



# PMRC AUDITOR GENERAL REPORT SERIES

## PARASTATALS ANALYSIS

ZAMBIA TELECOMMUNICATION COMPANY LIMITED (ZAMTEL)  
TUESDAY 25<sup>TH</sup> MARCH 2015

START

©2015 | UNLOCKING ZAMBIA'S POTENTIAL



### OPENING REMARKS

BERNADETTE DEKA - EXECUTIVE DIRECTOR

POLICY MONITORING AND RESEARCH CENTRE

**PMRC is a public policy think tank with a mission to 'Unlock Zambia's Potential'**

#### ■ PMRC STATED AIM

- To promote public understanding through research and education
- To be a source of quality data and encourage debate on social and economic policy issues
- To support government machinery in recommending policy and procedures to ensure effective delivery of a national agenda



- 1** Focus on governance, accountability and transparency in public expenditure



- 2** Ways and means of how to improve the management of parastatals in Zambia



- 3** Propose policy reforms to ensure greater use and impact of national resources



- 4** Aim to prompt and support action to improve governance and enhance social and economic development in Zambia



OPENING REMARKS

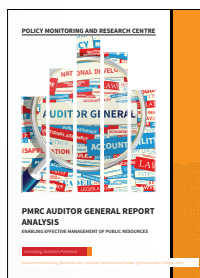


## INTRODUCTION

**ALINESS P. MUMBA** - HEAD OF RESEARCH AND ANALYSIS

POLICY MONITORING AND RESEARCH CENTRE

- Overview of PMRC's research on the Auditor General Report:



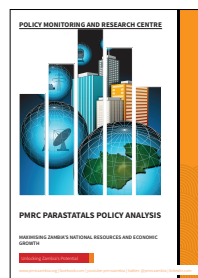
Auditor General  
Report Analysis



In-Depth Ministerial  
Analysis Briefing  
Document



Constituency  
Development Fund  
Policy Analysis



Parastatals Policy  
Analysis

- Why did PMRC undertake this research?



- How was data collection and analysis approached?

All publications available online: [www.pmrzambia.org](http://www.pmrzambia.org)



INTRODUCTION



## OUTLINE OF THE PRESENTATION

POLICY MONITORING AND RESEARCH CENTRE



Overview on Parastatals

Parastatals in Zambia

Significance of Evidence for Zambia Telecommunication Company Limited (ZAMTEL)

The Auditor General Report Overview

Auditor General Findings Explained

Audit Query Categories

Challenges with Parastatals in Zambia

Meaning of the Audit Results

Action Taken to Address the Situation

PMRC Recommendations



OUTLINE



## OVERVIEW: PARASTATALS: WHAT, WHERE AND WHY?

POLICY MONITORING AND RESEARCH CENTRE

### WHAT IS A PARASTATAL?

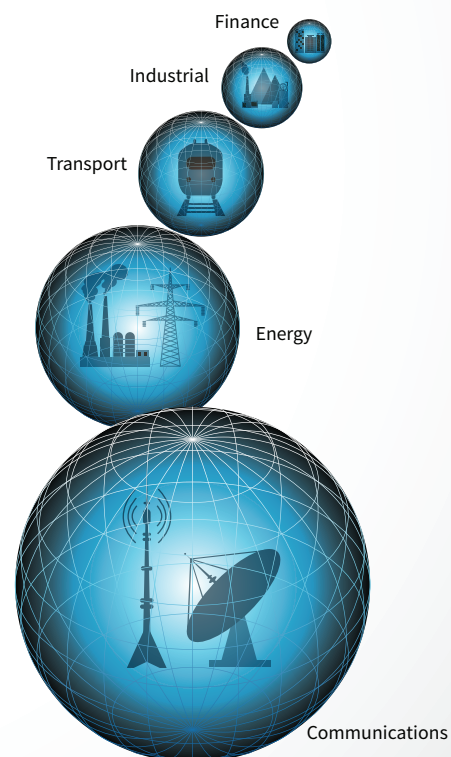
'A legal entity that undertakes commercial activities on behalf of an owner government'

