

## **1.0 EXECUTIVE SUMMARY**

The inaugural HIPC Tracking and Monitoring exercise by the autonomous HIPC Tracking and Monitoring Team commenced on 27<sup>th</sup> June 2002 with central province as the point of departure. A number of issues surfaced regarding the disbursement, receipt, utilisation and accountability for the HIPC resources. The tracking and monitoring exercise utilised courtesy calls and discussions with key figures in the dispensing of HIPC resources. In addition interviews, accounting audits, physical inspections, confirmation of bills of quantities in case of (construction and rehabilitation projects). This report details the salient features of the HIPC resources utilisation and key findings of the Team.

### **Project Identification**

Much as HIPC resources are targeted towards poverty alleviation amongst communities and capacity building in various government and quasi-government institutions, these seems not to be involved in the project identification process, hence some projects may be irrelevant to the immediate needs of the poor rural masses and the various institutions. It was further noted that, the DA's and communities were not aware of these projects. The lack of knowledge by the benefiting community may lead to duplication of sponsorship of projects.

### **Implementation**

The overall review of the situation on the ground is that implementation of the HIPC project was not well thought out. This problem was compounded by the fact that there is general lack of uniform guidelines on utilisation of HIPC funds, which has led to different interpretations in various beneficiary ministries, departments and institutions. There was further poor supervision and control on the usage of funds by the provincial centre. This lack of focus and commitment has compounded the problems that are being experienced today.

### **General Procedures**

There was palpable lack of awareness of HIPC procedures, processes and in some cases intended beneficiation targets. The HIPC sensitisation seminar conducted by Ministry of Finance and National Planning was very restrictive as only a handful of accounting staff were availed the opportunity to attend. Other departmental heads claimed abject ignorance of the guidelines and procedures (check last appendix for letter from Kapiri Mposhi

DA). The HIPC Accounting Manual Procedures were completely ignored by the Provincial Centre.

Where as Roads and other departments' financial resources are channelled through PACO, Health, Prisons and Education were dealing directly with their line Ministries without PACO's notification. This bespeaks a lack of standardised remittance procedures and introduces a lot of problems in ensuring accountability.

### **Tender Procedures**

Tender procedures in government are standardised although in some cases they were grossly flouted as evidenced in Serenje where individuals were allotted contracts arbitrarily. In Kabwe the Ministry of Education spent amounts over ZMK 366 million without regard to the ministerial threshold of ZMK 25 million.

In addition there are unacceptable delays in the tender process, which is very laborious. The tender threshold is also very low for some institutions (especially prisons which caters for the entire nation). It was further noted that there was undue influence from politicians on the appointment of some road contractors. The consequence of this is that for example the Mkushi – Ngabwe road has not been completed up to now.

### **Contract Costings**

Generally, there was no independent review of the bills of quantities and costings on the roads, bridges, rehabilitation and construction contracts entered into with bidders. It is the opinion of the Team that the costings are arbitrary and were not checked for reasonableness and accuracy for the job to be undertaken.

### **Certification of Projects**

It was observed that certification of the projects particularly the roads, bridges and culverts were being certified even when the works were unsatisfactory as evidenced by the Mkushi River Bridge and Kabwe – Ngabwe-Mukubwe road. It is important that certification of projects should also be independently verified by PACO/Consultant to ensure they are in accordance with the contract terms.

It is the considered view of the Team that, apart from the aforesaid and other issues raised in this report, the implementing agency at the districts, Roads Department in particular does not seem to have the capacity to undertake HIPC projects in addition

to their normal duties. In addition they have little capacity to manage the HIPC projects effectively, efficiently and economically. The Provincial Centre and Roads Department is poorly funded and have operational problems of their own hence their temptation to divert HIPC funds for their own operational requirements as evidenced in our report.

### **Borrowings**

Borrowing HIPC resources should be discontinued as it impinges on the expeditious completion of projects. This is supported by the fact that some monies had been borrowed from the HIPC account and although repayments were made there was in some cases a time lag of over 3 months. Out of the borrowings of K 67,625,000, K7,625,000 remains unpaid to date.

### **Taxation**

Projects contracted to VAT registered companies carry tax obligations as they are liable to pay VAT and later reclaim the VAT from the Ministry of Finance through the refund scheme for Government departments. There has been no VAT refund made to projects as of June 2002. For example the project contracted to International Engineering Trade (Z) Limited to construct Kabwe – Ngabwe - Mukumbwe. The project submitted a claim in January 2002 but there has not been any follow up.

### **Commingling Of Resources**

It was uncovered that government and HIPC resources are in some cases muddled to the extent that definition of the impact of HIPC resources with regard to the intended objectives is in some cases blurred. At the Provincial Education Office (PEO) it was found that some HIPC resources were still in the RDC account in lieu of the newly opened separate HIPC account.

### **Schools Supplies**

The distribution of desks, mattresses and school requisites to the six District Education Officers (DEO's) lacked details. These indicated only the quantities to the district without specifying the quantity sent to each school. It was further noted that some needy schools such as Mafwasa School, Chisunka and Imansa did not receive any desks, chairs etc from the HIPC funds.

### **Politicisation of the HIPC Resources**

Designating the Permanent Secretary and DA's as controlling officers over HIPC funds, has brought the HIPC programme directly under the umbrella of Government and hence subject to political pressure. This has resulted in some decisions being made for political rather than economic expedience. We noted that for political convenience most roads were graded soon before the rainy season and got washed away.

### **Non-HIPC Activities and Other Implications**

It is also clear that some unauthorised payments were effected, which are outside the terms of the HIPC funding and agreements.

The provincial Centre used HIPC fund to;

- a. Acquire spares and tyres for the non-operating fleet of their graders,
- b. Acquire spares for their office vehicles, and
- c. Pay for purchase of fuels for their offices and other duties.

Furthermore, the non-adherence to the tender process exposes HIPC funds to lack of due economy, efficiency and transparency. Failure to follow the GRZ procurement standards would lead to each province, district and activity adopting it's own standards resulting in mismanagement of the funds as corrupt practises will encroach thereby removing quality competitiveness in the awarding of the contract works to be undertaken.

In order for the efficacy of HIPC resources to be realised it is important that:

- Disbursement procedures are re-aligned so that disbursements are channelled through the provincial office. This will enhance control and accountability since the provincial office is more versed with local operating conditions than Head Office. This also addresses a behavioural problem where with time districts will view the provincial office as irrelevant since they are able to deal directly with Head Office without going through the provincial office.
- It is further recommended that in order to bring transparency and accountability in the usage of these funds the Provincial Centre should establish an implementation team comprising of at least 3 employees. Their mandate will be to implement , monitor and report regularly on the HIPC activities to the Accountant General, beneficiary Ministry

Provincial Centre and the District Development Committee and lastly to the independent HIPC monitoring team. It should further be emphasised that this team will not report directly to the office of the Permanent Secretary, but to the office the Accountant General. However, they will have some autonomy so as to ensure effective, timely and economic decisions are made for the benefit of the community. Further controls should be put in place to ensure the HIPC funds are safeguarded e.g the benefiting community should be signatory to the bank accounts.

- Carry out sensitisation seminars where participants should be drawn from various departments and communities involved in HIPC activities. It would be cheaper for one or two Ministry officials to travel to the provinces rather than having a contingent of participants travelling to Lusaka.
- Mobilise the formation of community groups who will be responsible for identification and on the spot monitoring of projects before certification.
- There should be uniform reporting formats for all districts. The financial statements should be accompanied by a narrative detailing the progress and constraints. These measures will ensure consistence, easy of control, monitoring and comparisons.
- There should be agreed reporting deadlines, which should be strictly enforced. This would be easier with localised central control at provincial level.
- There is need to follow the tender process in line with the Government requirements and procedures on all HIPC expenditure. Further the tender process for prisons requires to be decentralised to enable prompt decisions, speedy distribution and economic supplies to beneficiary centres.

## **2.0 INTRODUCTION**

The long awaited commencement of the activities of the HIPC Tracking and Monitoring Team finally got a head on 27<sup>th</sup> June 2002 with Central province constituting the inaugural workstation. The committees' efforts at securing expeditious commencement of monitoring activities were encumbered by unforeseeable circumstances, which included the appointment of the incumbent Accountant General. This delay engendered missing the requisite monitoring of three (3) disbursements. It is hoped that credibility will be accorded to the avowed commitment of the team to execute its mandate as judiciously as possible and ensure transparency and accountability in the receipt, disbursement and disposal or utilisation of the HIPC resources.

The team avoided the temptation of involving every team member by commencing its activities with a small team assisted by technical staff from the roads department and private auditors.

It has also been noted that some quarters have been concerned about the appointing authority being the Minister of Finance and National Planning, but it should be categorically stated that the civil society, the donor community and other stakeholders influenced the decision. In this vein therefore it should be succinctly clear that the Team is autonomous. However credence must be given to the fact that this symbolised the government's commitment to not only to poverty alleviation and/or poverty elimination but also the quest for excellence, transparency and fostering good governance in the utilisation of national resources.

In the recent past it has been observed that the mention of HIPC has become synonymous with impropriety and duplicity, as the public believe that any one handling these resources is bound to be tempted for whatever reasons. It is in this regard that the Team had to expedite its commencement of activities so as to bring to light what is on the ground and affirm or otherwise disaffirm these acrid statements.

### **2.1 Courtesy call on the Deputy Minister for Central Province (Hon. Banda)**

On arrival the team was informed that the Permanent Secretary was out of town and being the target person for initial discussions it was deemed prudent that the Deputy Minister who

was reportedly available could suffice. The following issues came to light:

- He had only been in the office for two (2) weeks and was therefore not in a position to cast any light on the HIPC activities in the area.
- His experience with HIPC resources only stems from the activities in Serenje, where he is area MP.
- He affirmatively stated that the HIPC initiative was a good program for poverty alleviation
- He observed that accountability should be strengthened
- He averred that generally there are good contractors
- It was concluded that tracking and monitoring was an objective necessity

### **Commentary**

It should be regarded as part of the general government philosophy that every government official be educated on the HIPC Initiative and the allied resources as this is the only sure way in which government officials will either directly or indirectly help in the provision of a self-checking and self censure.

### **2.2 Messer's. Mwaba and Banda (Provincial Internal Auditor at PACO)**

The PACO is the nerve centre for effecting and following up payments and evaluating all necessary and relevant documentation relating to particular transactions. This makes the PACO a key office in so far as HIPC resource disbursements and utilisation is concerned.

#### **Role of PACO**

PACO's mandate is to facilitate the payments through the Permanent Secretary (PS) who is the spending authority in the province. The PACO examines all necessary documentation to ensure that payments are appropriately effected.

The PACO also monitors running balances of expenditures to ensure that all balances are appositely cleared and benefiting departments are advised on cleared balances.

