	

Effect

The payment of allowances from the HIPC funds reduces the amount available for HIPC activities and is contrary to the HIPC Accounting Manual instructions.

Recommendations

This evident misuse of HIPC funds should be refunded from the RDC.

Accountable Imprest Drawings

Observations

(b) Unretired Accountable Imprest

We noted that between September 2001 and October 2002, a total of ZMK 343,120,705 (Three hundred and forty three million one hundred and twenty thousand seven hundred and five Kwacha) was paid out from HIPC funds as accountable imprest to thirteen (13) officers from Disaster Management and Mitigation Unit (DMMU). To date these amounts remain outstanding with no evidence of follow up from the concerned officers as to how and when the outstanding amounts will be retired. (**See appendix XVIII**)

(c) **Inconsistencies on Drawings**

There are evident inconsistencies in drawing funds for the trips in both 2001 and 2002. The disparities are so high that in certain cases the differences reached over 100%. As can be seen from the attached appendix, cash amounts drawn out by Mr. C F Mbula and Mr. D. Mulenga are different and yet there were the same countrywide tractor inventory exercises. Since these amounts are not retired it is impossible to tell whether the amounts were correctly drawn.

(d) **Foreign Travel Allowances**

We observed that the following DMMU officials traveled abroad at the cost of HIPC funds;

- i) C F Mbula – ZMK1, 182,265 on 25th October 2001. This amount was used for travel to Republic of Zimbabwe for regional vulnerability assessment.
- ii) Prudence Mwape- ZMK5, 578,440. This is cost of a trip to the USA, which should have been funded, from RDCs.

(e) **Provincial Tours**

We observed that the DMMU Lusaka undertakes trips for relief food distribution to provinces when the Office of the Vice President (OVP) is ably represented in all provinces and districts. This is a waste of resources since the Division is adequately manned at provincial centres to undertake these assignments.

(f) **Community sensitisation**

We observed that the DMMU spent ZMK12, 360,000 on Chiawa and Siavonga community sensitisation on the opening of the spillway gates at Kariba Dam. This cannot be said to be an exercise under poverty reduction programme. This amount should have been sourced from RDCs.

Impact

The amounts drawn under accountable imprest have not been used exclusively for poverty reduction programme.

Recommendations

The officers from DMMU have breached general accounting requirements as regards prompt retirement of the accountable imprest. The withdrawal of these funds has reduced allotment to HIPC activities, which would have benefited the poverty reduction programme. At present it is not known how these funds have been used since the amounts remain unreconciled with no supporting documents. It is strongly recommended that the concerned officers should refund the amounts owed to the HIPC funds.

There is need to re-align the distribution procedure so that distributions are channelled through the Provincial offices. This will enhance control and accountability since the Provincial office is more knowledgeable and familiar with local operating conditions. The provincial offices will in turn submit reports with recommendations for DMMU to follow and monitor the situations closely.

We are also of the opinion that the Office of the Vice President does not properly manage the Poverty Reduction Programme. The management of PRP requires to be revisited if the exceptions raised above are to be annulled in future.

Maize Procurement

The following payments were made in 2001 and 2002;

DATE	CHQ No.	PAYEE	AMOUNT (K)
09/08/01	111	SABLE TRANSPORT	855,784,450
27/09/01	135	SABLE TRANSPORT	800,000,000
15/11/01	170	SABLE TRANSPORT	2,000,000,000
05/12/01	186	SABLE TRANSPORT	1,971,507,150
05/12/01	187	SABLE TRANSPORT	1,156,478,809
22/06/02	716870	SABLE TRANSPORT	800,000,000
16/08/02	716887	SABLE TRANSPORT	171,252,093
24/09/02	Non-HIPC?	LAMISE INVEST	1,000,000,000
21/10/02	716939	LAMISE INVEST	1,000,000,000
31/10/02	716957	LAMISE INVEST	537,287,378
08/11/02	716964	FRA	4,600,000,000
TOTAL			14,892,309,880

Observations

We observed that all maize procured under the Sable Transport contracts was priced at an average of US\$190 per metric tonne. It was further observed that the statement of account from Sable transport clearly indicated the delivery details as follows:

- Date of Despatch
- Truck Registration Number
- Tonnage Authorised
- Tonnage Despatched
- Receiving point
- District/Province

At the time of review, Sable Transport had been paid a total sum of ZMK 8, 776,287.299 for the supply and transportation of 6,521 tonnes of relief maize countrywide.

Visits to verify or certify deliveries to the beneficiaries will be undertaken on Provincial assignments and comments on the deliveries will be contained in the provincial reports.

The contract for Sable Transport above was properly tendered and executed with proper records. It is however, in contrast to the observations made below involving another contract.

Lamise Investments supplied maize for the drought relief exercise to the Office of the Vice President (OVP) and were paid a total of US\$544,482.27 equivalent to ZMK2, 537,287,378 (at ZMK4660 to 1US\$) for the supply of 2016 tones of maize. This procurement was irregular because of the following anomalies;

- The DMMU officers informed us that the procurement was 'authorised' by the Vice President without going through the tender process.
- Part payment of ZMK1bn was disguised and paid from an account (non-HIPC), which had initially received (misposted or misapplied) HIPC funds of the same value. This may have been deliberately done to cover the payment. This transaction was effected before the Zambia National Tender Board (ZNTB) had approved the tender in retrospect.
- ZNTB approved the irregular procurement in retrospect after strong reservations.

-
- The price for maize was extremely expensive @ US\$ 270 per metric tonne as opposed to the landed cost of maize of between US\$190 and US\$210.
 - The State and HIPC funds in particular have made a loss of ZMK657,619,200 arising from this expensive and irregular supply of maize.
 - It is not known where this maize was distributed since no documentation was provided to the tracking and monitoring team by DMMU despite having afforded the Unit sufficient time to provide these.

Recommendations

Management should ensure that the following are in place:

- That all the large procurements of maize are properly tendered and that the thresholds are strictly adhered to.
- That the price of the maize is within the competitive landed costs
- That the statements of accounts from all suppliers, transporters etc are detailed and should be accompanied by narrative indicating all dispatch and point of receipt details.
- That the loss of ZMK 657,619,200 be recovered from Lamise Investments.

Fuel Purchases

The following payments were made in 2001 and 2002;

DATE	CHQ NO.	PAYEE	AMOUNT K
21/08/01	110	Manda Hill Serv Stn	20,000,000
05/10/01	139	Yexley Filling Stn	13,500,000
18/12/01	716829	Manda Hill Serv Stn	30,000,000
28/03/02	716861	Lloyds Serv Stn	15,000,000
11/07/02	716879	Manda Hill Serv Stn	25,000,000
TOTAL			103,500,000

Observations

- (a) We noted that either staff could not explain the payment to Yexley Filing Station indicated above on cheque number 139 from the Office of the Vice President (OVP) or DMMU staff. In the absence of proper documentation this payment could not be followed up. At review time, it could not be established whether or not the payment was

genuine and that it was made wholly and exclusively for HIPC activities.

- (b) We noted the four other payments above made Manda Hill Service Station and Lloyds Service Station totaling ZMK90million. In the absence of a system or documentation to track utilisation of fuels bought, DMMU officials were queried and they admitted that the fuels was used by DMMU vehicles on the day to day operations. There is therefore, no clear distinction between HIPC activities and DMMU administration activities when drawing fuels.

Impact

The amounts drawn under this category of fuel purchases have not been used exclusively for poverty reduction programme.

Recommendation

The above findings could lead to misappropriation/abuse of fuels bought using HIPC funds. Ultimately the fuel purchases have reduced resources available for HIPC intended purposes. The funds should immediately be reimbursed from DMMU recurrent departmental charges.

Repairs to Motor Vehicles

Observation

We observed that the Motor Vehicle repairs and spares were undertaken using HIPC funds contrary to the HIPC Accounting Manual requirements. The tabulation below indicates the repairs/spares and costs involved.

Table 11

DATE	CHQ No.	PAYEE	AMOUNT K'000	PURPOSE
11/08/01	107	LEYLAND DAF	11,362	Repairs to Truck
03/09/01	122	F C MBULA	600	Purchase of propeller
10/09/01	126	TOYOTA ZAMBIA	3,665	Repairs GRZ530BN
10/09/01	131	TOYOTA ZAMBIA	1,983	Repairs GRZ353BM
21/09/01	131	MARONOUCHI MTRS	3,844	Repairs GRZ140BP
05/10/01	142	TOYOTA ZAMBIA	952	Repairs GRZ530BN
17/10/01	143	MARONOUCHI MTRS	1,397	Repairs GRZ139BP
17/10/01	146	TOYOTA ZAMBIA	921	Windscreen purchase
TOTALS			24,725	

Impact

The amounts drawn for repairs to motor vehicles have not been used exclusively for poverty reduction programme.