### WHERE DO PARASTATALS OPERATE?

- Play a significant role in economies around the world
- Operate in strategic economic sectors for public policy goals
- Account for 20% of non-agricultural economic activity in low income, developing countries

### WHY DO PARASTATALS EXIST?

- Powerful instruments of social and economic development
- Provide important contributions to gross domestic product
- Main source of urban employment in developing countries
- Contribute to upgrading labour skills and raising social standards



OVERVIEW: PARASTATALS: WHAT, WHERE AND WHY



1

## PARASTATALS IN ZAMBIA

POLICY MONITORING AND RESEARCH CENTRE

The **Zambian Government** has shares in **41 parastatals**



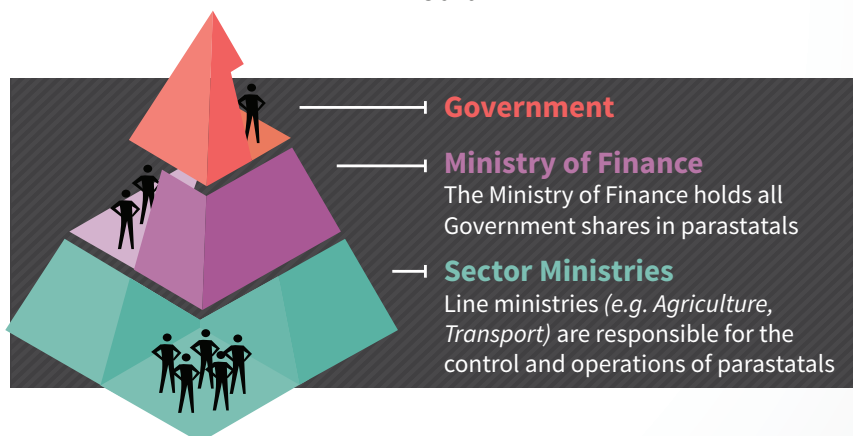
Government is the sole owner of **29 parastatals**



Government shares ownership in **12 enterprises** in Zambia

Additional **parastatal or statutory bodies** exist under the control of sector ministries for regulatory purposes

Parastatals in Zambia dominate some of the key economic sectors including **energy, communications, transport and media**



### POLICY WEAKNESS

There is no overarching law, regulation or guiding policy for the operation or governance of parastatals



PARASTATALS IN ZAMBIA



2

## SIGNIFICANCE OF EVIDENCE FOR ZAMBIA TELECOMMUNICATION COMPANY LIMITED (ZAMTEL)



- A thriving communications' sector with cutting edge information and communication technologies (ICTs, such as telephones and the Internet) offers exciting opportunities for small- and large-scale economic activity.
- Communication lies at the heart of good governance
- ICTs have strengthened transparency, accountability and access to information
- ICTs feature prominently in political and decision making processes- e.g. mobile devices increasingly used to strengthen the integrity and credibility of elections

**MISSION - To provide cost effective and relevant total-communication solutions and services with a focus on customer oriented marketing and maximising of shareholder value.**