PACO checks through all tender documentation and allied procedures before payments are effected. It was stated that PACO draws his strength from the fact that he ensures that there is proper documentation and that the controller is informed accordingly.

It was revealed that a number of departments had benefited from the HIPC resources.

### **2.3 Benefiting Departments**

#### *Roads Department*

A colossal proportion of HIPC resources are acclaimed to have, naturally, gone into this department. The province was allocated ZMK 3 billion to be distributed to the districts for the rehabilitation of roads. In addition the District Administrator (DA) was allocated ZMK 100 million for labour based rehabilitation of roads.

It was claimed that tenders were floated (advertised) locally and the responses evaluated by the provincial engineer.

It was learnt that some payments were not directly related to roads rehabilitation and some monies had been borrowed for non-HIPC activities. This situation is said to have been rectified by reimbursement of HIPC resources.

#### *Water Affairs Department*

HIPC resources were disbursed to the Water affairs Department from Lusaka for the rehabilitation of Dams and sinking of boreholes.

#### *Education*

Taking cognisance of the abject state of disrepair in which schools infrastructure are mattresses were distributed in some boarding schools in Kabwe, Serenje (Serenje Technical High School) and Mumbwa (Mumbwa High school) and desks distributed in some schools including Kabwe from HIPC resources.

It was apparently clear that a lot of confusion existed inasmuch as some of the mattresses, desks and benches were not necessarily procured from HIPC resources but from government funds and other independently funded projects obtaining in the area.

#### *Health*

HIPC resources earmarked for health activities were channelled directly to the districts through the Central Board of Health



(CBoH). This implied that PACO was out of the transactional chain. Much as this reduces bureaucracy and ensures that the resources reach their intended target expeditiously it raises the question of transparency, accountability and effectiveness of utilising these resources. Due to under budgeting and time constraints we were unable to inspect any works carried out under health and boarding schools..

#### *Community Development*

An amount in the region of ZMK 12.4 million is said to have been channelled directly to the social clubs dealing with women empowerment.

#### *Prisons Department (Ministry of Home Affairs)*

The Prisons Service was also a beneficiary of HIPC resources. However theirs was a more complex issue as they deal with the entire nation due to the centralised structure as will be seen later in the report.

### **2.4 General Observations and Specific Weaknesses**

It was observed that some transactions were suspicious and needed special attention. These include:

- Payments by DA's made without tender documents on roads;
- Utilization of fuel in Mkushi at Vallabhai filling station must be serious examined;
- In Serenje where K25 million was paid to Total Filling Station, but allegedly withdrawn later for political reasons.

### **3.0 FIELD VISITS**

#### **3.1 The Prisons Service (Headquarters)**

A meeting was held at the Prisons Service Headquarters with the Senior Assistant Commissioner Hachombwa, Senior Accountant Mr. Katango and Mr. Silwamba.

It was learnt that a total of ZMK 6 billion was budgeted for the Prisons Service of which only ZMK 1 billion was received in October last year (2001) for procurements and rehabilitation works as follows:

- Procurement of kitchen equipment in form of 28 Oil Jacketed electrical pots @ K367 million.
- Works at prison training school – completion of three (3) classrooms and ablution blocks.
- Construction works at Mpima Remand prison (prison officers' quarters in form of a block of flats).
- Minor works are also being undertaken at Mukobeko maximum, medium and female prisons.

It was reported that other works are being undertaken in other provinces and towns including Kabompo State Prison (N/western), Mbala State Prison (Northern) and Lusaka Central Prison (Lusaka). These will be the subject of future tracking and monitoring activities.

An additional ZMK 300 million has also been received against the approved ZMK 450 million for water and sanitation in all prisons across the country as part of the Poverty Reduction Strategy Paper (PRSP), which has been converted to HIPC resources.

### **Observations and Commentary**

It was very clear that expenditure or utilization of utilisation of resources at prisons was generally very slow.

The tender procedures are also very laborious, such that tender approvals dragged on for a long time thereby hindering progress, as evidenced by the inability to expend up to ZMK 300 million. However ZMK 600 million has so far been spent.

It was observed that the Prisons Service catering for the entire nation has the same financial tendering threshold as other small departments like education and community development and is superintended over by the Provincial Tender Committee. The threshold should be increased to provide more latitude and facilitate the Prisons Service's national mandate. This process should be decentralised to ensure optimal decisions are made.

The 28 Oil Jacketed Pots are supposed to be distributed to all provincial centres but are still marooned at Mpima Remand Prison due to lack of transport. There is generally no capacity to distribute the pots and it is being suggested that HIPC resources should provide a comprehensive package inasmuch as poverty alleviation can only be achieved if the goods and services intended for the vulnerable groups are able to reach them, failure to this the whole purpose is defeated. A small proportion

should be allotted to transport with a requirement for counterpart funding from the government.

### **3.2 Mpima Remand Prison Visitation**

The visit to the remand prison was necessitated by the fact that it was holding custody of the Oil Jacketed Pots and construction works were taking place using HIPC resources.

#### *Oil Jacketed Pots*

A physical check and count at Mpima remand Prison confirmed that all the 28 Oil Jacketed Pots were still in the storeroom awaiting transportation to other provincial centres. None of the pots was tempered with at the time of inspection.

#### *Observations and Commentary*

It was reported that inasmuch as the pots will go a long way in alleviating culinary problems at the various prisons, the kitchens in which they are intended to be installed are in a state of abject disrepair and require funding for rehabilitation. Currently, the existing kitchen infrastructure cannot support the installation of the new Oil Jacketed Pots. This points to the fact that project identification is somewhat misplaced as kitchen rehabilitation should have been the point of departure for kitchen infrastructure upgrading. In this regard, it is of critical importance that project identification and planning at the Prisons Service be streamlined in lieu of wasting HIPC resources, which could have been directed in more beneficial directions.

Importantly however is the fact that for as long as these pots remain in the storeroom, they are of no use and connotes lack of effective HIPC resources utilisation. Much as rehabilitation of kitchens is an objective necessity transportation has to be done as a matter of urgency as it is conceived that "supply creates its own demand" and availability could spur the authorities in the provincial centres to react by rehabilitating their facilities.

#### *Accommodation for Officers*

The Prisons Service has for a long time been beleaguered by shortage of accommodation of its officers. For example it was reported that there are approximately 200 officers at Mpima Remand Prison camp for whom only 45 housing units are available. In this regard part of the allocation of HIPC resources was channelled to construction of housing units. A physical

check augmented by exterior and interior inspection revealed the following:

- A block of four (4) flats has been constructed
- Each flat consists of;
  - 2 bedrooms
  - Seating room
  - Kitchen
  - Separate toilet and bathroom
- Standard materials were used
- The flats will be supplied with electricity
- Labour was locally sourced to supplement that provided by inmates
- The total cost of the block of flats was estimated at ZMK 57 million
- There was no evidence of duplicity or impropriety in the course of procuring building materials, fixtures and electrical fittings.

The outlook of the block of flats is by any standards a mark of excellence and optimal resource conservation. Unfortunately, however architectural drawings and bills of quantities were not available for scrutiny. The general expenditure summary for the Prisons Service:

### **Summary Expenditure**

<b>PARTICULARS</b>	<b>AMOUNT</b>
Building Materials	197,087,360.00
Oil Jacketted Pots	367,155,856.00
Transformer	12,968,880.00
Stationery	19,882,278.00
Water Pump	3,015,768.00
Bank Charges	227,000.00
<b>Totals</b>	<b>600,337,136.00</b>

### *Observations and Commentary*

It was evident that the Prisons Service authorities were keen on ensuring that the basic needs (e.g. shelter) of their staff are catered for even from meagre resources. It is ingenuity and recognition of the magnitude of the problem that can be said to account for the ability to accommodate four (4) families in two bedroom flats from a paltry ZMK 57 million. It is hoped that this seriousness will be recognised and recompensed adequately by allocating more resources, inasmuch as the utilisation is superlative and the benefits unfathomable.

### 3.3 Mukobeko Maximum Prison Visitation

#### **Training School and others (Mr Basila – Building Supervisor)**

An induction tour, physical check and inspection revealed that the training school has problems of classroom space. This led to the commencement of construction works from capital project funding. Construction stalled at window level. At this stage HIPC resources were injected into the construction works. At the time of inspection the buildings were almost complete with only a room remaining to be fixed on one classroom and plastering of the entire building. The final product is intended to house the following:

- Three (3) ablution blocks for women
- Four (4) ablution blocks for men
- Three (3) classrooms measuring approximately 80 m<sup>2</sup>

Other minor rehabilitation works are being undertaken at the medium and female prisons although the major works are awaiting the sanction of the Ministry of Works and Supply for the reconstruction of the kitchen.

#### *Observation*

Like at Mpima Remand Prison the materials used were standard blocks and labour was drawn from internal resources. It should be noteworthy that the Prisons Service as a provider of custodial and correctional services has skilled manpower in almost all crafts including construction. These are imparted to interested inmates who subsequently help in the construction of building projects. In this regard the quality of the construction works are seemingly indubitable.

#### **The Transformer (Mr Basila – Building Supervisor)**

The importance of water cannot be overemphasised and initially the all of Mukobeko used to have massive water blues until recently when part of the HIPC resources were utilised on the purchase of a transformer at a cost of approximately ZMK 12 million. This piece of equipment is mounted about five (5) metres above the ground.

Its utility lies in its utilisation to supply power to the water pump at the pump station located at the borehole to supply:

- The prisons

- Community and
- Training school

*Observations and Commentary*

The transformer's contribution to the quality of life is immense and improvements were palpable and will continue doing so through domestic use, sanitation improvements and the general environment.

The most noticeable of all was the introduction of vegetable gardening. The garden has been located near the pump house to mitigate the need for a long hosepipe. The vegetables grown included:

- Cabbage
- Rape
- Chinese Cabbage and
- Tomatoes

This will not only improve the diet of inmates but also contribute to revenue generation through the sale of surplus vegetables to the local community. In effect this will generally impact positively on health. However it should be stated that the introduction of self reliance at the prison will entail reduced dependence on government resources, which can then be deployed to other important and more beneficial avenues.

It is hoped that the Prisons Service will generate a meaningful multiplier effect by utilising the enhanced availability of water and electricity to other revenue generating activities. It is noted that the Prisons have facilities for tailoring and upholstery, shoe making, soap manufacturing, carpentry and joinery, metal fabrication and a host of agricultural activities. Resources should be channelled to these economic activities and enhance self-sustainability of the prisons.

#### **4.0 THE ROADS DEPARTMENT**

The team had a meeting at the Provincial Roads Department in the Provincial Roads Engineer's office with the acting Executive Engineer Msisya Alinani and W. Angelus Tembo (Senior Engineering Assistant). This was mainly because the Provincial Roads Engineer (PRE), Mr. W. S. Petwe, was out of town.