Recommendations

The misdirection of funds as evidenced above has reduced the amounts available for HIPC activities. All those tasked with the custodial responsibility of HIPC funds should ensure that HIPC funds are only directed to HIPC activities.

Payments to Transporters

The Disaster Management and Mitigation Unit made the following payments to transporters;

Table 12

DATE	CHQ No.	PAYEE	AMOUNT
03/09/01	114	P/S W/TERN PROVINCE	5,000,000
29/11/01	185	CHARLYDAN DIST	14,900,000
28/12/01	716831	SICHABA ENTER	13,650,000
28/06/02	716871	ZAF	279,558,415
05/09/02	716896	OHAN TRANSPORTERS	8,064,000
09/10/02	716922	WILMAT ENTER	3,877,309
09/10/02	716923	JERLIJA TRANSPORT	52,635,200
09/10/02	716924	HASIM TRANSPORT	19,372,880
09/10/02	716925	OHAN TRANSPORTERS	90,580,000
09/10/02	716926	MOHAB TRANSPORT	52,048,000
09/10/02	716927	DUBICA MOTORS	12,117,784
09/10/02	716928	EXECUTIVE FENC	2,081,600
09/10/02	716929	GEMSTAR ENTER	14,968,286
09/10/02	716930	KEREN MOTORS	32,205,600
09/10/02	716931	FREIGHT & PASS	21,184,500
09/10/02	716933	ROAD HAUL	20,624,000
23/10/02	716947	KAPIRI TRANSPORT	83,239,632
23/10/02	716948	KAPIRI TRANSPORT	133,166,257
23/10/02	716943	KEREN MOTORS	13,328,000
07/11/02	716963	OHAN TRANSPORT	30,016,000
12/11/02	716965	SUPERIOR MILLING	55,608,000
18/11/02	716966	P/S W/TERN PROV	4,070,640
TOTAL			962,296,103

Observations

- Ohan Transporters were paid ZK8, 064,000 on 5th September 2002 before satisfying the tender process. The payment ratified and regularised after three months
- Although the payment vouchers had sufficient details on all the other payments in favour of the transporters, statements of accounts indicating the merchandise ferried, the destination, tonnage etc did not support these. The crosschecks exercise to match the distributions and the procured stocks was rendered difficult. The DMMU officers did not also offer help in this respect as it said that all documentation had been sent to Common Services Accounting Unit (OVP) at the Cabinet Office. DMMU do not keep copies.

Recommendations

Management should ensure that the following are in place;

- Tender and other supporting documents are in place before any payments are effected,
- The original copies of statements sent by transporters are copied and kept for future reference at the DMMU offices,
- There is need to re-align the distribution procedure so that distributions are channeled through the office of the Provincial Minister. This will enhance control and accountability since the Provincial office is more knowledgeable and familiar with local operating conditions.

Funding of Regional Offices

Observation

We observed that a total funding of ZMK195 million was made through transfers to the regional offices of DMMU. These amounts were enable day-to-day administration costs for the offices. This is not a poverty reduction programme expense and should have been sourced from RDCs.(see **appendix XVIII**).

Impact

The transfers to the regional offices are for administrative purposes and have no bearing on the poverty reduction programme.

Recommendation

These amounts should be paid back from the RDCs

Mealie Meal purchases

Table 12

DATE	CHQ No.	PAYEE	AMOUNT	DESTINATION
09/08/01	102	SIMBA MILLING	4,000,000	Not Known
11/10/02	716934	ANTELOPE MILLING	960,000,000	To Monze
23/10/02	716944	SUPERIOR MILLING	359,730,000	To Sesheke
23/10/02	716946	SHABCO MILLING	120,000,000	To Choma
23/10/02	716940	SIMBA MILLING	240,000,000	Not Known
23/10/02	716941	CHIMANGA CHANGA	300,000,000	Not Known
23/10/02	716942	CHIMSORO MILLING	240,000,000	Not Known
30/10/02	716951	OLYMPIC MILLING	2,400,000,000	Not Known
TOTALS			4,623,730,000	

Observations

- Other than those indicated with destinations, we were unable to obtain distribution details for the rest of the mealie meal procured under the relief food supplies.
- The crosscheck exercise to match the distributions and the procured stocks was rendered difficult in the absence of detailed statement of accounts from the either the transporters or the millers. The DMMU officers did not also offer help in this respect as it said that all documentation had been sent to Common Services Accounting Unit (OVP) at the Cabinet Office. DMMU do not keep copies. This documentation was also not available at OVP.
- DMMU officers expressed ignorance on the ZMK4 million paid to Simba Milling on 9th August 2001. There were no other details regarding this transaction.

Impact

The poverty reduction supplies may not have reached the intended targets and could have been misdirected to personal use.

Recommendations

Management should ensure that the following are in place;

- The original copies of statements sent by transporters of the mealie meal are copied and kept for future reference at the DMMU offices,
- There is need to re-align the distribution procedure so that distributions are channeled through the office of the Provincial Minister. This will enhance control and accountability since the

Provincial office is more knowledgeable and familiar with local operating conditions.

Other various payments

Payments are as per attached **appendix XVIII**

Observations

(a) VAT

- I A payment to Williking International Limited was made on cheque number 716873 on 28th June 2002 for ZMK35,407,450 in respect of the supply and fixing of 149 pallets. This payment included the VAT element of ZMK5,273,450 when the supplier was not registered for VAT. This payment was therefore deliberately inflated thereby reducing the funds available for HIPC activities.

- II A similar payment to Wedlays Construction was made on cheque number 716897 on 5th September 2002 for ZMK8,995,000 in respect of fixing pallets. This payment included the VAT element of ZMK1,339,681 when the supplier was not registered for VAT. This payment was therefore deliberately inflated thereby reducing the funds available for HIPC activities.

Total loss under VAT inflated payments **ZMK6,613,131**

(b) Storage Charges

DMMU effected a payment of ZMK18,060,284.48 by cheque number 00108 on 13th August 2001 to Danza's Zambia for storage of 460 units of tents for 110 days attracting a daily charge of over ZMK160,000 per day. DMMU normally use the warehouse run by Ministry of Community and Social Services. Our query as to why this warehouse was not used did not yield a response.

Recommendations

Management should enhance controls over payments to ensure that there is accountability and transparency.

Cashbook and Bank

Observations

We noted that Bank reconciliations between the Bank balance/Statement and the Cashbook are not being undertaken at all. There were a number of misposts and some entries were not entered in the cashbook at all. The following are the examples;

- Cheque number 716917 raised on 03rd October 2002 for ZMK4, 633,200 was recorded as ZMK49633, 200 in the Cashbook
- The following vouchers were not entered in the Cashbook;
 - Chq No. 716896 IFO Ohan Trans for ZMK8, 064,000
 - Chq No. 716897 IFO Wedlays Cons for ZMK8, 995,000
 - Chq No. 716898 IFO EFZ for ZMK46, 648,600

Reconciliations would allow early detection of errors and omissions.

Recommendations

A responsible officer tasked with preparation of monthly reconciliations should be identified and assigned with this responsibility. The reconciliations should be reviewed and any unknown items and missing bank statements should be followed up immediately.

4.3 THE LUSAKA PROVINCE

The main job that was carried out by the Lusaka Province was the Feeder roads rehabilitations. The roads included those in Lusaka District, Kafue, Chongwe and Luangwa.

Funding and Expenditure

According to the records availed there was ZMK 5,000,000,000 available for expenditure during the period under review, that is, during the years 2001 and 2002. Lusaka Province kept a separate bank account for HIPC funds as per the requirement of the Accounting Procedure of these funds. The Bank Reconciliations for the period under review have been done satisfactorily.

All payment vouchers of ZMK 1,000,000 and above were checked for authorization and availability of the necessary accompanying documents.

Observations

It was observed that proper accounting procedures are not followed when making various payments. The following are some of the irregularities detected:

- Cheque no. 125042 dated 31/10/2001 paid to Chainama Hotel for ZMK 23,000,000 had neither payment voucher nor supporting documents available.
- Cheque no. 125051 dated 6/11/2001 paid to Justina Kamanga for ZMK 1,200,000 had neither supporting documents nor payment voucher.
- Cheque no. 125068 dated 5/12/2001 paid to Z N S for ZMK 70,000,000 had no documents available for audit.