SIGNIFICANCE OF EVIDENCE



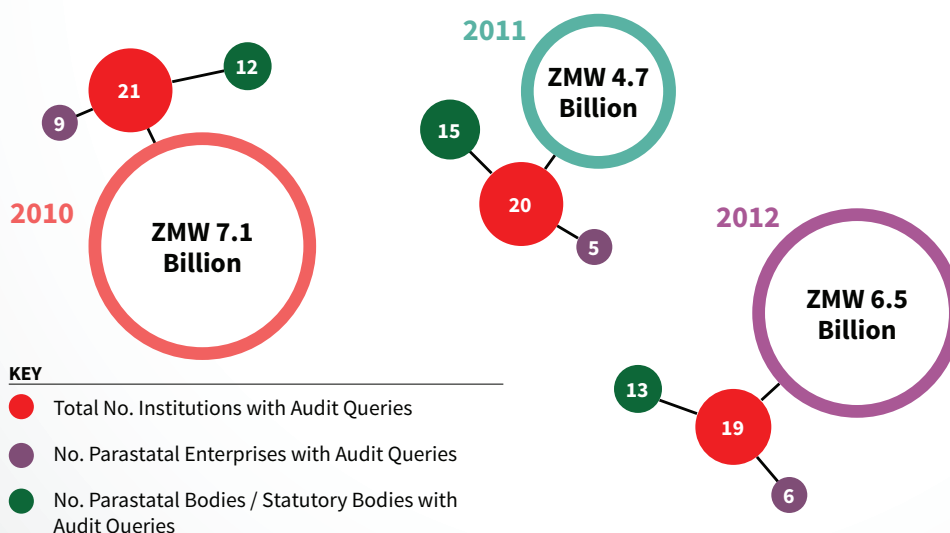
## AUDITOR GENERAL REPORT OVERVIEW

**Analysis of 2010 – 2012 Auditor General Report**

**Focus on listed institutions and audit query amounts**

**Focus on categories of queries**

Over the 3 years under review **ZMW 18.35 Billion** was under query for parastatals in the Auditor General Reports



### NOTE:

- Only high risk institutions audited given budget, time and capacity constraints
- Parastatals are audited on multiple and varying financial years (from 2006 – 2012)
- Audit analysis cannot be utilised to assess trends







AUDITOR GENERAL REPORT OVERVIEW





## AUDIT FINDINGS EXPLAINED

POLICY MONITORING AND RESEARCH CENTRE

PARASTATAL: 2012	YEARS AUDITED	TOTAL (ZMW)	MOST SIGNIFICANT CATEGORY	% OF TOTAL QUERIES
 National Pension Scheme Authority	2011 - 2012	1,997,625,298	Uncollected Debt / Funds	65.92%
 Times Printpak Zambia	2010 - 2012	294,937,015	Non Remittance of Tax	98.94%
 Nitrogen Chemicals Of Zambia	2009 - 2012	242,784,299	Non Remittance of Tax	89.50%
 Zambia Railways Limited	2009 - 2012	230,075,426	Non Remittance of Tax	63.49%

**NOTE:**  
ZAMBIA TELECOMMUNICATION COMPANY LIMITED (ZAMTEL)  
2009-2010:

**K453,060,150.00 - FAILURE TO FOLLOW PROCUREMENT PROCEDURES**

**K84,661,241.78 - UNDER VALUE/IRREGULAR SALE**

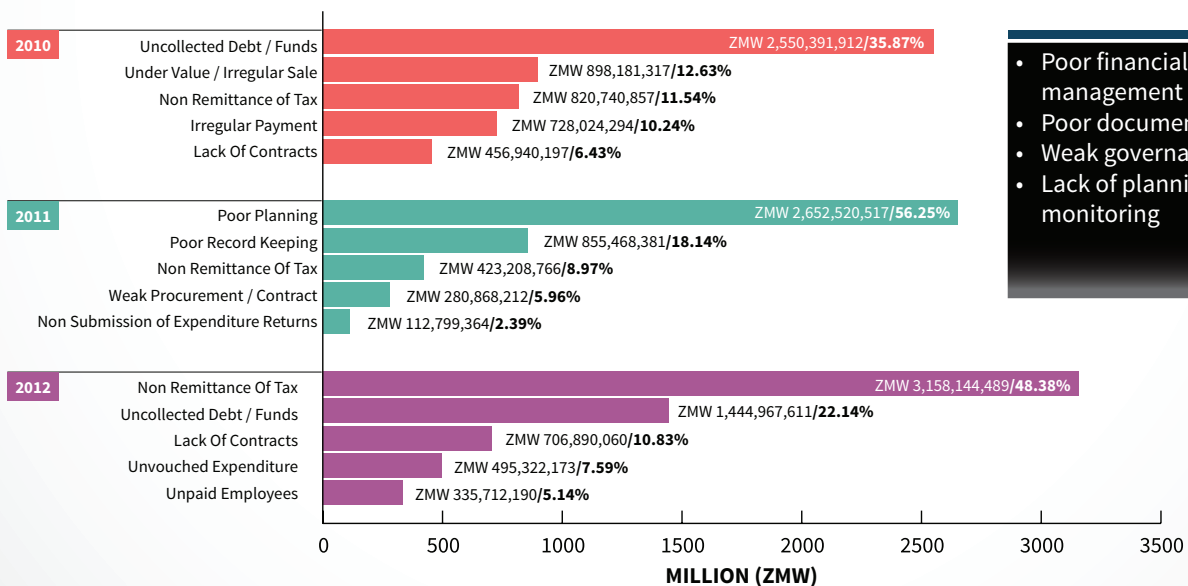
**K 29,299,546.00 - UNCOLLECTED DEBT / FUNDS**