The meeting raised a lot of issues regarding tender procedures, disbursement of resources, the role of DAs, timing of road works, the elections, HIPC guidelines and the sensitisation

workshops and the criticality of supervision. The latter was not catered for under HIPC guidelines making on-site supervision of road contractors very difficult.

Some Roads were done by the Roads Department, while the major ones were contracted out. Other key observations from the meeting included:

- Supervision of roads has seriously been lacking due to dearth of vehicles and gadgets and budgetary allocation for supervisors' allowances.
- Required supervision permanently on site otherwise once or twice a week visit to sites.
- Tendering in the last HIPC funding was done in too short a time and hence affected planning for works.
- Quality control/assurance being pursued with contractors however some contractors have proved on site not to have capacity especially those for relatively minor works.
- Required, better conditions for roads Department staff-compared to foreign consultants. Otherwise staffing levels of the Roads Department is said to be optimum.
- The PRE is part of the process of payments.
- PACO sometimes delays in release of funds and this causes delays to pay contractors.
- In the year 2001, there was a lot of political interference
- Some DAs sometimes interfered with the progress of projects even after commissioning and handing over projects as they have a controlling stake.
- It was observed that the District Council has no capacity just now to handle road works.

#### **4.1 Physical Roads and Bridges/Culverts Inspection**

In order for the HIPC Tracking and monitoring Team to satisfy itself with the actual progress and quality of road rehabilitation and construction projects, it undertook to physically inspect the roads. This was done not only to assess the quality of road works but also the benefits and future implications of such infrastructure development. A number of roads were inspected, major of which were:

- Kabwe – Ngabwe-Mukubwe Road
- Munkonchi and Adjoining Roads
- Mkushi River Bridge (Mkushi)
- Serenje Road Works
- Munte Bridge (Serenje)

#### **4.1.1 Kabwe – Ngabwe-Mukubwe Road**

The Kabwe – Ngabwe-Mukubwe road is about 140 Kilometres long and traverses between Vwalika and Dar Farms on its way out of Kabwe towards the west. It links Chief Ngabwe, Chief Mukubwe and Chief Chipepo. It is also a link to the Copperbelt via Mpongwe. In addition it connects central and North western provinces via Kasempa. This road is therefore of great significance not only to economic activity but also in terms of linking the rural people to one another and the metropolis.

The road is about 6.1 metres wide and was earmarked for rehabilitation works distributed as follows:

- Light grading – 65Km
- Heavy grading – 65Km and
- Spot gravelling – 10 Km.

It was learnt that Kabwe – Ngabwe-Mukubwe road is a “problem road” as the contract of engagement with International Engineering Trade, a road construction company based in Ndola was for three months commencing January 2002 at a cost of ZMK 1.2 billion. The contract was extended for another three months and to date the road has not been completed.

This is of grave concern as the Kabwe – Munkonchi road (D200) of almost similar distance and commissioned at the same time has long been completed. Ironically the Kabwe – Ngabwe-Mukubwe road has not only got 45 Km (as at time of inspection) unworked but has a lot of incomplete and remedial works to be done on the road including:

- Although down sloping is being done, for more than 30 Km to the last camping site, no mitre drains are being cut. This will make the road vulnerable to water soaking and weakening the base and subsequently destroying it.
- The 10 Km stretch from the Kakoma metal pipe culvert is bordered by marshlands and has been roughly graded. It requires proper cutting, Spot Gravelling and elevation and construction of sound mitre drains. Two (2) serious depressions have been left unattended. This in our view is an onerous task regarding that the laterite source is very far away and the remaining part of the road needs attention (there are many depressions even where grading was fairly recent).



- In some area grass and shrubs have started growing on the road. Regarding that this is the dry season, it is left to one's imagination what will happen in the rain season. This is critical as the contractor does NOT seem to have the enthusiasm of completing the road before the next rain season.
- The 2 X 2 metres Kakoma metal pipe culvert is not only old but is badly cracked and requires replacement.
- The lacterite dumps left on the road before the Kakoma culvert is a danger to motorists, scotch carts and bicycle riders particularly in the night – these should be levelled and compacted.

The problem with this contractor has further been confounded by the fact that he seems to be politically well connected. In the initial phases he was made to redo the first 25 Km of the road three (3) times. And much as PACO claimed that remittances are very prompt depending on certification, the contractor claimed having problems of fuel because the payments were erratic. Records revealed that all but ZMK 400 million has been disbursed toward this road and we feel the PACO is unnecessarily being blamed for the ineffectiveness of this contractor.

However this brings in the question of the tendering process and selection criteria. We feel something is greatly amiss. This is further accentuated by the fact that the same contractor had to fail the test of quality road construction three times and was still retained. Conventional wisdom and simple investment analysis would be skewed toward divestment or withdrawal before colossal quantities of resources are lost. Notwithstanding the foregoing, time agreed in the extended contract has also expired and the contractor has applied for another extension, the third time.

Some extenuating circumstances observed on our spot check were as follows:

- Contractor is fairly well supervised as affirmed by the site engineer and our accompanying Chief Roads Inspector.
- Found one grader idle due to dysfunction arising from an accident (the driver careered off and hit into a tree) in addition tyres were worn out.

- One Front-end loader has broken down since April and requires spares.
- 4 graders had been pledged but only two (2) were reported operational.
- The contractor seems to be connected to top authorities in Government and has proved to be difficult to impress upon to complete works satisfactorily.
- Supervision (of the Kabwe – Ngabwe-Mukubwe Road) is currently being done by the Chief Road Inspector from Lusaka because of the pressure and threats exerted on staff in Kabwe by the contractor.

### **Perceived Benefits Arising from the Road Rehabilitation**

Overall and notwithstanding the fact that some portions of this road are not good and that some sections are already corrugated. It was unanimously agreed that the road is better than it was before. Interviews conducted with a number of respondents including chief Mukubwe, uncovered a plethora of benefits to the surrounding farms and villages. Some of the benefits included:

- The road has improved accessibility to surrounding communities. Initially there was only one bus going to Ngabwe and Mukubwe once a week. After the rehabilitation of the road the bus is able to do two trips a week and a number of open vans and mini buses have started ferrying commuters to and from town. Scotch carts are now finding it easy to move on the road.
- Business activities have been enhanced as such merchandise as fish, goats, birds (chickens, guinea fowls, ducks etc) and arable crops can easily be ferried to the markets for sale. Rural people also have easy access to the various necessities found in the metropolis. In addition, some farms along the road have greatly benefited e.g. Dar Farms and Vwalika Farms. The above benefits were reaffirmed by Chief Mukubwe who greatly appreciated that the road had been rehabilitated although not fully done and some sections needed urgent attention.
- The bus operator was excited at the rehabilitation of the road as this implied good business for his transport business. However he hinted on portions, which are already corrugated and the depressions, which needed re-doing.

- Mpunde Secondary Mission School run by the Roman Catholic Mission, appreciated the road rehabilitation as this has increased the demand for places due to ease accessibility (enrolment has increased). In addition this has even attracted electrification of the school and installation of a satellite at the mission school. Sadly, however, the school never received any HIPC resources from the Provincial educational officer (PEO) despite its deplorable state of facilities.
- It is most likely that the consumption of illicit brews like Kachasu, Mbamba and so on will be reduced as the opaque beer (Chibuku) is now able to reach the area (at the time of visit a truck was distributing this seemingly mild alcoholic beverage).

#### **4.1.2 Munkonchi and Adjoining Roads**

The 100km stretch done by contractor, Gomes Haulage, is a relatively very good road, except contractor notched off almost all headwalls and these require to be re-done.

- One portion of the road is eroded by water as it is low and requires a culvert to allow water to pass without damaging the road.
- Before rehabilitation, it took almost six hours but now only takes 50 minutes to drive through this road.

The road meets Kapamba feeder road leading to the Hydro Electric Power Station at the Mita Dam. At Mkushi junction, portions of this road network require drainage culverts.

The road has linked up to old Mkushi, New Mkushi/Kabwe and has made transportation of people and farm produce e.g. cotton, tobacco and maize much easier. The works carried out by this contractor are professional and recommended.

The feeder roads out of Mukonchi road were done by the Roads Department. Though graded the quality of the works was extremely poor. There are long stretches of sand and depressions to the detriment of smaller cars. These portions require to be blended with lacterite soils to reduce the effects of the sands accumulating on the roads and drainage needs a lot of improvements. The road requires to be redone by an outside contractor. It is therefore our observation that the Roads Department do not have the capacity to undertake road rehabilitation works and our recommendation is that they should therefore be retained to carry out maintenance works only. This

approach will ensure that good quality roads are developed with longer useful lives and a saving in costs.

#### **4.1.3 Mkushi River Bridge (Mkushi)**

The Contractor was paid K98 million although the construction works carried out were not satisfactory. However the contractor had to re-do the deck and one pier (middle support for the bridge) required reinforcement.

##### **(i) Certification**

During the rainy season the bridge was partly blown due to the condition of the piers and reinforcement steel which were worn out. The total cost of the job was K98 million. Whilst the bridge was redone and is passable it is our observation that the works carried out were inadequate in comparison to the bill of quantities and cost. It was further surprising that the Contractor's work was fully certified by the Road Engineers and full payment was made. The copy of the inspection report, certifying the works **and the road engineer's signature** was missing from the file and the Road Engineer's present purported the certification was done by Headquarters to which Mr Mushota, Chief Roads Inspector, could not confirm. Mr. Mushota later confirmed that this was certified by the PRE in Kabwe. There was no retention withheld on this contract.

#### **Observations & Commentary**

From the above observations it is very clear that the Road Engineers may be colluding with the Contractors by certifying jobs which are incomplete to have been satisfactorily completed. The Engineers are not supervised at all. There is no independent check-up of works by (say) accounts, audit/ DA to ensure works have been done appropriately before certification.

Since very little work was done and the Contractor was fully paid it may be difficulty for the Contractor to move on sight unless legal redress is obtained. Failure to doing so the bridge may be washed away this coming rainy season.

##### **(ii) Contract Costings**

We noted that there was no independent review of the bill of quantities and costings on the roads contracts to

be tendered. We reviewed the costings for Mkushi River Bridge detailed below:

The following are the observations:

- The costs are arbitrary and have not been checked for reasonableness and accuracy for the job to be undertaken.
- The Contractor did not require to mobilise graders/front end loaders but to mobilise at least a 15 Ton load of river sand and accessories, which should not cost K15 million
- The cost of K33 million for the piers is exaggerated as these were merely rehabilitated and one of them is floating
- PACO does not review these costings and visit the sites to ascertain the estimated costs nor engage a consultant to ascertain likely costs, which should be compared with that of the Road Engineers for reasonableness.