It was further observed that though there is a requirement for one to retire the Imprest within a specified period of time, such a requirement is not strictly observed. Almost all the payment voucher checked did not have any attachments for retirement.

The following are some of them:

Date	Cheque no.	Payee	Amount ZMK
31.10.2001	125043	Robby Ngulube	670,000
09.11.2001	125054	Mercy Chapeta	10,000,000
13.12.2001	125092	Emmanuel Musonda	5,976,710
19.12.2001	125251	Robby Ngulube	7,000,000
31.12.2001	000012	Lukwesa Nick Jones	5,000,000
24.05.2002	000021	Joe Mwinga	3,000,000
28.05.2002	000024	Mercy Chapeta	9,000,000

The above queries were brought to the attention of the Principal Accountant, but could not give any satisfactory answers.

Financial Resources Utilisation

Payments for Fuel

During the period under review there were a number of payments made for fuel whose usage hasn't been explained to the satisfaction of the Monitoring Team. The following are some of the fuel purchases:

Date	Cheque no.	Payee	Amount K
31.10.2001	125045	BP (Z) Ltd	33,045,969 diesel
31.10.2001	125049	Shreeji Investment Ltd	11,931,500 petrol
31.10.2001	125050	BP (Z) Ltd	3,533,650 oil
05.12.2001	125073	Ashy's Service Station	12,000,000 petrol
13.12.2001	125091	BP(Z) Ltd	7,067,312 oil
13.12.2001	125093	BP(Z) Ltd	10,543,850 diesel
24.12.2001	125265	Lloyds Service Station	3,000,000 petrol
31.12.2001	125293	Lloyds Service Station	1,000,000 petrol
31.12.2001	125294	BP(Z) Ltd	105,438,496 diesel
31.12.2001	125297	Shreeji Investment Ltd	11,683,000 oil
31.12.2001	000011	Fast Fuel	11,781,000 petrol
16.05.2002	000020	BP(Z) Ltd	13,412,577 diesel
28.05.2002	000023	Shreeji Investment Ltd	15,000,000 petrol
05.06.2002	000025	BP(Z) Ltd	43,305,990 diesel
30.07.2002	000055	BP(Z) Ltd	16,323,212 diesel
3.10.2002	000063	Shreeji Investment Ltd	<u>5,000,000</u> diesel
Total			<u>304,066,283</u>

As can be seen from the above, most of this fuel was bought or allegedly bought within December 2001. One wonders how the fuel bought was used, as there were no records to satisfy the Monitoring Team. In addition it was observed that the District Administrator was the one given the petrol bought through cheque numbers 125265 and 125293 highlighted above. The Principal Accountant indicated that he was a relatively new person to the Province and therefore could not give a satisfactory explanation of these purchases.

Purchases of PBAX and Automobiles

Lusaka Province also bought a telephone exchange system (PBAX). Cheque number 125067 for K7, 238,281 was raised on 3.12.2001 and paid to Specialized Systems for the purchase of the PBAX. In addition to the PBAX Lusaka Province bought three small cars purportedly to be used on road rehabilitation monitoring.

Date	Cheque No.	Amount	Payee
05/12/01	125074	19,270,000	Thelmas Cakes - Toyota Corolla
05/12/01	125076	23,000,000	Nakaar Investments – Toyota Camry
12/12/01	125084	20,384,000	Thelmas Cakes – Toyota Corolla

It should be mentioned here that the said cars are neither suitable for the purported inspection nor was there authority to buy these vehicle from the HIPC funds. The Monitoring Team found this to be an extreme case of misapplication of HIPC funds.

Administrative Expenses

A number of administrative expenses were paid using the HIPC funds. These included:

1. Payment for sitting allowances

10/10/02	0062	1,770,000	Donovan Mwape
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2. Payment for subsistence allowances

19/12/01	125253	15,320,000	Mercy Chipeta
19/12/01	125259	1,552,400	Michael Bwalya
24/05/02	0012	3,000,000	Joe Mwiinga

3. Payments for telephone bills

21/12/01	125264	600,000	Zamtel
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4. Repairs to administrative motor vehicles

13/12/01	125100	1,000,000	John's Motors
19/12/01	125251	3,475,000	Asif Electricals
31/12/01	125268	9,400,000	Claxton Engineering
21/12/01	125260	830,000	Draftech Stationers

Purchase of computers and accessories and stationery

31/12/01	125265	3,960,000	Midlands General Dealers
12/12/01	125085	3,642,500	Ligoms Stationery

The above list of payments simply shows how the HIPC funds were misapplied. The Monitoring Team Strongly recommend that these funds must be repaid to the HIPC account and be seen to benefit the under privileged.

4.4 MINISTRY OF COMMUNICATION AND TRANSPORT

- This Ministry received a total funding of K900 million for capital projects.
- Most of the funds have been used in clearing and maintaining Canals in the Western and Northern Provinces.

Date	cheque no.	Amount	
19/07/02	160	30,000,000	Nyengo – Makoma- Liuwa
19/07/02	162	65,000,000	P S Northern Province
19/07/02	163	32,500,000	Mweru Water Transport
19/07/02	164	19,500,000	Bangweulu Water Transport

- However it was observed that the imprest given to the employees doing the projects has not yet been retired at the time of our visit.

12/9/02	181	3,400,000	Mundia Nyambe
27/9/02	184	8,300,000	Kenneth Mbao
15/11/02	196	4,870,000	Kenneth Mbao

- It was further observed that HIPC funds were not separated from other funds of capital nature. K400.7million for the rehabilitation of Chipata Airport was in the same account with HIPC funds.
- Bank reconciliations have never been done since the opening of the account.
- A Nissan Hard Body pickup was purchases using HIPC funds. A letter authorizing this purchase was written on 12/11/2002 by Cabinet Office signed by Dr D Diangamo. It was not possible to establish the full usage of this vehicle or what impact it has made in Poverty Reduction. However most likely the vehicle is not exclusively for HIPC use.

Recommendations

It is quite obvious that not much effort is put into control and supervision of HIPC funds.

The requirement to retire Imprest is not being adhered to. The need for HIPC funds to have its own account need not be over emphasized. Reconciliations of these accounts are a vital element in maintaining proper books of accounts. All this must be implemented without fail.

Other Comments

We had a discussion with Mr. D Kema, the Acting Director who indicated that the work on the Canals had a very positive impact on the local people. The opening of these Canals had allowed the people to be able to move from one place to the other, as there are no surface roads in these areas. It has also opened up more business ventures for the local population. The desire of the people is that HIPC fund will continue to flow and be used in this manner.

4.5 MINISTRY OF SCIENCE AND TECHNOLOGY

The Ministry of Science and Technology received K4 billion of the HIPC funds for various projects in various Colleges around the country.

The Monitoring Team carried out audits for funds given to colleges within Lusaka City. The following are the findings:

Lusaka Vocational Training Centre

The Centre received a total of K145, 068,500 for the rehabilitation of the buildings and training programmes. Our observations however were as follows: -

- There are no Bank Reconciliations done for the whole period of the review.
- There are no returns made for the Imprest given.

Date	Cheque no.	Amount K	Payee
30/10/01	204	6,440,303	V J Chanda
01/11/01	210	3,325,000	V J Chanda
07/11/01	214	5,100,000	V J Chanda
21/11/01	222	1,680,000	V J Chanda
06/12/01	223	2,350,000	V J Chanda
10/12/01	228	1,500,000	V J Chanda
14/12/01	231	1,860,000	V J Chanda
09/08/02	239	1,500,000	V J Chanda
20/9/02	243	1,500,000	V J Chanda
02/10/02	245	2,579,500	V J Chanda
10/10/02	248	1,680,000	V J Chanda
25/10/02	004	1,292,500	V J Chanda

-
- Some funds were used for the maintenance of the Administrative motor vehicles.

30/10/01	202	3,305,000	Velocity Technology GRZ 807 BN
01/11/01	208	735,500	Velocity Technology GRZ 807 BN
19/12/01	235	7,566,412	Autoroutes Car Breakers Ltd GRZ 427BM

- Some funds were used for paying out staff salaries, house rentals, gents' suits, phone cards etc. without authority from the Ministry.

19/12/01	232	6,854,700	Retention allowance
25/10/02	003	3,000,000	Terminal benefits-Paul Pandala Banda & Co
06/12/02	014	1,350,000	House rentals – Ngosa Dickson
06/12/02	015	2,500,000	Leave days – T M Kampamba
18/12/02	027	2,550,000	Hse rentals 191/41Kabwata – Sam Mwape
24/12/02	038	2,430,000	Gents suits and phone cards

It was further observed that a Mr. Victor J Chanda who is working in the Accounts Office is not an Accountant but a Stores person. Mr. Chanda has formed up his own company- VJC Enterprises. According to the information gathered this company purportedly supplies the Training Centre with items ranging from training materials, electrical items, stationery and maintenance works. The following are some of the Cheque issued to VJC Enterprises.