### AUDIT FINDINGS EXPLAINED

## AUDIT QUERY CATEGORIES

POLICY MONITORING AND RESEARCH CENTRE

### TOP 5 QUERY CATEGORIES BY AMOUNT 2010 - 2012



- Poor financial management
- Poor documentation
- Weak governance
- Lack of planning and monitoring

Source: Adapted by Policy Monitoring and Research Centre (PMRC), 2014 from Auditor General's Report 2010-2012

### AUDIT QUERY CATEGORIES

## CHALLENGES WITH PARASTATALS IN ZAMBIA

POLICY MONITORING AND RESEARCH CENTRE



Lack of explicit objectives, targets or performance monitoring for boards or management

Strategic plans are lacking

No specific legislation or plans guiding the supervision and monitoring of parastatals

Excessive government and political interference

Poor reporting, auditing and monitoring and communication to the public

Goals and intentions of parastatals are not clearly defined

Lack of independence and expertise of the board

Weak governance and management with no guiding ownership policy

### POLICY WEAKNESS:

- There is no overarching law, regulation or guiding policy for the operation or governance of parastatals

## CHALLENGES WITH PARASTATALS IN ZAMBIA

7

## WHAT DO AUDIT RESULTS MEAN?

POLICY MONITORING AND RESEARCH CENTRE

### The **Zambian Government**

is not receiving optimal economic returns for its investments

Less than ¼ of parastatals produced dividends between 2010 and 2012

**ZMW 7.47 Billion** was allocated to parastatals between 2010 and 2012 but only **ZMW 58.98 Million** was reported as dividends.

**ZMW 7.47 BILLION**  
ALLOCATED 2010-2012



**ZMW 58.98 MILLION**  
reported as dividends  
in this period

### CONCERNING:

- Recapitalisation of companies
- Upgrades and expansion to serve social and policy objectives
- Key challenges meaning parastatals are unable to sustain operational or capital expenditure

Source: Adapted by Policy Monitoring and Research Centre (PMRC), 2014 from Ministry of Finance

## WHAT DO AUDIT RESULTS MEAN?

8

## WHAT DO AUDIT RESULTS MEAN?

POLICY MONITORING AND RESEARCH CENTRE

Impacts to social and economic development

Zambia is not benefiting from the huge potential of parastatals seen elsewhere in the world



# 204

of the world's **2,000** largest publicly listed firms were identified as parastatals in **2010-2011**

Combined turnovers of these parastatals amounted to **US\$ 3.6 Trillion**

The value of turnovers of these parastatals is tantamount to almost **6%** of the world GDP

Source: Adapted by Policy Monitoring and Research Centre (PMRC), 2014 from OECD Corporate Governance Working Papers, No. 5, OECD Publishing



WHAT DO AUDIT RESULTS MEAN?