#### **Effect**

- The job was certified complete and yet there is a lot of work to be done.
- PACO approved the full payment and the Contractor may not move on sight and complete the project
- There was no retention held
- The job is highly likely to be over-costed

#### **Recommendation**

- Independent checks should be carried out by PACO to ensure the cost estimate in the tender documents are reasonable.
- Independent verification of works should be carried out to ensure they accord with the contract before certification. Certification should be done jointly with the Road engineer.
- PACO should be trained in assessing bill of quantities and costs and where necessary a road consultant should be appointed.

The above controls will enhance savings on HIPC projects as well as government projects.

#### **4.1.4 Serenje Road Works**

##### **Internal Roads**

A total of ZMK 100 million was allocated to Serenje for the rehabilitation of roads (excluding major ones) through the District Administrator. Almost all the roads were rehabilitated using labour based methods. Serenje is typically rural and the internal road network consists of relatively short "roads". Almost all the roads inspected were more of "single lane", "one way" enlarged footpaths. It was evident that these "roads" were maintained by cars using them, otherwise they could have long been over grown. There was literally no evidence of road rehabilitation works within Serenje. The reasons deduced were as follows:

- Timing was wrong. Road rehabilitation using labour-based methods was started in the rain season such that the roads were overgrown even before completion. It is apparent that the motives were far removed from typical rehabilitation.
- Individuals, other than registered companies as per traditional government business protocol and procurement procedures, were offered contracts for road rehabilitation, citing poverty alleviation and non-availability of companies in Serenje and that the amounts involved were too small for established companies to tender.

##### **External Roads**

For the roads leading to the outside it was clear even at the time of our visit that the grader had been there not a long time ago. However the same "single lane", "one way" enlarged footpath kind of style continued for the road leading to Mapepala and another to Kankoso Primary School. On the whole the two roads were reasonably well done compared to the district roads.

##### **Benefits**

Roads like those dealt with in Serenje are simply a long-term societal wound whose financial haemorrhage is detrimental to the sustainability of development efforts. It is almost impossible to exact benefits to society, but of course unfathomable benefits accrued to the "pseudo road contractors" from the windfall gains earned at the expense of society, which provided the cheap labour. This should be halted and more permanent solutions found. Labour-based road rehabilitation should be employed

sparingly as it is very costly in the long run. Take for example the road to the DA's house cost about ZMK 11.5 million last year, another amount possibly more than ZMK 11.5 million will have to be spent this year to eternity. This can be resolved by grading and gravelling (adding lacterite), which could make the road last longer and save financial resources.

#### **4.1.5 Munte Bridge (Serenje)**

The bridge is located some 20 Km from Serenje district with a very poor road link to the farms, villages, Serenje open prison and the Democratic Republic of Congo. It is intended to be 10 metres in length and about 6 metres wide with bridge strength of 30 tonnes. The bridge is being constructed at a cost of ZMK 67 million.

The contract period for the completion of the bridge is three months and the contractor has been on site for the last two months as per Site Engineer (Mr. L. Mbata, recently retired from the Roads Department). At the time of inspection the contractor (FMNC Enterprises) had not been on site for two (2) weeks citing lack of materials thus delaying the completion of the work.

Much as lack of equipment was evident (only wheelbarrows and shovels were being used) it was clearly manifest that the Site Engineer was very conversant with what he was doing. However the materials were being sourced from far away. For instance granite stone is procured from Serenje/Mkushi some 26 Km away, while planks for shuttling are being obtained from Serenje. Reinforcements (16 inch diameter wiremesh or wire bars) are purchased from Serenje and Kabwe.

#### **Current Status**

The bridge will be completed within two weeks subject to availability of materials inasmuch as the following has or will soon be completed:

- The river is expertly diverted despite the heavy current
- The approaches are well elevated and completed.
- The middle (main) pier is well founded and reinforced. The third pier is incomplete (out of the three piers) although the granite stone is on site.
- Abutment completion and reinforcement/casting of the deck is awaiting materials

### **Observations and Commentary**

- Generally, the bridge is being constructed with recommended materials although the longevity of the bridge is questionable. This is with regard to the fact that the vertical piers connote that the down thrust will be borne directly by the piers and not distributed as in the case where arcs are constructed as supports. The contractor may not have the financial capacity to do a quality job in light of the distance to where the building materials are stationed.
- The population in the area is very sparse and there was literally no evidence of economic activity for the entire 20 Km stretch. However, it was stated that beyond the river there are a lot of established farms currently using the Tazara route, which is very sinuous and therefore the Munte Road Bridge constitutes the shortest link to Serenje District.
- The road link is very bad and in some places does not exist. It has never been rehabilitated and is almost impassable. Now that the bridge is almost complete resources have to be deployed for road rehabilitation.

### **5.0 WATER AFFAIRS DEPARTMENT**

The meeting with the acting Provincial Water Engineer (PWE) Mr. Mkandawire, Mr. Miloshi (Accounts Clerk) and Mr. W. Seke (Water Works Artisan) was quite revealing. We list below some of the issues raised:

- PWE received K190 million in October 2001 and K60 million in Jan 2002.
- Imansa Dam in Kabwe Luanshimba had not been completed.
- Katesha, Chibolyo and Mumbwa Boma Dams in Mumbwa had not been fully rehabilitated.
- 3 out 10 boreholes had been drilled-Kapiri Mposhi (one), Kabwe (two).
- The clearing and rehabilitation of Dams was being done in-house while sinking of boreholes was contracted out.
- The works being undertaken at the Dams included:
  - Rehabilitation of spillways
  - Stone pitching the spillways
  - Rehabilitation of embankments and
  - Clearing the surroundings



In Mkushi, rehabilitation of a borehole in senior chief Mboloma is still going on.

- Out of last year's (2001) budget of ZMK 380 million, only K250 million was received and therefore projects could not be completed.
- Tendering of 10 boreholes for K14 million was delayed in Lusaka for 10 months.
- The Water Affairs Department has centrally located rigs and other drilling equipment in Lusaka
- The quality of borehole sinking undertaken by Waterama of Lusaka was good
- Timing of drilling last year (2001) was not good as it was done during the rainy season when the water table was high, this should have been done in the dry season to gauge levels of water, that is by taking the worst-case scenario.

We visited the following sites:

### **5.1 Borehole – Prospect Police Post**

One borehole has been sunk at Prospect Police post about 13 Km from Kabwe on the Kabwe - Lusaka road. Physical inspection was undertaken on the 60 metres deep borehole, which has been cased but the foundation and cap have not been installed. The borehole will be serviced by a hand pump (India Mark II).

This borehole is located just about six metres from another borehole serviced by an electric pump. It was explained that this was supposed to be a stand by borehole in case there was no electricity. In our view this borehole should have been cased deep into the compound (there are 28 households with 60 to 100 people) to assure optimum utilisation of HIPC resources inasmuch as currently this will just be used as an alternative to the existing borehole.

It was learnt that 17 hand pumps, fencing wire and barbed wire were procured using HIPC resources.

### **5.2 Water Affairs Stores**

A physical count of the India Mark II hand pumps showed no anomaly and all pumps were in good order and condition. In addition wire fencing and Barbed wire were also measured and weighed. They all conformed to the stated length and weight.

These stock items were meant for hydrometric stations, which are used to measure the flow of water.

### **5.3 Imansa Dams**

Imansa dam was built in 1971 and is 5 Km long.

Not much has been done, in terms of rehabilitation although an attempt was made at the wrong time, that is, during the rainy season when there was a lot of water. In addition the project's progress has been hampered by inadequate funding.

Since 1972, there was no forest clearing,. This has been done with the help of HIPC resources and small loads of stones for pitching the embankment have been delivered. The following were observed:

- Labour and materials so utilised for the project could be estimated at K6 million, thus raising the question of where the rest of the funding is, inasmuch as the costings and expenditure schedules for the project were not made available to us.
- Vandalised control valves caused over flooding hence damage to the spillway. In addition torrential rainfall also contributed to the damage. The damaged second spill way requires a continuous concrete slab about 200m in length and 50mm wide.
- In side embankments are eroded and required urgent pitching before next rains.

#### **Perceived Benefits**

The Imansa Dam is the only water reservoir in the area to the effect that some local farmers and their animals move up to 32 km to come and drink water. The dam has also spurred a lot of other economic activities including:

- Fishing
- Vegetable gardening
- Arable crops cultivation and
- Livestock rearing.

Key to the farming activities in the area are the two farms namely; Mulela and Musona farms which surround the dam.

In addition the dam is quite ideal for a resort and other tourism business activities such as:

- Boating
- Angling competitions
- Swimming (depending on the level of microbial activity).

It is conceived that if tourist activities are opened in the area it is most likely it will attract more infrastructure development.

## **6.0 EDUCATION – Major N. Mutale and Mr. Banda (Accountant)**

- Received HIPC funds and bought desks, table's benches, textbooks, mattresses for Central province.
- The HIPC Program was very welcome.
- At Mumbwa high School well drilling by the contractor was poorly done. The wells were dry.
- Auditor Generals office- Auditors were looking at HIPC funds utilization.
- Serenje Secondary School received K300 million direct for rehabilitation two schools and teachers houses.
- Also Nkrumah teachers training got funds direct from Lusaka.

HIPC funds do not include transport costs for items bought therefore there is a problem of distribution.

- Provincial tendering was slow. Sometimes funds go begging until prices quoted become overtaken by inflation.

Sometimes selective tenders are used together with open tenders and evaluated.

### **6.1 Serenje Technical High School (STHS)**

STHS was granted K325m to rehabilitate teachers' houses on an on-going programme basis from the HIPC resources. In addition the school received K121m for the rehabilitation works to the dormitories. This was broken down into K71m HIPC funds and K50m bridging government financing.

It was reported that the K325m was utilised on rehabilitating teachers' houses in general and water supply/sewer system in particular. The two systems had been in existence since 1953 and were in a hopelessly licking condition. All the water and sewer pipes had to be exhumed and replaced with new ones as a major aspect of the project. Other works undertaken included:

- Painting all teachers' houses and the cooks compound
- Replacing defective electrical fittings
- Rectifying defective plumbing works and
- Replacing damaged and licking roofing asbestos sheets

Accountability for the money was assured through strict adherence to the guidelines, which stipulated the need for opening separate accounts and clearly stated the tender procedures to be followed by the constituted project board.

GMB Contractors dealt with the rehabilitation of houses while Chiwayu Contractors refurbished the dormitories. Work undertaken in the dormitories and ablution blocks included:

- Replacement of all toilet pipes
- Introducing new and modern cisterns (to replace the old, heavy ceramic ones of the late 1950s)
- Undertook plumbing works (overhauled all pipes and replaced them with new ones)
- Rehabilitated the ceiling boards.
- Replaced defective electrical fittings and
- Had all the doors fixed or replaced with new ones.
- The floors in the dormitories and ablution blocks had to be redone.