Date	Cheque no.	Amount K	Details
30/10/01	205	4,980,000	Training materials
07/11/01	213	2,778,200	Training materials
15/11/01	219	4,890,000	Welding course material
21/11/01	221	2,000,000	Stationery and electrical items
19/12/01	236	3,500,000	Buildings maintenance work

On further check of the records it was noted that there are no Goods Received Noted on payment voucher for the items purportedly supplied by this company. Due to such seriousness of non-existence of division of labour and running of accounts office by unqualified personnel our suspicions are that VJC Enterprises has not been supplying the materials that were being paid for.

Recommendations

- Imprest returns must be made within the specified period
- There should be separation of duties between accounts and stores

Recommendations

- The Ministry's Head Office must be seen to supervise the usage of these funds on a regular basis.
- Bank Reconciliation is a must for maintaining proper accounting records and therefore this should be done.
- Proper and relevant documentation must be attached to the payment vouchers at all times.
- Usage rules and regulations of HIPC funds must be adhered to. Instances where HIPC funds are used for administrative purposes must be discouraged.

National Institute For Scientific And Industrial Research.

The Institute received a total funding of K908, 310,780 for various projects including:

- Establishing Biogas Plants in schools
- Improvement of Goats and Chicken rearing
- Improvement of Weaning Food material
- Jatropha Project and
- Lusitu Grass project.

Observations

- HIPC funds were put together with funds for other Donor funded projects.
- Bank Reconciliations are being done on monthly basis.
- Imprest funds are not being retired in good time. There are some payments, which have taken close to one year without being retired. The following are the examples: -

Date	Cheque no.	Amount ZMK	Payee
28/02/02	1236	1,175,000	J Chilufya
18/05/02	1306	9,916,000	J Chilufya
12/07/02	1349	2,833,000	J Chilufya
25/07/02	1356	1,000,000	J Chilufya
01/08/02	1359	1,000,000	J Chilufya
16/08/02	1364	2,500,000	J Chilufya
29/08/02	1375	3,000,000	J Chilufya
17/10/02	404	2,900,000	J Chilufya

-
- Certain payment vouchers have no supporting documents attached to them.

Cheque no	Payee	Amount ZMK
1255	Gran Overseas Ltd	9,589,000
1236	J Chilufya	1,175,000
1364	J chilufya	3,000,000
1213	Milomax	8,017,800

- There is no proper filing system of important documents like payment vouchers. Some documents of 2001 are filed in a 2003 file and they are all mixed up.
- Some items bought using HIPC funds include:
 - i) Laptop for ZMK15 million on Cheque number 433 dated 31/10/2002 and a Desktop computer at ZMK8, 245,000 through Cheque number 424 dated 29/10/02. The usage of these computers is not exclusively for HIPC projects.
 - ii) Fuel from Mwaiseni Service Station for ZMK 15 million and ZMK18 million through Cheque numbers 1259 dated 02/04/2002 and 1361 dated 06/08/2002 respectively. The distribution of this fuel could not be established, as there has been no system of monitoring.

OTHER BENEFICIARY MINISTRIES, DEPARTMENTS AND AGENCIES

4.6 MINISTRY OF WORKS AND SUPPLY

The Ministry was given funds for rehabilitation of the selected roads around the country. The works included:

- Grading
- Erecting culverts
- Repairing of bridges
- Development of drainage systems

Observations

On checking the records it was found that:
Some payments have neither invoices nor Goods Received Notes attached

Chq. No.	Amount K	Payee
582	40,000,000	Palmline Suppliers & Services – for Grader blades
555	59,499,932	Road Asphat Manufacturing–for 170 drums of bitumen
554	104,295,138	BP (Z) Ltd for diesel
369	34,662,500	Heperial Enterprises – for Grader Tyres
368	38,400,000	Palmline Suppliers & Services – for Grader blades
203	105,000,000	Supreme Construction - for culvert

- The following payments to casual workers have no supporting documents:

264	41,500,000	Vincent Muwungwe
239	12,158,953	Vincent Muwungwe
256	3,668,757	James Tembo
276	7,082,106	Vincent Muwungwe

The roads around Central Province were checked by the Monitoring Team and are covered in the earlier report.

4.7 THE MINISTRY OF EDUCATION

A total of K44.7 billion was funded to this Ministry. Bank reconciliations have been done on regular basis. The HIPC payments in the Ministry of Education can be summaries as follows:

Payee	Amount
ZEPIU	6,680,749,300
PEO-Copper belt	1,913,953,377
PEO – N/Western Province	1,641,002,597
PEO – Lusaka Province	1,598,671,444
PEO – Southern Province	2,089,044,336
PEO - Northern Province	2,050,547,002
PEO – Luapula	2,036,656,694
PEO – Eastern Province	1,739,782,372
PEO – Western Province	1,757,009,856
PEO – Central Province	1,667,055,186

There were also funds given to the District Education Officers. DEO for Solwezi, Mwense, Mungwi, Serenje, Chipata, Kabompo and Ndola were each given K325, 629,428 for schools rehabilitation.

Some funds were also given to individual schools and colleges like:

Nkhruma Teachers College	2,134,771,000
C/belt Sec.Sch. Teachears Training	1,625,966,076
Luanshya Sch for Continued Education	84,000,000
Kasama Sch. For Cont. Educ.	42,500,000

The audit of these funds is yet to be done when the Monitoring Team goes to check on the provinces.

4.8 THE PERMANENT HUMAN RIGHTS COMMISSION.

The Human rights Commission received a total of ZMK 500 million during the period under review. The Commission maintained one Bank Account for the HIPC funds, however the following were the shortcomings:

- There are no Bank Reconciliations since the account was opened.
- Large sums of cash are withdrawn and kept in the safe for a long time.
- Most payments are by cash and not Cheque.
- Few funds retired are kept in the safe for a long time before they are deposited. For example ZMK 87,497,300 and ZMK 2,000,000 deposited on 21st and 26th of November 2002 respectively were retired on the 28th of October 2002
- The following cash withdraws have not been reconciled as at the time of the audit.

Date	Cheque no.	Amount	Payee
11/10/02	3263	225,381,760	Christus Mulenga
04/10/02	3256	2,385,000	Christus Mulenga
06/12/02	3264	79,700,000	Christus Mulenga
11/12/02	3265	57,800,000	Christus Mulenga

- Retired funds are not traceable to the bank statements. For example:

<u>Cash retire by</u>	<u>Amount</u>
Shesheke	1,414,000
Kalabo	3,809,540
O Y Katakwe	2,920,300

- The HIPC funds at the Commission (due to its nature) were mainly spent on:
 - Conducting workshops for Law Enforcement Officers

-
- ❑ Hotel accommodation and meals for the officers attending seminars
 - ❑ Hire of conference rooms
 - ❑ Payment of allowances for the seminar participants.
 - ❑ Transport and fuels
- The following are some of the Cheque payments for the workshops and seminars: -

<u>Date</u>	<u>Cheque No.</u>	<u>Amount</u>	<u>Payee</u>
23/10/01	3251	7,000,000	Mulungushi Inter. Conf. Centre
23/10/01	3253	10,000,000	National Assembly Motel
16/11/02	3251	20,704,200	Mulungushi Inter. Conf. Centre
16/11/02	3259	15,926,000	Taj Pamodzi Hotel
16/11/02	3260	15,480,000	Garden Group of Hotels
16/11/02	3261	4,928,590	Lake Kariba Inn
20/12/02	3266	34,654,400	Taj Pamodzi Hotel
20/12/02	3267	14,901,590	Mulungushi Inter. Conf. Centre.

The reports on the outcome of these seminars were not ready at the time of the audit. However during the discussion with the Director Mrs. L Mufuzi she indicated that the workshops were an eye opener for the law enforcement officers. She added that the officers now know how to handle suspects in a humane manner. She further stated that because of these workshops the officers do not detain suspects on flimsy cases. This has resulted in decongestion of prison cells and more friendly approach between the communities and the law enforcement officers.

Recommendations

- The Commission must desist from withdrawing large sums of money like those made payable to Mr. Christus Mulenga for security reasons
- Funds retired must immediately be deposited at the bank
- Proper books of accounting must be maintained including the bank reconciliations.