## WHAT IS BEING DONE?

POLICY MONITORING AND RESEARCH CENTRE

ACTION	STATUS	COMPLETED
<b>Public Accounts Committee (PAC)</b> reviews highlight need for improvements	Lack of implementation	✗
<b>The World Bank</b> undertook review and identified reforms	Reforms are still in progress or not implemented	✗
<b>The Ministry of Finance</b> drafted a State Owned Enterprise Policy in 2012	Policy not implemented	✗
A new <b>Industrial Development Corporation (IDC)</b> was incorporated in 2014	Minimal progress and lack of clarity on structures, aims or priorities	✗

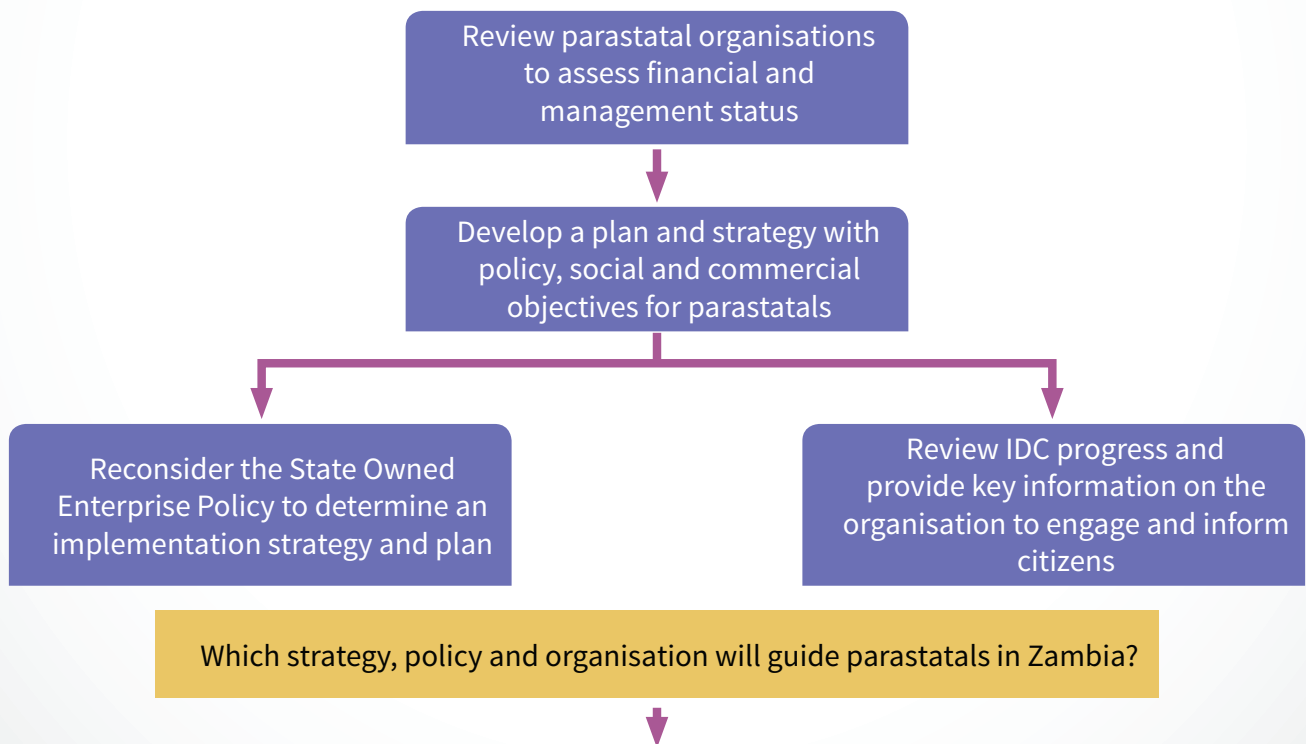


WHAT IS BEING DONE?