## **6.2 Other Materials Received**

The school received a total of

- 333 new mattresses
- 25 dining tables and
- 50 benches

A physical check and count confirmed these numbers and therefore no materials received had been misdirected and misappropriated. In addition the school has also embarked on rehabilitating its damaged benches from own resources to ensure uniformity in the dining room. This could be a sounding board of the motivation that has characterised staff and pupils as a result of the assistance received.

## **6.3 Physical Inspection**

A total of 58 houses had been:

- painted both inside and outside
- glazing was conducted
- fisher boards were installed and
- all water and sewer pipes replaced.

In addition 1 dormitories were refurbished and all cisterns, taps and pipes replaced.

All indications pointed to an exemplary job done. In fact even an inspection report from the Ministry of Education accentuated the same. This resulted into the school to be granted an additional K50million to continue with the good works.

### **Benefits**

- The school used to blame the council for water shortages but since the replacement of pipes no such shortages are experienced and the council has been absolved.
- Both teachers' and students' morale is very high
- Houses and dormitories have become more habitable
- Enrolment is likely to grow as word of mouth speeds the splendid nature of our facilities.
- In terms of results, the school is acclaimed to be generally good and such excellency will be maintained.

### **Problem Areas**

- The 121 million allocated for the rehabilitation and refurbishment of dormitories was not enough and much work needs to be done.
- Money is needed to mend the beds. ZEPM put planks on the metallic bunker beds but these have since disappeared. Metal strips will be more durable.
- Lockers need to be overhauled or simply replaced.
- Dish drains are required for water falling from roof tops so that they do not make the newly painted walls dirty.
- Classrooms have not been financed and some areas require attention.
- Chairs and desks are not enough and more supplies are needed.
- The kitchen and dining room require massive rehabilitation.
- Teachers houses need geysers.

## **7.0 FINANCIAL REVIEWS**

In order to present a comprehensive review of the HIPC resources utilisation the qualitative evaluation was augmented by the financial evaluation, which concentrated on the quantitative aspects of the HIPC expenditure tracking and monitoring as detailed in the following:

### **7.1 Health Department**

We reviewed the financial returns of 6 districts namely Mkushi, Serenje, Mumbwa, Chibombo, Kabwe and Kapiri Mposhi at PACO. Our findings were as follows:-

#### **7.1.1 Mkushi**

- Mkushi had received a disbursement of K25, 000,000 but we could not trace the make up of this amount to the bank statements as the bank statements were incomplete and not on file.
- Bank reconciliation statements were not on file.
- Cash worth K3, 000,000 was given to an employee to purchase tiles. Dishing out huge sums of money to employees is risky as there is a high temptation to misdirect the funds.

#### **7.1.2 Serenje**

- The income and expenditure format does not indicate the final financial position but merely lists items of income and expenditure.
- Bank reconciliation statements were not on file.

#### **7.1.3 Mumbwa**

- The financial returns were last updated to December 2001.
- There is no income and expenditure statement on file to clearly highlight major cost items.

#### **7.1.4 Chibombo**

- There were no exceptions on the financial returns for Chibombo.

### **7.1.5 Kabwe**

- The latest financial returns were last updated to 31<sup>st</sup> January 2002.

### **7.1.6 Kapiri Mposhi**

- There were no suppliers' invoices on file apart from internal payment vouchers.
- The income and expenditure statement though available had different expense classifications compared to the cashbook.

### **7.1.7 General**

- There is no recommended uniform reporting format for the districts.
- Unlike Roads, the Health districts receive funding directly from the Ministry and not through the Provincial office hence there is no localised control at the provincial level.

### **7.1.8 Recommendations**

Management should ensure the following are in place: -

- There should be uniform reporting formats for all districts. The financial statements should be accompanied by a narrative detailing the progress and constraints.

These measures will ensure consistence, easy of control, monitoring and comparisons.

- There should be agreed reporting deadlines, which should be strictly enforced. This would be easier with localised central control at provincial level.
- There is need to re-align the disbursement procedure so that disbursements are channelled through the provincial office. This will enhance control and accountability since the provincial office is more versed with local operating conditions than Head Office. This also addresses a behavioural problem where with time districts will view the provincial office as irrelevant since they are able to deal directly with Head Office without going through the provincial office.
- All accounting records and supporting documents should be maintained on file by the districts.



- There be clearly set thresholds for payments by cash and payments by cheque to minimise the risk of misappropriating HIPC funds.

## 7.2 Roads Department

### 7.2.1 Expenditure

### 7.2.2 grader spares

#### Observation

We noted that substantial sums of money had been spent on grader spares. We tabulate these below:-

Date	Cheque No.	Payee	Amount K
03.10.01	244409	Nachi Enterprises	15,998,900
25.10.01	244424	Nachi Enterprises	25,265,000
13.11.01	244443	Diins Enterprises	19,247,000
13.11.01	244445	Maryland Construction	27,000,000
17.12.01	000256	Diins Enterprises	15,600,000
06.12.01	000221	Edmos General Dealers	1,875,000
17.12.01	000253	Ramouchi Enterprises	25,000,000
21.12.01	000274	Yetaza General Dealers	2,000,000
31.12.01	000295	Mwasara Enterprises	1,738,720
31.12.01	000001	Yetaza General Dealers	2,000,000
31.12.01	000002	Yetaza General Dealers	2,000,000
06.02.02	000038	Nilike Enterprises	1,900,000
06.02.02	000039	Maryland Enterprise	1,750,000
22.02.02	000050	Kentlex Investment	2,000,000
22.02.02	000051	Kwilala General Dealers	1,990,000
06.03.02	000063	Faruti Trading	2,000,000
15.03.02	000068	Kwilala General Dealers	6,500,000
	<b>TOTAL</b>		<b>K 153,664,620</b> =====

The Provincial Roads Department have opted to undertake some road works in house as opposed to outside contracting necessitating having their graders rehabilitated. These graders were not in a usable state before the HIPC funds were released. Roads department has no capacity to undertake road construction inhouse. The argument for in house road rehabilitation is that in some instances the reserve contract amounts are too low to attract outside contractors.

#### Effect

A lot of money, which is supposed to be used in grading roads, is locked up in spares as evidenced above.

In the long run it would prove more costly to continue spending on repairs than it would to acquire new graders.

The road works done by the Roads Department in house are of poor quality compared to the works done by the outside contractors. Over time the option to rehabilitate roads in house and not subcontract would prove to be more costly since the poorly done roads would have to be redone.

### **Recommendations**

An appraisal should be undertaken of the current condition of the graders with a view to identifying the roadworthy ones. Only graders in good condition and needing minor attention should be retained and those needing major repairs should be discarded.

We recommend outside contracting to ensure quality road works and do away with grader repairs and controls over fuel utilisation. Roads department should restrict themselves to maintenance works only and leave construction works to outside contractors.

### **7.2.3 Fuels And Oils**

#### **Observation**

A substantial amount of HIPC funds was spent on fuels and oils. We list these below:-

<b>Date</b>	<b>Cheque No.</b>	<b>Payee</b>	<b>Station</b>	<b>Amount</b>
08.09.01	244401	Kabwe Motors	Kabwe	5,000,000
14.09.01	244402	Kabwe Motors	Kabwe	15,000,000
20.09.01	244404	Serenje Gas Pad	Serenje	25,000,000
24.09.01	244405	Vallabhhai	Mkushi	25,000,000
27.09.01	244406	Kvarner Limited	Kabwe	25,000,000
29.09.01	244407	E.G.H Gangat	Mumbwa	25,000,000
05.09.01	244408	BP (Z) Limited	Mumbwa	42,395,108
09.10.01	244411	L. K. Motors	Kapiri Mposhi	25,000,000
17.10.01	244420	D & D Worthy	Kabwe	7,990,000
25.10.01	244425	Chisamba Petrol	Chibombo	25,000,000
28.10.01	244422	Kabwe Motors	Kabwe	25,000,000
08.11.01	244436	Serenje Gas Pad	Serenje	25,000,000
12.11.01	244437	Vallabhhai & Co.	Mkushi	25,000,000
21.11.01	244450	Kabwe Motors	Kabwe	25,000,000
28.11.01	000201	E. H. Gangat	Mumbwa	25,000,000
13.12.01	000247	Kabwe Motors	Kabwe	25,000,000
17.12.01	000254	D & D Worthy	Kabwe	8,720,000
26.12.01	000278	Kvarner Ltd	Kabwe	25,000,000
06.02.02	000040	E.G.H Gangat	Kabwe	10,000,000
12.02.02	000043	Kabwe motors	Kabwe	10,000,000
28.02.02	000057	Serenje Gas Pad	Serenje	10,000,000
11.03.02	000086	Kabwe Motors	Kabwe	10,000,000
		<b>Total</b>		<b><u>K 444,105,108</u></b>

We reviewed the fuel records for Mkushi, Kapiri Mposhi and Kabwe. Our findings were as follows:-

### **Mkushi**

Mkushi district had a good system for monitoring the utilisation of fuels bought. A register was in place indicating quantities of fuels received and the dates, quantities of fuels issued to each grader operator and the dates. However, there was no record of grader operating hours. The officer in charge should be considered for promotion and preferably transferred to the Provincial Centre immediately.

### **Kapiri Mposhi**

We noted the following anomalies

- There was no system in place to track utilisation of fuels bought. There were no records maintained by the grader operator to independently confirm quantities of fuels received at the site.
- Whilst the fuel is strictly meant for graders, in some cases petrol and diesel were drawn by small vehicles belonging to Roads Department, GRZ and others bearing private registration numbers. In some cases the quantities drawn within consecutive days were too high to be realistic.

**See attached appendices**

### **Serenje**

Out of an advance payment of K 25 million made to the dealer only fuel worth K 17 million was drawn and the dealer was evicted from the Service Station by TOTAL Zambia Limited before the K 8 million balance of fuel could be drawn. This amount may not be recovered from this dealer.

### **Kabwe**

- There was no segregation of duties and hence a break down in internal control over raising and authorisation of fuel request forms. A junior employee, the stores clerk had both responsibilities of raising and authorising fuel request forms.
- Entries in the fuel register were haphazardly entered. In some instances earlier entries were recorded after later entries and the dates and reference numbers between the fuel books and the fuel register, were not tallying.

- In a number of cases especially with respect to fuel issued to graders, there is no identification for the receiving grader.
- There were no independent records maintained by the grader operator regarding fuel quantities received and operating hours.
- All vehicles under Roads Department appear to have been direct beneficiaries of the fuels bought using HIPC funds.