4.9 MINISTRY OF TOURISM ENVIRONMENT AND NATURAL RESOURCES

Background

Prior to the year 2002, the ministries of Tourism and Environment operated as two (2) district ministries.

According to the budget of office schedules ZMK 1 billion was released to the Ministry of environment in 2001 and ZMK1.6 billion was released to the Ministry of Tourism, Environment and Natural Resources in 2002.

Ministry Of Environment (2001)

Observations

(i) Records

The records were poorly maintained. There were no cashbooks, no bank statements from Bank of Zambia and no Bank reconciliation statements.

(ii) Application

Most of the disbursements were in the form of counterpart funding to already established donor funded organisations. That is Environmental Support Programme (ESP), Provincial Forest Action Programme (PFAP), Zambia Forestry Action Programme (ZFAP), and Zambia Forestry College. From our review we picked a total amount of ZMK 886 419 000.00disbursed to these organizations. **(See appendix 1)**

An amount of ZMK 10,000,000 on Cheque No. 3926 dated 19th February 2002 was borrowed from HIPC funds to pay Spurwing Service Station.

(iii) Accountability

There was no system of accountability in place as Head Office (Ministry of Environment) had no returns from the various beneficiary organisations.

There were no payment vouchers to support Cheque No. 3910 and 3918. Cheque No. 3910 was reported to have been cancelled but we were not availed with the cancelled Cheque. Cheque No. 3918 amounting to ZMK 15,021,482 dated 21st December 2001 and was paid to a Kennedy Chansa (these details were picked from the backing sheets).

Out of the total of ZMK 1 billion disbursed to the Ministry of Environmental only ZMK 915,811,482 Red some form of evidence as having been paid out by the Ministry leaving ZMK 84,188,518.

(iv) Banking Arrangements

In the absence of records as indicated in point (i) above it was difficult to determine whether HIPC funds had not been commingled with other funds.

Comments

- (i) Ministry management breached HIPC regulations regarding maintenance of proper accounting records.
- (ii) HIPC guidelines state that HIPC funds are to be applied on poverty alleviation projects and these projects should be identified well before receiving an allocation of HIPC funds. It would appear in this case that the Ministry had no readily identifiable projects and hence went on to finance already existing projects. HIPC funds are donor funds per se hence we seriously feel they cannot qualify to be used as GRZ counterpart funding on other projects.
- (iii) The HIPC guidelines specifically state that no borrowings shall be made from HIPC funds hence the K10 million borrowing to pay Spurwing service station was a breach of this provision. Besides we found no evidence that this amount was paid back into the HIPC account.

Recommendations

- (i) We recommend that before making future disbursements budget office should ensure that the beneficiary Ministry at minimum maintains the following records.
 - Cash book
 - Bank statements
 - Bank reconciliation statement
 - Backing sheets
 - Payment vouchers
 - Supporting invoices / contracts

Where Cheques have been cancelled they should, together with Cheque counterfoils be retained

- (ii) Ministry management should acquaint themselves with HIPC guidelines to avoid breaching them.

-
- (iii) Where HIPC funds are paid over to other entities, the Ministry should ensure there is a mechanism in place to check the ultimate disposal of these funds.

Ministry Of Tourism Environment And Natural Resources (2002)

Observations

(i) Records

Whereas there was a cashbook in place, bank statements from Bank of Zambia and Bank reconciliation statements were not in place.

(ii) Application

At the time of the team's review, whilst a few other payments had been for stationery, the single major payment was a transfer of K110,621,500 to the Tourism Seed Project. The payment was made on Cheque No. 1602 dated 3rd December 2002. The Support to Economic Expansion and Diversification (SEED) Tourism Project is funded by the World Bank. The objective of the project is to develop the whole region surrounding Livingstone for poverty reduction through tourism.

We further noted the following major transfers post our cut off review date of 31st December 2002.

Date	Payee	Amount K
17/01/03	National Museums Board	166,000,000
04/02/03	Tourism Seed Project	92,171,000

(iii) Accountability

The payments had proper supporting documents, however, there was no tracking system of ultimate expenditure for block transfers to projects / entities.

(iv) Banking Arrangements

There was no separate bank account for HIPC funds. The HIPC funds had been banked into the main Ministry account.

Comments

- (i) Ministry management breached HIPC regulations regarding maintenance of proper accounting records.
- (ii) HIPC guidelines state that HIPC funds are to be applied on poverty alleviation projects and these projects should be identified well before receiving a allocation of HIPC funds. It would appear in this case that the Ministry had no readily identification projects and hence went on to finance already shifting projects. HIPC funds are donor funds per se hence we seriously feel they cannot qualify to be used as GRZ counterpart funding on other projects.
- (iii) The HIPC guidelines state that HIPC funds shall be kept separate from other funds hence this provision was breached.

Recommendations

- (i) We recommend that before making future disbursements budget office should ensure that the beneficiary Ministry at minimum maintains the following records.

- Cash book
- Bank statements
- Bank reconciliation statement
- Backing sheets
- Payment vouchers
- Supporting invoices / contracts

Where Cheques have been cancelled they should together with Cheque counterfoils be retained

- (ii) Ministry management should acquaint themselves with HIPC guidelines to avoid breaching them.
- (iii) Where HIPC funds are paid over to other entities, the Ministry should ensure there is a mechanism in place to check the ultimate disposal of these funds.
- (iv) A separate HIPC account be opened immediately

5.0 MINISTRY OF COMMERCE

Background

According to records availed to the team, the Ministry of Commerce did not receive any HIPC funds in 2001. However, in the year 2002, K1.7 billion was disbursed to the Ministry.

Observations

(i) Records

Although a cashbook was in place it was not up-to-date. At the time of our review major payments amounting to K619, 634,850 appearing on the bank statement had not been captured in the cashbook (see appendix II). A separate bank account for HIPC funds were only opened in January 2003 hence the first bank reconciliation was only done in January 2003.

(ii) Application

The K1.4 billion funding received was split between two entities.

- K1.0 billion for setting up the Export Processing Zone (EPZ)
- K400 million support to Small Enterprises development Board (SEDB)

The payments under EPZ relate mainly to payment of allowances and air tickets for Government officials attending trade seminars/study tours abroad. These total an amount of K40, 419,540 was paid to the Export Board of Zambia to airfreight exhibits to Mauritius for the AGOA show.

A payment of K7 million was made to purchase fuel for the Ministry.

(iii) Accountability

Due to limited time and personnel we could not review the SEDB accounting records. SEDB are housed in a different location. However there was no indication of a monitoring mechanism in place at Head office for disbursements to SEDB.

Although general supporting documents were well maintained there were no supporting documents for a transfer of K433, 800,000 in the EPZ bank account statement

(iv) Banking Arrangements

There was no separate HIPC bank account since the funds were received in June 2002 until January 2003.

Comments

- (i) HIPC funds by definition are not supposed to substitute government responsibility but merely supplement in poverty alleviation programmes.

Establishment of an Export Processing Zone was Government's idea and hence Government should have been seen to be the major player in meeting start up costs but this has not been the case. It would appear establishment and operational costs of the EPZ will be wholly funded using HIPC funds.

- (ii) Payment of allowances and transport costs from HIPC funds are not allowed under HIPC guidelines. However due to the particular nature of the project inevitably HIPC funds have been spent on allowances and air tickets.
- (iii) The buying of fuel worth K7 million for the Ministry is effectively a borrowing, which is not allowed under HIPC guidelines.
- (iv) Support to the Export Board of Zambia (EBZ) an already established statutory body is government's responsibility, which should not be passed to the HIPC initiative.

Recommendations

- (i) We recommend that for before making future disbursements budget office should ensure that the beneficiary Ministry at minimum maintains the following records.
- Cash book
 - Bank statements
 - Bank reconciliation statement
 - Backing sheets
 - Payment vouchers

-
- Supporting invoices / contracts

Where Cheques have been cancelled they should together with Cheque counterfoils be retained

- (ii) Ministry management should acquaint themselves with HIPC guidelines to avoid breaching them.
- (iii) Where HIPC funds are paid over to other entities, the Ministry should ensure there is a mechanism in place to check the ultimate disposal of these funds.
- (iv) The entry of K433, 800,000 on the bank statement should be thoroughly investigated and the K7 million borrowed for fuel paid back into the HIPC account.
- (v) A meeting should be held with Ministry of Finance Officials to iron out the seemingly serious lack of understanding as to the use of HIPC funds. Any expenditure found to be ineligible should be paid back into the HIPC account.