## PMRC POLICY RECOMMENDATIONS

POLICY MONITORING AND RESEARCH CENTRE

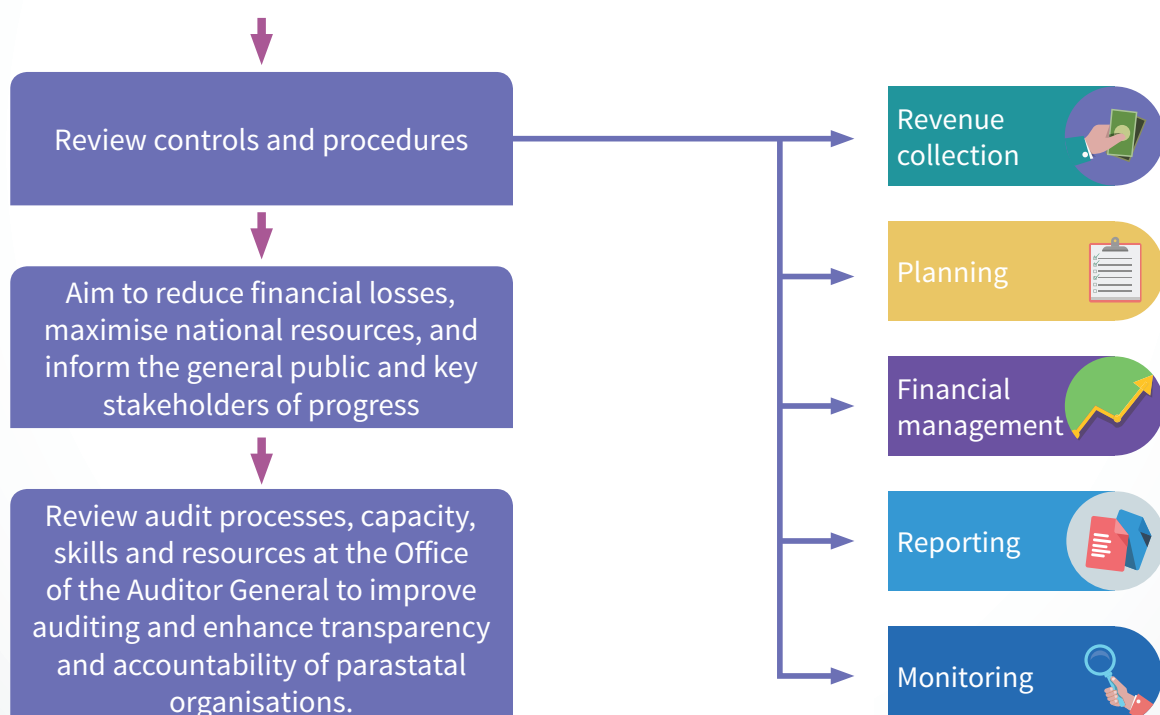


PMRC POLICY RECOMMENDATIONS

11

## PMRC POLICY RECOMMENDATIONS

POLICY MONITORING AND RESEARCH CENTRE



PMRC POLICY RECOMMENDATIONS

12





- PMRC parastatal research advances PMRC stated aims:
  - To promote public understanding
  - To encourage and facilitate debate
  - To support Government machinery in recommending policy and procedures
- Parastatal analysis findings will contribute to ZAMTEL's planning and operations
- Through research, analysis, communication and action we aim to improve governance of national resources in parastatals and contribute to sustainable national development and poverty reduction
- PMRC seeks to explore collaborations opportunities with ZAMTEL



# THANK YOU

**Unlocking Zambia's Potential** Response to this presentation can be sent to: [info@pmrczambia.net](mailto:info@pmrczambia.net)

**Contact**

To learn more about the Policy Monitoring and Research Centre and events please visit:

[www.pmrczambia.org](http://www.pmrczambia.org)

**Subscribe**

To receive email communications please register at:

[www.pmrczambia.org](http://www.pmrczambia.org)

**Engage**

Follow us on Twitter at: [@pmrczambia](https://twitter.com/pmrczambia)

Like Us on Facebook [pmrczambia](https://www.facebook.com/pmrczambia)

Plot No. 32 Sable Road, corner Bishop and Sable Roads, Kabulonga, Lusaka, Zambia, Private Bag KL 10  
Tel: +260 211 268 385 | +260 979 015 660

[HOME](#)