**See attached appendices**

**Effect**

Lack of:

- Controls over authorisation of fuel request forms,
- Well maintained fuel registers by the district offices,
- Independent records from the grader operators or quantities received and grader operating hours, and
- Clear distinction between HIPC activities and Roads Department activities when drawing fuels, is likely to lead to misappropriation/abuse of fuels bought using HIPC funds as is evidenced in our findings.

**Recommendations**

We recommend that road rehabilitation works be contracted out to avoid the various shortcomings highlighted above. If the road works are contracted out the fuel costs will be built into the contract price and the onus of controls over fuel will rest with the contractor.

**7.2.4 Borrowings**

**Observation**

We noted that some monies had been borrowed from the HIPC account and although repayments were made there was in some cases a time lag of over 3 months. Out of the borrowings of K 67,625,000, K7,625,000 remains unpaid to date.

**Borrowings**

<b>Date</b>	<b>Cheque No.</b>	<b>Payee</b>	<b>Purpose</b>	<b>Amount K</b>
30.10.01	244426	G.D Account	Chiefs Workshop	30,000,000
01.11.01	244429	G.D Account	Chief Workshop	11,625,000
01.11.01	244430	G.D. Account	Chiefs Workshop	6,000,000
01.02.02	000024	Salaries Account	Salaries	8,000,000
01.02.02	000025	RDC Account	Salaries	<u>12,000,000</u>
		<b>Total</b>		<b>K67,625,000</b> =====

### Repayments

Date	Details	Amount K
22.01.02	Deposit	40,000,000
26.02.02	Deposit	<u>20,000,000</u>
	<b>Total</b>	<b><u>60,000,000</u></b>

Net borrowing due to HIPC **K 7,625,000**

### Effect

Borrowing from the HIPC account reduces the amount of money available for projects and delays implementation of the same with costly implications. In fact in most donor funded projects borrowings are prohibited.

### Recommendations

Borrowings from the HIPC account should be discontinued and all monies outstanding should be immediately repaid to the account. There is need for clear guidelines to be circulated and appropriate training should be arranged to all stakeholders associated with HIPC projects. It is of critical importance that the cash budget requirements are complied with.

## 7.2.5 Motor Vehicle Spares

### Observation

We noted that there was a recurrence of expenditure on motor vehicle spares and repairs benefiting all vehicles under Roads Department and a few other vehicles from other departments. It would appear the budget for motor vehicle maintenance has shifted from Roads Department to HIPC in contrast to the fact that government is supposed to provide the infrastructure and other services such as transport to support delivery of HIPC procurements and services. We itemise below the beneficiary vehicles and costs.

#### a. Beneficiary Vehicles

Make	Reg No.	Department
Toyota Hilux	786 BA	Roads
Toyota Hilux	AAT 9980	Roads
Nissan Twincab	GRZ 187BN	Roads
Toyota GX	GRZ 177 BP	Roads

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Nissan Van	GRZ 575 F	Roads
Nissan Truck	GRZ 130 BH	Roads
Tractor	1 – 3012	Roads
Toyota Landcruiser	444BH	Lands
Toyota van	GRZ 196 BF	National Achieves

**b. Costs**

<b>Payee</b>	<b>Cheque No.</b>	<b>Amount</b>
D & D Worthy Co. Ltd	244444	1,950,000
Edmos General Dealers	000241	200,000
Edmos General Dealers	000273	1,806,880
Yetaza General Dealers	000275	2,000,000
Mwasara Enterprises	000276	1,500,000
Kabwe Motors	000280	322,000
Sage Auto Spares	000292	153,000
Nilike Enterprises	000293	1,450,000
Mwasara Enterprises	000295	1,738,720
Mwasara Enterprises	000296	305,500
Yetaza General Dealers	000001	2,000,000
Yetaza General Dealers	000002	2,000,000
Ramouchi Enterprises	000004	1,820,000
B. H. Services	000009	1,255,000
Edmos General Dealers	000013	1,460,000
Fevams Marketing	000014	1,820,000
Kabwe Motors	000016	3,540,500
B. H. Motors	000032	1,860,000
Chitakata Garage	000033	1,500,000
Kabwe Motors	000035	173,000
Edmos General Dealers	000036	745,500
Mwasara Enterprises	000037	1,920,000
R. M Auto Electrical	000058	1,320,000
D & D Worthy Co.	000059	370,000
Kwilala General Dealers	000064	<u>2,170,000</u>
<b>Total</b>		<b><u>K47,530,100</u></b>
		=====

All the variations were not brought to the attention of the Accountant General for approval/clarification

**Effect**

Use of HIPC funds to service Government vehicles reduces funds available for HIPC projects and is a breach of HIPC guidelines and is tantamount to abuse of HIPC resources by the department.

## Recommendation

Management should restrict the use of HIPC funds to support non-HIPC activities. Whilst appreciating the fact that there are no vehicles to specifically service HIPC projects in the districts, and government vehicles are used for HIPC activities, the cost incurred should be reasonable and necessary for the enhancement of the project. Management should seek audience with MOF and impress upon the need to acquire a vehicle specifically for HIPC projects. These funds should be reimbursed immediately.

### 7.2.6 Supporting Documents

#### Observation

We noted that in some cases there were neither payment vouchers nor suppliers invoices/ receipts to support the payments. We list some of the examples below:-

Date	Cheque No.	Payee	Amount	Remarks
			K	
20.09.01	244404	Serenje Gas Pad	25,000,000	#
24.09.01	244405	Vallabhai	25,000,000	#
27.09.01	244406	Kvarner Ltd	25,000,000	#
29.09.01	244407	E. G. H Gangat	25,000,000	#
05.09.01	244408	BP (Z) Ltd	43,395,108	#
08.11.01	244436	Serenje Gad Pad	25,000,000	#
12.11.01	244437	Vallabhai	25,000,000	#
13.11.01	244442	Rossaneq Mechata	12,500,000	*
17.12.01	000253	Remouchi Ent.	<u>25,000,000</u>	*
	<b>Total</b>		<b>K 229,895,108</b>	
			=====	

# No cash sale receipt

\* No single document on file

#### Effect

Failure to maintain all the necessary supporting documents on file is a breach of donor fund accountability requirements to ensure safe custody and availability of supporting documents for inspection as and when need arises. This point is further emphasised in the HIPC Accounting Manual.

#### Recommendation

Management should strengthen controls over supporting documents to ensure there is accountability and transparency. They should further adhere to the HIPC Accounting Guidelines.



### **7.2.7 Computer Acquisition**

#### **Observation**

We noted that a computer costing K 12,500,000 had been procured using HIPC funds on cheque number 244442 dated 13.11.01. The supporting documents are missing from the file and the computer is not exclusively used for HIPC assignments.

#### **Effect**

This purchase is not wholly and exclusively incurred for the purpose of the project.

#### **Recommendation**

There is an urgent need to have clearly laid down guidelines on utilisation of HIPC funds in order to mitigate the grey areas being encountered by PACO. There could be a good cause for managements' departure from laid down guidelines but this also raises the issue of Government departments not having capacity to take on HIPC activities. The cost of procuring the computer should be reverted to HIPC resources immediately.

### **7.2.8 CASH AND BANK REVIEW**

#### **Bank Reconciliation**

#### **Observation**

Bank reconciliation statements have a provision to have them checked and cleared by the Audit Section, but this requirement was not being adhered to.

#### **Effect**

Management is in breach of a fundamental independent control check and this could lead to errors and frauds passing unnoticed.

#### **Recommendation**

Management should ensure that all Bank reconciliation statements are passed on to Audit department for clearance. This will ensure errors and frauds are detected in good time for remedial action.

## **7.2.9 STORES REVIEW**

### **Observation**

We undertook a review of the stores system on selected items and our findings were as follows:-

### **Stationery**

Stationery bought using HIPC funds is combined with Roads Department on the bin cards such that issues to HIPC cannot be distinguished from issues to Roads Department contrary to the HIPC Accounting Manual instructions. Roads Department is poorly funded and the practical reality is that HIPC is shouldering the stationery requirements for Roads Department.

### **Implements**

- There were some anomalies on the balance of stocks for slashers. Out a of total of 104 slashers, the bin card was indicating that 51 slashers were in stock and 53 slashers had been issued out to the sites. The actual physical stock was 30 indicating that 74 slashers had been issued out to the sites. A total of 21 slashers are therefore not accounted for on the bin cards.
- An order for 20 slashers and 20 overalls was sent directly to the sites but was not entered on the bin cards.

### **Effect**

Failure to account for project stocks results in project funds not being applied with due efficiency and economy. The controlling officers are commingling stocks and are in breach of the accounting manual instructions.

### **Recommendation**

Management should carry out a 100% physical stock count to establish the correct stock position of the project.

## **7.2.10 TAXATION**

### **Value Added Tax**

#### **Observation**

We noted that the project is liable to pay VAT on procurements from VAT registered suppliers and later reclaim the VAT from the Ministry of Finance through the refund scheme for Government departments. There has been no VAT refund made to the project by ZRA as of June 2002. The project submitted a claim in January 2002 there has not been any follow up.

#### **Effect**

Delays by ZRA in refunding VAT amounts paid from HIPC funds reduce funds available for project activities. The build up of these amounts over time will be of significant impact as evidenced by one example below:-

Contractor : International Engineering Trade (Z) Limited  
Contract : Kabwe – Ngabwe- Mukubwe Road  
Ref : Certificate No. 1

Contract amount	K 243,600,000	
Vat @ 17.5%	K 42,630,000	
Total for certificate	K 286,230,000	(Paid 01.02.02)

Total contract value K 1,138,134,375

Total VAT for contract @ 17.5% K169,509,375  
(upon completion)

#### **Recommendation**

Management should vigorously follow up the issue of VAT refunds with the Ministry of Finance to ensure quick expedition of the refunds by ZRA.

## **7.2.11 Contracts Review**

## **7.2.12 Variation Of Contract**

We noted that there was a variation on the contract to Torema Construction Limited for Chilubi Island road resulting in an extra payment of K 3,168,177.00. Though the variation was purported to have been authorised by the D A there is no written documentation on file to support this claim.

### Effect

Lack of documentation to vouch for variations of contract could lead to misappropriation of HIPC funds.

### Recommendation

Management should ensure that all variations of contract are well documented to ensure accountability and transparency.

## 7.2.13 Contract Awards

### Observation

We noted that some contracts in Serenje and Mumbwa were awarded to individuals and not corporate entities and for seemingly identical road works. There were no records available to enable us determine whether there were any tender procedures followed.