6.0 MINISTRY OF HOME AFFAIRS

Background

The Ministry of Home Affairs received a total of K1.4 billion in 2002.

(i) Records

A Cashbook, bank statement and bank reconciliations were in place although these were combined with the main account.

(iii) Application

The payments were mostly to suppliers of building materials for rehabilitation of prisons throughout the country. However in some areas the payments to construction of staff houses e.g. Nchelenge and Livingstone extended.

(iii) Accountability

Supporting documents were generally well kept although we could not be availed with documents for the following entries.

Date	Payee	Cheque No.	Amount
04/12/02	ZESCO	1683	64,688,316
31/12/02	REKAYS		6,136,000
31/12/02	REKAYS		2,580,900
31/12/02	REKAYS		9,079,000

A review of the costings indicates that the actual prices per supplier are generally on the higher side compared to the District Works Supervisors' estimate. Looping boxes estimated at a unit cost of K500 by the District Works Supervisor were invoiced at a unit price of K500, 000 by Kachamu Enterprises of Mansa. Twelve (12) were ordered and should have cost K6 000.00 but the actual cost was inflated to ZMK6, 000,000 on the invoice, an over statement of K5, 994,000.00

(iv) Banking Arrangements

At the time our review the Ministry had not opened a separate bank account for HIPC. Apparently the Accountant General's office was delaying approval to authorize opening a separate HIPC Bank Account.

Comments

- (i) The HIPC guidelines in some instances do not seem to be explicit. It is not clear whether construction of staff houses for Law Enforcement Officers in a remote rural area qualify under the HIPC initiative.
- (ii) Although expenditure returns from the Districts are remitted to Head Office, there is no evidence of an independent visit to the Districts by Ministry officials to confirm the works. It is argued that HIPC guidelines do not provide for monitoring costs and government under its own budget has insufficient allocations for monitoring costs (i.e. travel and allowances).

Recommendations

- (i) There is an urgent need for the Ministry of Finance to carry out a thorough review of the HIPC guidelines to bring them in line with the practical realities.

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- (ii) The issues of costings in the Districts should be followed up.
 - (iii) Accountant General's office should exercise expedience in issuing authority to line Ministries to open separate bank accounts.

7.0 FUTURE SEARCH

Background

Future search received HIPC funds amounting to K500 million in the year 2002 through Public Service Management Division (PSMD). Future search is a government initiative to assist retirees and retrenchees in the transition to the private sector. Future search was initially set up in 1993 by Management systems International of Washington D.C and was handed over to Government through PSMD in May 1995. The initial idea was to fuse future search into the National Institute of Public Administration (NIPA) but Government later decided that it remains within PSMD until further notice. Future search is only mandated to service Public Sector organisations and as such has no leverage to raise income on the open market to sustain its operations.

Observations

(i) Records

The supporting documents were well kept and analysed into schedules at future search. However a desk officer at PSMD, Common Services Accounting unit who it was learnt rarely, does the formal accounting for future search visits to inspect the records.

Due to lack of time and other supervening resource constraints we were unable to visit the desk officer at PSMD.

At the time of our review, the August 2002 Bank Statement was missing.

(ii) Application

The HIPC funds under future search were mostly spent on operational expenses (**see appendix III**)

(iii) Accountability

Whilst the expenditure seems to be generally well accounted for, the issue of eligibility comes into question. The HIPC funds were fully utilised to sustain the operations of future search, which is a baby of government. Apparently, future search management were not informed that the funds being disbursements to them were HIPC funds and only learnt about it when they applied to purchase Motor vehicles. The vehicles currently owned by future search are in poor condition and frequently break down. The repair costs do not justify the benefits derived from use of these vehicles. Arising from this an amount of K58.7m was spent on car hire.

(iv) Banking Arrangements

Out of the ignorance spelt out above these funds were banked in the normal future search operation account.

Comments

That future search management received HIPC funds without knowing they were receiving HIPC funds brings into question the sensitization aspect of the HIPC programme amongst stakeholders and also questions the sincerity of the disbursing officers at Budget office. Apparently this disbursement came after a considerable period of erratic funding to future search and was used to clear salary arrears.

Recommendations

- (i) The seemingly communication breakdown between Budget office and future search should be thoroughly investigated and the culprits brought to book.
- (ii) Government should consider immediately opening up future search to Private Sector participation so that the institution could be self-sustaining.
- (iii) With some direction future search management are willing to maintain their own books at least up to Cashbook level. We propose that they be accorded this opportunity to enable them assure greater control over their cashflows rather than depend on intermittent visits by the desk officer.
- (iv) Government should consider buying new vehicles for future search as repair costs will in the long run prove too costly.

8.0 ANTI CORRUPTION COMMISSION

Background

The Anti Corruption Commission confirmed receiving a total sum of K1.3 billion using the period under review. However as at the end of our review period, 31 December 2002 none of these amounts had been spent.

Observations

(i) Records

Nothing much could be ascertained as the funds were still lying with Bank of Zambia.

(ii) Application

The funds were intended to be spent on construction of offices and staff houses in 3 provincial capitals namely: -

Mongu	- Western province
Solwezi	- North Western Province
Mansa	- Luapula Province

However not a single amount was spent since the process of obtaining land from the Local Authorities was quite bureaucratic.

(iii) Accountability

Not applicable as no money had been spent.

(iv) Banking Arrangements

The monies were still lying with Bank of Zambia and no account had been opened with a Commercial Bank as at 31st December 2002.

Comments

The HIPC guidelines are not clear as to whether HIPC funds can be used for construction of office and housing units.

Recommendations

- (i) The release of HIPC funds should be timed in such a manner that immediately funds are released there is steady utilisation to avoid keeping huge amounts of money idle for long periods of time. According to the release dates the Anti Corruption Commission had kept the K1.3 billion for close to 10 months. This could result in temptation to divert the funds. The nature of projects should be identified before release of funds rather than vice-versa, as is currently the case.
- (ii) HIPC guidelines need to be revisited to ensure they are explicitly for various situations.

9.0 MINISTRY OF LANDS

Background

The Ministry of Lands received K500 million HIPC funds in the year 2002.

Observations

(i) Records

A cashbook was in place and Bank reconciliations had been done. Bank statements for the main control account at Bank of Zambia were not available. Although bank statements for the mirror commercial bank account were in place they were haphazardly kept.

(ii) Application

The funds under lands were mainly applied in carrying out Land Advocacy land identification and ZCCM land demarcation project. Due to the nature of land advocacy and land identification the funds were mainly spent on allowances and advertisements, notable among which were the following:

- Visitation of Farm blocks

Date	Payee	Chq.No.	Amount	Remarks
05/09/02	Danny Mubenga	172	6,594,282	Western Province
05/09/02	Kalobwe Soko	173	8,842,392	Central & Southern
06/09/02	Dardison Sianumo	174	9,414,286	Northern & Luapula
06/09/02	John Kalala	175	6,665,751	North Western
04/11/02	Nathaniel Inambao	185	<u>20,000,000</u>	ZCCM -C/belt
TOTAL			<u>51,516,711</u>	

- Advertisements

Date	Payee	Cheque No.	Amount	Remarks
28/11/02	Zambia Daily Mail	189	8,087,231	Advert land
28/11/02	The Post	190	10,723,050	Policy
04/12/02	Times Printpark	195	<u>9,850,612</u>	document
TOTAL			<u>28,660,89</u>	

- Show Participation

Date	Payee/Cheque	No.	Amount	Remarks
09/08/02	HMB General Dealer	163	8,140,000	Stationery
09/08/02	Eva's boutique	165	11,885,000	11 suits
31/10/02	ACSZ	183	4,500,000	Stand rental
31/10/02	ACSZ	184	<u>2,066,000</u>	318 tickets
TOTAL			<u>26,591,000</u>	

- Survey Equipment

Date	Payee	Cheque No.	Amount	Remarks
20/11/02	Finance Bank	186	80,000,000	10%down payment

(iii) Accountability

- The imprest for Danny Mubenga and John Kalala had not been retired.
- Whilst the visit to the Copperbelt to address the ZCCM land issue was undertaken in November 2002, the report had not been produced as of February 2002.

-
- (c) Although there were records to show that the stationery purchased from HMB was received in stock there are no records to indicate how the stationery was drawn and utilised.
 - (d) There was no list indicating the beneficiaries of the suits for the show and this amount was not recoverable from the employees.
 - (e) Each member of staff was allocated 2 tickets for the show.
 - (f) Whilst the payment of K80 million to Finance Bank was made on 20th November 2002 the supplier of the equipment Letca Geo Systems only received payment on 22nd January 2003 a delay of 2 months. Apparently Bank of Zambia had misdirected funds meant for Finance Bank to Zambia National Commercial Bank.

(iv) Banking Arrangements

There was a separate HIPC bank account in place

Comments

- (a) HIPC funds were spent on allowances and capital equipment which appears unavoidable considering the nature of the projects being undertaken.
- (b) HIPC funds were spent on attendance at the show which has ordinarily been a baby of Government. We feel these costs should have been borne by Government.

Recommendations

- (a) There is need to critically review the HIPC guidelines to address the diverse nature of projects.
- (b) Funds spent on participation at the Show should be paid back into the HIPC account.
- (c) Unretired imprest should be followed and recovered from payees.
- (d) The misdirection of funds by Bank of Zambia needs further investigation.
- (e) The report on the ZCCM land issue should be immediately compiled otherwise the K20 million advance, amounts to misapplication.

10.0 MINISTRY OF AGRICULTURE (RIF)

Background

Rural Investment Fund (RIF) received HIPC funds worth 11.476 billion through the Ministry of Agriculture. RIF is a World Bank funded project and was initiated in 1996. The objective of RIF mainly to mobilize communities into groups, identify their needs and provide infrastructure.

RIF is spread throughout most remote parts of the Country, hence it was thought prudent that the Ministry of Agriculture channel their resources through RIF.

Observations

(i) Records

The records at RIF were in excellent condition.

(ii) Application

The HIPC funds at RIF were mainly applied on the following:-

- Sinking of boreholes
- Construction of fishpond
- Erection of dams
- Construction of storage sheds
- Sinking of wells
- In some cases rehabilitation of feeder roads and construction of bridges

Amounts ranging from K3m to K12m for project launch and monitoring are periodically sent to the various districts.

A payment of K103, 275,000 on Cheque number 001764 dated 16th October 2002 was made to Amiran Limited. This was a grant to the Coffee Board of Zambia in respect of the Ipafu Coffee irrigation scheme.

A total of about K9.7 billion Kwacha had been spent as at 31st December 2002.

(iii) Accountability

It would appear RIF is merely a transit point and the funds are expended at the Districts. The Districts do not send returns of ultimate expenditure to Head Office.

RIF has a lean structure and hence is unable to effectively monitor the Districts.

Award of contracts and monitoring is done at District level. The employees at District level are Government employees and HIPC (-RIF) duties are over and above their normal duties.

(iv) Banking Arrangements

There was a separate HIPC bank account in place and all the reconciliations were up to date. However unlike other Ministries whose accounts are held at Bank of Zambia, and transfer to the commercial bank mirror accounts are based on actual expenditure, RIF funds are banked directly with the commercial Bank and earn interest.

Comments

- (a) The HIPC guidelines need to be specific on the aspect of conveying HIPC projects through an existing donor funded project. This could create conflict of interest and blur impact assessment.
- (b) The HIPC Guidelines also need to address the issue of using HIPC funds to support already existing statutory bodies i.e. the Coffee Board of Zambia. Whilst the Coffee Board obtained a grant through RIF, they are also directly funded through the Ministry of Agriculture. The issue of the right hand not knowing what the left hand is doing may arise.
- (c) RIF has a very lean structure to effectively supervise the huge amounts of funds being disbursed to the Districts. The staff handling the projects at district level are lowly government employees hence the temptation of abuse cannot be ruled out.
- (d) In arrangements of this nature it is normally expected to have a memorandum of understanding between the two parties. This does not seem to be the case.

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- (e) The Guidelines are not specific on the mode of maintaining bank accounts. Whilst other Ministries have been forbidden to hold huge balances with Commercial banks so as to arrest the circulation of money, RIF has been allowed to hold balances with Commercial banks. This is a contradiction of terms.

Recommendations

- (a) The Ministry of Finance and the Ministry of Agriculture should review the HIPC guidelines and address the issues raised in (a), (b) and (c) above.
- (b) In view of RIF's inability to effectively carry out on the spot checks at the district the arrangement with RIF should be thoroughly reviewed.
- (c) RIF is a separate entity from Government hence the issue of a memorandum of understanding should be quickly resolved.

11.0 ZAMBIA POLICE

Background

Zambia Police received HIPC funds amounting to 2,050,000,000 in the year 2002. As at 31st December 2002 K1, 916,578,719 was spent leaving a balance of K133, 421,281 unspent.

(i) Records

Although a cashbook is maintained on a reducing balance method, bank reconciliations are not done. The Commercial bank statement for September 2002 was missing.

(ii) Application

The HIPC funds under Zambia Police were mainly applied under the following categories.

- Police camps water suppliers
- Police cells sanitation
- Community Policy

An amount of K36, 750,000 was paid to outwards bounds for training of 10 divers.

(iii) Accountability

- (a) Whilst supporting documents seem to be well maintained, there was an outrageous payment to United Chemolide totaling K637, 728,105. The payment is broken down as follows:-

Date	Payee	Cheque No.	Amount K
17/06/02	United Chemolide	101	300,000,000
23/09/02	United chemolide	188	<u>337,728,105</u>
	TOTAL		<u>637,728,105</u>

This payment was in respect of sinking two (2) boreholes in Chelstone Police Camp.

- (b) The mirror commercial bank account had an unexplained credit balance of K23, 538,767.57 as at 31st December 2002.

(iv) Banking Arrangements

The was a separate HIPC bank account in place save for the exception noted in (i) under records.

Comments

- (a) The cost of the two (2) boreholes at K637.7 million is far on the high side. On average one (1) borehole cost K319 million. By comparison with other contractors, the average cost of a borehole is no more than K35 million.
- (b) The unexplained credit balance on the Commercial bank account could expose HIPC funds to fraud.
- (c) It is not clear whether payment for training of divers would qualify under the HIPC funding initiative.

Recommendations

- (a) The payment to United Chemolide was blatant fraud and should be forwarded to relevant law enforcement agencies.
- (b) Clarification should be sought from Ministry of Finance as to whether the HIPC guidelines would provide for training of divers. If not the funds should be reimbursed to the HIPC account.

12.0 MINISTRY OF COMMUNITY DEVELOPMENT

Background

The Ministry of Community Development received HIPC funding amount to K8.2 billion split in the following trenches.

Date	Amount K
August 2001	4,650,000
September 2001	2,850,000
July 2002	<u>700,000</u>
TOTAL	<u>8,200,000</u>

However according to the disbursement records at budget office, an amount of K40.2 billion was released to the Ministry of Community development. An amount of K32 billion therefore cannot be accounted for.

Observations

(i) Records

Although a cashbook was in place, bank reconciliation statements were not properly done. The commercial bank statements for December 2001, and October 2002 were missing. There were no bank statements from Bank of Zambia.

(ii) Application

The HIPC funds under Ministry of Community development were mainly spent on grants to Women Clubs, government institutions and purchase of literature. A total of had been spent by December 2002 (see appendices IV, V, & VI).

(iii) Accountability

The funds under the Ministry of Community were poorly accounted for.

- A total of ZMK 307 817 375 was paid to women clubs (**see appendix IV**). It is highly doubtful that these clubs were in existence. Most applications for grants did not indicate the details of the contact persons or the names of the club members and their identity number. It is thus possible that some payments could have been made to the same groups or ghost clubs.
- A critical review of the project proposals indicate that the same handwriting was being used irrespective of which part of the country a particular group was based. This raises suspicions that people based in Lusaka were doing these proposals.
- The Cheques were crossed Cheques written in the name of the clubs, but were in most cases picked up by the area members of Parliament. Apparently a directive was issued to ZANACO to enable these crossed Cheques to be cashed over the counter. It would appear these payments were being made for political expedience as the timing coincided with election period.
- A total of ZMK 6 138 636 983 (**see appendix IV**) billion was transferred to the following institutions:

PWAS
PUSH
MBT
NTD
NVRC
ZAPD

There was no mechanism in place to show that the Ministry of community was able to follow up utilisation of these funds.

- A total ZMK 518 159 625 (**see appendix IV**) of million was paid to book publishers. It would appear in some cases payments were duplicated. In other instances payments were made up front but the supplier took time to supply or did not supply at all and vanished.(**see appendix VII**)
- A physical check on the books in stock showed that there was poor custody over stocks. We came across a number of discrepancies (**see appendix VIII**).

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- The mirror commercial bank account persistently carried credit balances well over K100 m (see **appendix IX**) without a breakdown of what payments were supposed to be knocked against the balance.

(iv) Banking Arrangements

There was a separate HIPC bank account in place save for the exceptions noted under records in (i) above.