We list these below:-

Date	Chq No.	Payee	Amount	Description Of Road section	District
12.12.01	239	Laurent C. Kunda	7,500,000	MK 12 via AFTC to Post Office	Serenje
12.12.01	233	Emmanuel Chama	7,500,000	MK 12 via AFTC to Post Office	Serenje
12.12.01	234	Pilson Kabamba	11,250,000	MK 12 via AFTC to Post Office	Serenje
06.12.01	222	Guissepe Chipimo	22,500,000	Water works to Kapolokoso	Mumbwa
06.12.01	223	Joel Chivwema	17,250,000	Water works to Kapolokoso	Mumbwa
06.12.01	224	Morton Shanji	15,000,000	Water works to Kapolokoso	Mumbwa
12.12.01	235	Dennis Mulampa	11,250,000	Boma to Mr. Lizazi's home	Serenje
12.12.01	236	Shadrack Chipili	<u>11,250,000</u>	Boma to Mr. Lizazi's home	Serenje
	<b>Total</b>		<b>K 103,500,000</b>		
			=====		

### Effect

Awarding contracts without following tender procedures obviates the overriding requirement for transparency. Awarding contracts to individuals rather than corporate entities and without following proper procedures could result in poor

workmanship and a waste of HIPC resources, as is the case. Further in the case of default by an individual it would be practically impossible to recover monies already advanced.

### **Recommendation**

Management should ensure that tender procedures and controls are observed in the award of contracts, to ensure there is transparency and HIPC funds are safeguarded.

### **7.2.14 Project Implementation**

Our overall review of the situation on the ground is that implementation of the HIPC project was not well thought out. We arrived at this conclusion after considering the following factors:-

- There is no memorandum of understanding between Government and the donors on the operation of HIPC. Lack of uniform guidelines on utilisation of HIPC funds has led to different interpretations between beneficiary Ministries. Whilst Health have been able to spend on transportation of project materials to sites, Prisons are stuck with oil-jacketed pots worth K367,155,856 on the understanding that HIPC funds do not provide for transportation costs.
- There is a lack of awareness of HIPC procedures. Whilst a sensitisation seminar was carried out by Ministry of Finance officials, this was only restricted to accounting staff and the information never filtered through to other departmental heads directly involved with the implementation of HIPC projects.
- The implementing agency at the districts, Roads Department does not seem to have the capacity to undertake HIPC projects in addition to their normal duties. Roads Department is poorly funded and have operational problems of their own hence the temptation to divert HIPC funds for their own operational requirements.
- Though HIPC funds are targeted towards poverty alleviation amongst communities, communities are not involved in project identification hence some projects may be irrelevant to the immediate needs of the poor rural masses.
- Where as Roads Department financial resources are channelled through PACO, Health, Prisons and Education were dealing directly with their line Ministries without PACO notification.
- Designating the Permanent Secretary and DA's as controlling officers over HIPC funds, has brought the HIPC programme directly under the umbrella of Government and hence

subject to political pressure. This has resulted in some decisions being made for political rather than economic expedience. We noted that for political convenience most roads were graded soon before the rainy season and got washed away.

### **Effect**

Lack of a memorandum of understanding spelling out clear guidelines, lack of awareness of HIPC procedures by executing agencies and inadequate capacity of the implementing agencies, is likely to have a significant negative impact on successful realisation of project activities.

### **Recommendation**

We advise that management should immediately address the following issues:-

- Obtain copies of a memorandum of understanding between Government and the donors and have copies circulated to respective stakeholders to avoid misinterpretations.
- Carry out sensitisation seminars where participants should be drawn from various departments involved in HIPC activities. It would be cheaper for one or two Ministry officials to travel to the provinces rather than having a contingent of participants travelling to Lusaka.
- Mobilise the formation of community groups who will be responsible for identification and on the spot monitoring of projects.
- Streamline the disbursement procedures so that there is uniformity in the way funds are channelled from the Ministry of Finance to the Provinces. This will facilitate an easy audit trail.
- The Permanent Secretary and DA's should not be directly involved as controlling officers over HIPC funds. The Permanent Secretary should not be a signatory to HIPC funds but rather should only play a supervisory role. The signatories to HIPC funds should be the Project Manager, Project Accountant, PACO and a senior member of society as trustee. This will assist weigh down political influence over administration of HIPC funds.
- An implementation team be set up at the Provincial Centre comprising of at least 3 employees. Their mandate will be supervise, monitor and report on all the activities of HIPC. This approach will ensure that the team is focused and HIPC objectives will be achieved with minimal resource abuse.

### **7.3 Ministry Of Education**

#### **7.3.1 Disbursement Procedures**

The funding to the HIPC activities in this Ministry for the province were effected directly from the Head Quarters in Lusaka to the accounts of the Provincial Education Officer (PEO). There are no records or any documentation reflecting any of this funding with the Provincial Accounting and Controlling Officer (PACO).

In the light of the above Observation, therefore, it is clear that the Controlling Officer, who is the Provincial Permanent Secretary is not aware of the activities being undertaken in this Ministry.

In the period under review, the following transfers and cheque payments were made to the PEO's office and are reflecting on the Bank account.

<b>Date</b>	<b>Particulars</b>	<b>Vote Nos.</b>	<b>Amount</b>
16/10/01			ZK 17,760,000.00
16/10/01	Mattress	080-01-200-202-025	ZK 60,560,000.00
16/10/01	Dinning Tables & Benches	080-01-200-401-004	ZK 42,134,964.00
16/10/01	Primary School Desks	080-01-200-401-004	ZK 56,677,500.00
16/10/01	Primary School Desks	080-01-200-401-004	ZK 11,335,500.00
16/10/01	Primary School Requisites	080-01-200-401-004	ZK 27,848,000.00
16/10/01	Primary School Desks	080-01-200-401-004	ZK 277,277,000.00
<b><u>Total</u></b>			<b><u>ZK 493,592,964.00</u></b>

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The following payments were made;

<b>Particulars</b>	<b>Payee</b>	<b>Chq No.</b>	<b>Amount ZK</b>
Matresses	Manal Invest	000206	28,387,500.00
Matresses	Manal Invest	000207	28,387,500.00
Matresses	Kentlex Invest	000228	1,850,000.00
Matresses	Kentlex Invest	000229	1,850,000.00
Dinning tables & Benches	Edal General Dealers	000205	16,380,000.00
"	"	000210	16,380,000.00
"	"	000223	8,451,493.00
Primary Sch Desks	Yanko Gen Dealers	000216	5,667,750.00
Primary Sch Desks	"	000217	5,667,750.00
Primary Sch Desks	Edal Gen Dealers	000220	4,930,000.00
Primary Sch Desks	Wood Processing	000222	5,500,000.00
Primary Sch Desks	Chinstex Ent	000221	5,460,000.00
Primary Sch Desks	Kentlex Invest	000219	5,667,750.00
Primary Sch Desks	Edal Gen Dealers	000225	4,930,000.00
Primary Sch Desks	Chinstex Ent	000226	5,460,000.00
Primary Sch Desks	Kentlex Invest	000227	5,667,750.00
Primary Sch Desks	Wenaire Refrigerat		5,565,000.00
Primary Sch Desks	Wood Processing	000230	5,500,000.00
Primary Sch Reqs	Xomasu Ent	000211	9,999,950.00
Primary Sch Reqs	ZEPH	000212	17,848,050.00
Secondary Sch Reqs	Auchiz Gen Dealer	000208	17,739,797.00
Primary Sch Desks	Wood Processing	000204	69,795,000.00
Primary Sch Desks	Wood Processing	000209	69,795,000.00
Primary Sch Desks	Wood Processing	000213	68,631,750.00
Primary Sch Desks	Wood Processing	000215	68,631,750.00
<b><u>TOTAL</u></b>			<b>484,143,790.00</b>

The above is the position of receipts and payments of the HIPC account at the PEO's office as at 27<sup>th</sup> June 2002.

### 7.3.2 Tender Process

#### Observation

The Tender process for items with amounts above the Ministerial threshold were not referred to The National Tender Board. Four (4) procurements subjected to 50% initial and 50% final payment totalling **ZMK 366,368,500** were made without due consideration of the Ministerial limit of ZMK 25 million. The following are the affected payments;



<b>Date</b>	<b>Name</b>	<b>Purchase Order No.</b>	<b>Amount ZK</b>
16/11/01	Manal Invest	29951	56,775,189.00
16/11/01	Wood Processing	29952	139,590,000.00
16/11/01	Edal Gen Dealers	29953	32,760,000.00
27/12/01	Wood Processing	47874	137,263,500.00

### **Effect**

There is the Effect of making unauthorised payments, which are outside the terms of the HIPC funding and agreements. Furthermore, the non-adherence to the tender process exposes HIPC funds to lack of due economy, efficiency and transparency. Failure to follow the GRZ procurement standards would lead to each province, district and activity adopting it's own standards resulting in mismanagement of the funds as corrupt practises will encroach thereby removing quality competitiveness in the awarding of the contract works to be undertaken.

### **Recommendations**

There is need to follow the tender process in line with the Government requirements and procedures on all HIPC expenditure.

## **7.3.3 Distribution Of Purchased Items**

### **Observation**

The distribution of desks, mattresses and school requisites to the six District Education Officers (DEO's) lacked details. These indicated only the quantities to the district without specifying the quantity sent to each school.

### **Effect**

Materials/items bought may not be delivered in quantities as per specified order(s).

### **Recommendations**

All transfers of items purchased by the PEO's office should indicate the quantity to be received by the end users. The current system where the delivery notes indicate only the quantities delivered to the DEO's should be stopped. The PEO's office should have details of all beneficiary schools and the quantities. These must then be delivered under a Goods

Received Note/ Delivery Note completed in duplicate with one copy remaining at the school and the other being sent back to the PEO's office after the school authorities have acknowledged receipt of the items.

#### **7.3.4 Use Of HIPC Account**

##### **Observation**

The HIPC account is not used exclusively for transfers and payments relating to HIPC activities as evidenced by the ZK 60,560,000.00 transfer, which was government funding for mattresses in secondary schools. This transfer was credited to the HIPC account with the payments for the mattresses also being raised from the HIPC account.

##### **Effect**

Funds, which are not initially raised for HIPC activities will be confused with HIPC funds. The result will be mix up of funds and the intended HIPC activities may in the end remain unattended to due to diversion of funds.

##### **Recommendations**

HIPC account should be used solely for the purposes of HIPC activities. All receipts and payments on the account should be HIPC originated and intended. The enforcement of this procedure will safe guard HIPC funds from being commingled with funds for other activities and hence the mismanagement of funds will be curtailed. The ZK60,560,000.00 GRZ funds deposit on the HIPC account should be reconciled with the payments and any excesses due to or from the HIPC account should be transferred either to or from the recurrent departmental charges account (RDCs).

#### **7.3.5 Non-HIPC Activity Payment**

##### **Observation**

Not all payments reflecting on the HIPC account are exclusive for the HIPC activities as evidenced by a withdrawal in favour of Wenaire Refrigeration for ZK5,565,000.00 for works undertaken at Mumbwa Secondary School. The works did not constitute HIPC activities.