Comments

- (a) Disbursing huge amounts of money to a Ministry, which appears to have no capacity to effectively monitor the funds, is a gross breach of HIPC initiative guidelines and exposes HIPC funds to the risk of misappropriation.
- (b) Entities like MBT & NTD are into micro financing and should be self-sustaining. It therefore defies economic logic that these institutions be accorded grants out of HIPC funds. These institutions are not paying back and their loan portfolio is not performing
- (c) Carrying huge unexplained credit balances on the mirror account could be harbinger of fraudulent activities

Recommendations

- (a) The unaccounted for K32 billion between the Ministry of Finance and the Ministry of Community Development should be handed over to law enforcement agencies for thorough investigations.
- (b) In view of the glaring irregularities surrounding the funding of women clubs the matter should be handed over to law enforcement agencies for thorough investigations
- (c) The apparent duplicate payments to book publishers and non-supply by some suppliers should also be handed over to law enforcement agencies for investigations.
- (d) Government should explore ways of enabling MBT and NTD become self-sustaining. There is also need to take stock of how many government institutions are into micro finance. NATSAVE, a government institution is also into micro finance. Would it not be

beneficial to under take a study to strength one or two institutions, which are well established and financially strong rather than spoon-feeding a number of limping organisations?

- (e) Bank reconciliations should be thoroughly reviewed to safeguard HIPC funds from misappropriation.
- (f) The micro financing institutions such as MBT etc should get their loans through an institution, such as National Savings and Credit Bank, with the capacity to monitor and recover the loans from them. This is the only way that the fund will not dissipate and will remain revolving to benefit other projects.

13.0 MINISTRY OF ENERGY

Background

The Ministry of Energy received HIPC funds worth K20.8 billion made up of ZMK 11billion and ZMK 9.8 billion in 2001 and 2002 respectively.

These amounts were split as follows: -

	2001	2002	TOTAL
	K	K	K
Energy	4.0 bn	5.0 bn	9.0 bn
Water affairs	<u>7.0 bn</u>	<u>4.8 bn</u>	<u>11.8 bn</u>
TOTAL	<u>11.0 bn</u>	<u>9.8 bn</u>	<u>20.8 bn</u>

Observations

(i) Records

There was a cashbook and bank statements in place.

(ii) Application

The ZMK 9.0 billion under department of Energy was disbursed to ZESCO for rural electrification projects.

The ZMK 11.8 billion under department of Water Affairs was meant for Dam Rehabilitation and Rural Water Development. A substantial portion of this amount has been used to sink boreholes.

There were two major contracts to Coratom and Drill tech for sinking boreholes. Drill tech were contracted to sink 56 boreholes at an estimated cost of ZMK1.1bn in Luapula and Copperbelt provinces.

In addition there were substantial transfers to each of the Provincial Water Engineers. **(See appendix X)**

An amount of ZMK 173,933,834 was spent in support of the Water Resource Action Programme (WRAP). The Ministry of Energy and Water Development formulated WRAP in order to implement Zambia's National Water policy.

An amount of about ZMK 585 380 045.00 Was spent on motor vehicle tyres, tubes and batteries **(see appendix X)**.

An amount of above ZMK 719 352 872.00 was spent on purchase of computers and other office equipment distributed to Ministry Personnel **(see appendix X)**.

An amount of about ZMK 570 259 270.00 was spent on purchase of Motor Vehicles for Ministry of Energy Personnel **(see appendix X)**.

An amount of about ZMK 430 090 561.00 was spent on servicing Ministry of Energy Motor Vehicles **(see appendix X)**.

A substantial amount (ZMK 614 605 134.00) was spent on water testing equipment. **(See appendix X)**.

An amount of about ZMK 313 817 830.00 was spent on purchase of fuel **(See appendix X)**.

An amount of about ZMK 1 808 401 253.00 was spent on borehole equipment. **(see appendix X)**.

(ii) **Accountability**

Although supporting documents are in good state, it would appear recording of transactions in some cases is not properly done. We noticed that carry forward of cash book closing balances in some cases was not properly done.

July 2002 closing balance	K48, 987,500
August 2002 opening balance	<u>K44, 187,500</u>
Difference	<u>K4,800,000</u>
August 2002 closing balance	K11, 400,734
September 2002 closing balance	<u>K16, 200,734</u>
	<u>K4,800,000</u>

There were unaccredited lodgments of ZMK 3,054,401,890.70 on the December 2001 bank reconciliation. There was no schedule analysing these amounts.

There were Cheques not presented amounting to ZMK 3,332,299,317 on the December 2001 bank reconciliation. These Cheques had been written within a space of 6 days i.e. from 24 December 2001 to 31 December 2001.

A payment of about K164 million was shown twice on the payments side of the cashbook upon bouncing of the initial payment. There was no corresponding entry on the receipts side to reinstate the bounced Cheque.

There seemed to be no mechanism in place to monitor the projects being undertaken by ZESCO.

There were no returns from the provincial Water Engineers for the amounts of money disbursed to them.

(iv) Banking Arrangements

There was a specific HIPC bank account in place save for the exceptions noted in (ii) above.

Comments

- (a) It would appear although under Ministry of Energy HIPC funds are kept in a separate account, they are utilised basically as an extension of government funding.

The nature of the expenditure items shows that the funds are basically applied to meet the day-to-day operating requirements of the Ministry. This is fundamentally against the requirements of the HIPC guidelines. Government should not abrogate its own responsibilities.

- (b) The nature of borehole expenditure is such that there are in house sunk boreholes and outside contracted boreholes. However there are no costing systems in place to assist determine how much money goes into sinking of in-house boreholes. This makes it particularly difficult in the absence of a computerised financial

Management system. There is a danger that some accessories bought for sinking in house boreholes may and up with outside contractors or worse still be used on private jobs (PJ's).

- (c) Lack of supporting schedules for amounts shown on the reconciliation, rising of numerous cheques within a short period to beat the year-end deadline and anomalies on recording of the cashbook could expose HIPC funds to fraudulent activities.
- (d) The amounts disbursed to ZESCO were thinly spread over a number of projects. From discussions with ZESCO officials it would appear allocation of these monies to projects is heavily weighted towards political expedience rather than economic considerations. ZESCO plays no part in the evaluation process and has had to make some sacrifices. There are some huge amounts owed to ZESCO, which ZESCO utilised to facilitate completion of some projects.
- (e) The timing of the payments to ZESCO were as follows:

Date	Payee/Cheque No.	Amount
		K
08/09/01	ZESCO211	2,000,000,000
26/11/01	ZESCO401	2,000,000,000
17/07/02	ZESCO569	<u>5,000,000,000</u>
	TOTAL	<u>9,000,000,000</u>

The first two payments coincide with the election campaign period. There is a very strong possibility that these monies could have boosted ZESCO's active participation in campaign activities. Besides HIPC funds ideally (although the guidelines are silent) are supposed to be released according to the quantum of work or services rendered. It was thus not in line to have paid huge advances to ZESCO without relating to specific projects completed since the inception of the HIPC initiative.

- (f) Whilst Drilltech were contracted to sink 56 boreholes at a cost ZMK 1.1bn the ministry has nothing much to show for the ZMK 1.8bn spent on borehole equipment for sinking in-house boreholes.

Recommendations

- (a) The magnitude of the breach in terms of application of funds signifies some deficiencies in the initial design of the HIPC initiative. The capacity of Government Ministries to undertake HIPC activities seems to have been grossly overestimated.

The Ministries are under funded /undercapitalized hence the high temptation to view HIPC funds as a mere extension of Government funding.

Government in conjunction with the donors should seriously review the mechanism of executing the HIPC initiative.

- (b) The anomalies on recording of transactions should be immediately followed up and resolved.
- (c) Where the amounts being disbursed are huge and the volume of transactions relatively high, the beneficiary Ministry should invest in an accounting package for easy of stratification of data and financial reporting.
- (d) A system should be put in place to ensure the work being done by ZESCO is properly supervised.
- (d) The status of projects being undertaken by ZESCO should be appraised. The rationale should be to attain fully completed projects no matter how few rather than having a multitude of partly incomplete projects
- (f) A thorough national audit should be undertaken to verify how the amounts sent to the provinces were utilized.
- (g) The relevant law enforcement agencies should investigate the utilizations of the ZMK4 billion by ZESCO.
- (h) ZESCO has technocrats in the generation and distribution of power and hence should be accorded a chance to play a pivotal role in the evaluation process for electrification projects.
- (i) Utilization of equipment bought for in-house boreholes should be thoroughly investigated.