### **Effect**

The payment if not followed up and resolved will entail a loss of ZK 5,565,000 on the HIPC funds.

### **Recommendations**

All payments from the HIPC account should exclusively be for the purposes of the HIPC activities. The ZK 5,565,000.00 paid to Wenaire refrigeration for works undertaken in Mumbwa should be reversed to the RDCs account as the works undertaken cannot be classified as HIPC activities.

## **7.3.6 Monitoring And Control**

### **Observation**

From the following anomalies noted on the submission/return dated 11<sup>th</sup> March 2002 from the PEO Central province to the Ministry of Education Headquarters in Lusaka, it apparent that the monitoring and control aspect is lacking. It would appear as if the returns from the provinces are not given the due attention because if this was the case, the following anomalies would have been noted and queried for rectification.

- The ZK60,560,000.00 which was not part of HIPC funding but was reported as such in the return.
- The ZK 17,760,000.00 transferred on 16/10/01 to PEO Central province HIPC account was not included in the return as a funding.
- The payment to Wenaire Refrigeration for ZK 5,565,000.00 which represents a non-HIPC activity.

### **Effect**

The Ministry of Education Head quarters Staff charged with the responsibility of the HIPC funds are abrogating their responsibility by failing to review the reports from the provinces. The result will be non-realisation of the HIPC objectives within set time scale.

### **Recommendations**

The dedicated staff at the Ministry of Education Head Quarters in Lusaka should review all returns from the provinces. Any anomalies noted should be queried and where need be rectified. It is further recommended that the HIPC returns to the

Ministerial Head Quarters should be on a quarterly basis indicating the Amounts Received, Purpose utilised, payee or contractor's name and Tender process adopted. The returns should indicate a brief reconciliation of the Bank account and the closing balance for the period under review.

## **7.4 Department Of Water Affairs**

### **7.4.1 Income**

The department received a total funding of ZMK 250 million directly from the Ministerial Head Quarters in Lusaka in two tranches of ZMK 190 million in September 2001 followed by ZMK 60 million in December 2002. The funds has been exhausted by the following categorised disbursements over a period of five months (October 2001 to February 2002)..

#### **Expenditure**

<b>DESCRIPTION OF EXPENDITURE</b>	<b>AMOUNT</b>	<b>AS A PERCENTAGE OF TOTAL FUNDING</b>
Tyres	9,068,000.00	3.63%
Motor Repairs	12,759,000.00	5.10%
Fuel	45,648,848.00	17.46%
Motor Spares	3,490,500.00	1.40%
Motor Batteries (5)	1,428,000.00	0.57%
MATERIALS (Cement, Sand Etc)	39,179,834.00	15.67%
Electrirc & Hand Pumps	24,598,000.00	9.84%
TOOLS (Shovels, Axes, W/Barrows)	10,526,685.00	4.21%
Boreholes (3)	50,800,000.00	21.32%
Casual Labour	35,850,000.00	14.34%
Statitionery	4,124,500.00	1.65%
Computer	10,500,000.00	4.20%
Imprest	2,500,000.00	1.00%
<b><u>Total</u></b>	<b>250,473,367.00</b>	

A review of the expenditure was undertaken and the following were the Observation, the identified Effects and recommendations.

## **7.4.2 Non-HIPC Activity Payments**

### **Observation**

It was noted that the department spent ZMK 87,018,848.00 or 34.8% of the funding availed on non-HIPC activity payments. The payments made were for motor vehicle repairs, fuel and related motor vehicle accessories. Included in this amount are stationery costs and purchase of a computer. When queried about this anomaly, the officer's response was that the Ministry of Energy and Water affairs had sanctioned the expenditure in question at a meeting attended by the Provincial Water Engineer. A written dispensation to this effect was not availed to the monitoring team.

It was further noted that although the purchase of a computer was properly tendered, the purchase price is considered to be inflated by over 50%. This assumption was arrived at after checking the computer specifications and compared to what is pertaining in the market. Two suspect quotations were forwarded together with the quote from the winning supplier to the Tender committee. All the three quotes were not from unfamiliar suppliers.

### **Effect**

These payments if not followed up will entail a loss of ZMK 87,018,848.00 on the HIPC based activities particularly the dam rehabilitation works. The under privileged and marginalized populace in the drought affected areas of the province Effect water scarcity for garden irrigation purposes and for their domestic animals. The purchase of the computer and stationery should have been funded by the RDC account.

### **Recommendation**

The payments in question should be recovered from the departments RDC account directly by the Accountant General and be considered as GRZ expenditure. The computer expense should be investigated further to establish the origin of the two suspect quotes. The Tender committee should only evaluate and process quotes from suppliers registered with it.

### 7.4.3 Motor Vehicle Repairs and Spares

#### Observation

The Department resolved to undertake the repairs of its Motor Vehicles which were not in a good state of repair and were unusable before the release of the HIPC funds. The tabulation below indicates the repairs/spares and costs involved;

<b>DATE</b>	<b>ITEM</b>	<b>PAYEE</b>	<b>VEHICLE NUMBER</b>	<b>AMOUNT ZMK</b>
25/10/01	Repairs	Motives Gen	GRZ 602BL	1,500,000.00
12/11/01	Battery	Kabwe Motors		221,000.00
29/11/01	Repairs	Kapungwe Panel	GRZ 609BL	3,650,000.00
7/12/01	Batteries	Sage Auto Parts	GRZ 959BL	600,000.00
28/12/01	Tyres	Auto Part Spares		7,252,000.00
28/12/01	Shocks	Kabwe Motors		168,000.00
31/12/01	W/Pump	D & D Worthy		380,000.00
31/12/01	Repairs	Esco Services	GRZ 770BN	7,609,000.00
31/12/01	Battery	Kabwe Motors	GRZ 609BL	221,000.00
31/12/01	Spares	Sage Auto Parts	GRZ 602BL	594,500.00
31/12/01	Spares	Sage Auto Parts	GRZ 617BL	317,000.00
15/01/02	Battery	Kabwe Motors	GRZ 158BM	176,000.00
16/01/02	Spares	D & D Worthy		185,000.00
17/01/02	Spares	Auto Force		200,000.00
17/01/02	Spares	Auto World		285,000.00
17/01/02	Spares	Nosh Auto Spares		500,000.00
18/01/02	Spares	Agwates Ent		350,000.00
23/01/02	Spares	Sage Auto Parts		180,000.00
25/01/02	Battery	Handymans		210,000.00
<b>TOTALS</b>				<b>24,598,500.00</b>

The scrutiny of the above tabulation revealed the following;

- The department procured seven (7) batteries in four months. Two batteries were procured for a truck from the Ministerial

Head Quarters in Lusaka and these have never been returned.

- Vouchers for purchased spares lack identification details which would indicate which vehicle is/has been repaired. It was therefore difficult to follow up the payments for authenticity.
- The ZMK 7,609,000.00 was paid on 31<sup>st</sup> December 2001 for repairs on vehicle No. GRZ 770BN, to date this vehicle still remains in it's state of disrepair and is unusable. This is six months after the payment was effected.

### **Effect**

The purchase of spares and Motor vehicle repairs has reduced the amounts available for HIPC activities. As an example, the department had identified a project to drill 10 boreholes in the province with HIPC funds but due to the mismanagement and depletion of funds only 3 boreholes were sited and drilled.

### **Recommendation**

All those tasked with the custodial responsibility of HIPC funds should ensure that HIPC funds are only directed to HIPC activities.

## **7.4.4 Window Dressing 'Advance Payments'**

### **Observation**

It was noted that on 31<sup>st</sup> December 2001, the department made 19 payments totalling ZMK 46,037,319.00 to various suppliers of materials, tools and services. The amount drawn out on this single day represents 18.5% of the remitted HIPC funds. A ZMK 20,000,000.00 fuel advance payment was included in this amount. Upon enquiry the officers revealed that the payments were made prematurely since it was perceived that that the balance remaining on the account as at 31<sup>st</sup> December 2001 would be recalled by the financiers if not spent.

### **Effect**

The HIPC funds have been used to make prepayments for uncompleted works and undelivered services. A point to note is in note 7.4.3 above where vehicle repairs have been paid for and up to now the vehicle remains unrepaired.

## **Recommendations**

All HIPC expenditure should be for identified projects and completed and certified works. There is urgent need to clearly define the roles and responsibilities of the HIPC funds custodians, operators and beneficiaries. There is need for Ministerial Head Quarters staff to monitor and control the disbursements on a quarterly basis.

### **7.4.5 Unretired Accountable Imprest**

#### **Observation**

We noted that on 29<sup>th</sup> January 2002 the Acting Provincial Engineer drew out ZMK 2,500,000.00 as accountable imprest. The amount remains unreconciled. No supporting documents were provided during the review.

#### **Effect**

The department has breached general accountability requirements. The withdrawal of these funds has reduced allotment to HIPC activities, which would have benefited the underprivileged.

#### **Recommendations**

Monitoring and control over HIPC funds should be enhanced to ensure due economy, efficiency and transparency.

### **7.4.6 Advance Fuel Payments**

#### **Observations**

We noted that on 30/01/02 an advance fuel payment of ZMK 3,500,000.00 was made to Kabwe Motors. This payment is in addition to the one made on the 31<sup>st</sup> December 2001 for ZMK 20,000,000.00 indicated on note 7.4.4 above. It is difficult to comprehend that the department could use more than 5000 litres in one month. There was no clear explanation from the officials after enquiry of this anomaly. Since there was no system of monitoring the fuel usage and due to time limitation, a follow up on the matter could not be made.



### **Effect**

The misuse of HIPC funds evident on the fuel transactions has reduced resources available for the HIPC intended purposes. Failure to maintain a simple fuel monitoring system is tantamount to abrogating management responsibility by the department's management.

### **Recommendation**

There should be a monthly/quarterly monitoring and control process in place to ensure that the misuse of funds is detected and corrective measures are effected immediately.

## **8.0 CONCLUSIONS**

It is very clear from the foregoing that whilst some HIPC resources were effectively utilised particularly with regard to some school supplies and rehabilitations, a number of aspects of HIPC resources utilisation were completely amiss and fraught with duplicity and impropriety. This is the more reason why a number of issues need to be addressed promptly. It is also important that

- No further HIPC disbursements should be made to DA's, PS offices
- Role of DA's, PS and Council should be clearly defined by Government and MOF in order to reduce duplication of efforts and resources
- Costing of projects should be independently reviewed by PACO/Consultant to ensure the costings are reasonable before the tenders are approved.
- Certification of projects should also be independently verified by PACO/Consultant to ensure they accord with the contract terms.

PACO/Beneficiary Ministry/MOF should produce a project implementation plan, which should be circulated to all districts and chiefs so that they are aware of what funds are available for use in their area and for what purpose. This bulletin, which is all encompassing can be done annually so that minimal costs are incurred.