

AUDITOR GENERAL'S REPORT FOR FINANCIAL YEAR ENDING 31ST DECEMBER 2016

INFOGRAPHIC

The Infographic provides a summary of the audit findings for the financial year ending 2016.

INTRODUCTION

On the 2nd of November, 2017, The Report of the Auditor General on the Accounts of the Republic for the financial year ended 31st December 2016 became a public document. The report revealed that a total of **K538 million** was under query in the financial year ending 2016. This amount is a reduction from **K881 million** that was under query in the financial year end 2015.

Although the report shows a general reduction in the amounts of money that came under query the report highlighted significant audit queries of increased incidents for **Unaccounted for Revenues, Misapplication of funds, Unaccounted for Funds and Unretired Accountable Imprest, as well as Unaccounted for Stores.**

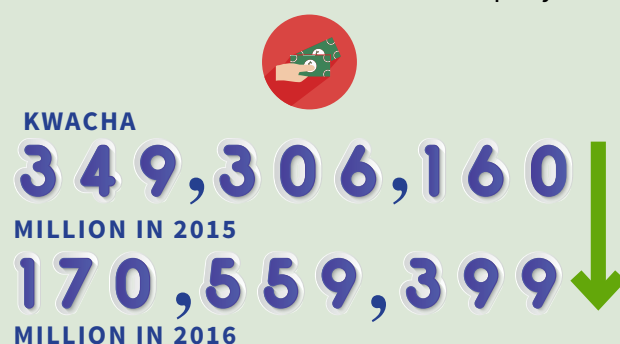
More concerning was Misappropriation of funds which was not reported in 2015 but was reported in the 2016 financial year at K3.6 million.

The 2016 Report highlights a reduction in **Irregular Payments and Undelivered Materials**. Unvouched Expenditure accounted for the highest amount at **K 170 million**, representing **31.5%** of total funds under query. **Unvouched Expenditure occurs when payment vouchers not availed for audit because they are either missing or inadequately supported.** This is concerning especially in view of various calls that have been made to improve public financial management and promote accountability.

SELECTED QUERIES FROM THE 2016 AUDITOR GENERAL'S REPORT

UNVOUCHED EXPENDITURE:

The report revealed that there was a **reduction in unvouched for expenditure** from **K349,306,160 in 2015 to K170,559,399 in 2016**. Unvouched expenditure accounted for **31.7%** of the total amount that came under query.



MISAPPLICATION OF FUNDS:

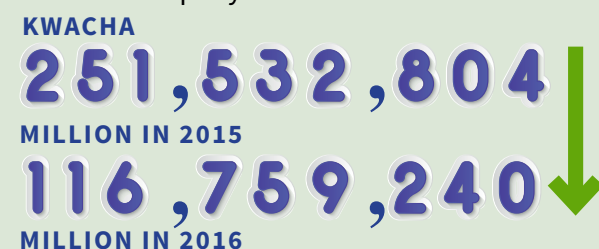
There has been continued Misapplication of funds from budgeted activities to other unbudgeted activities. The report shows an **increase in Misapplication of funds from K28,153,997 in 2015 to K162,095,699 in 2016**. Misapplication of funds accounted for **31.5%** of the 538million that came under query in the 2016 financial year.

Example of Misapplications of Funds:

“The report reveals that the Ministry of Higher Education misapplied over **K8Million** meant for University education and skills development which it channelled to buying of vehicles, office furniture and unrelated things.”

UNDELIVERED MATERIALS:

Although there was a reduction in the incidence of undelivered materials from **K251,532,804 in 2015 to K116,759,240 in 2016**, this irregularity is still of concern because large sums of money are being paid for goods that are not delivered for their intended purposes. Undelivered materials accounted for **26.7%** of the K538 million that came under query.



THE ISSUE OF INTERNAL CONTROLS

If the country is to make positive improvements in use of public funds, Internal controls in MPSAs need to be adequately addressed, as these trends have been observed in the previous AGs reports. Specifically, the weak internal controls observed in MPSAs included the following;

1. Failure by the commercial banks doing business with Government to adhere to the instructions issued by the Government on the opening, renewing and closing of all Government Accounts;
2. Making full payments to suppliers of equipment and other goods and services and contractors in advance;
3. Failure to follow up on all suppliers and contractors who were paid huge amounts of money in advance but have not met the contractual obligations;
4. Weaknesses in the controls on the use of the Integrated Financial Management Information System (IFMIS) and the Treasury Single Account (TSA);
5. Weaknesses in the adherence of commitment control system.

SELECTED EXAMPLE EXTRACTED FROM THE AG REPORT

SELECTED EXAMPLE OF MISAPPROPRIATION OF FUNDS:

The report revealed that after not having misappropriation of funds in 2015 financial year, there was an increase in misappropriation of funds in the 2016 financial year compared to 2014. The irregularities increased from **K4767 in 2014 to K3,618,127**. Misappropriation of funds accounted for **0.7%** of the total amount that came under query in the 2016 financial year.

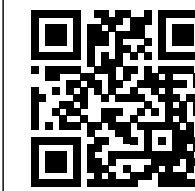
During the period under review, amounts totalling K3,488,327 involving twelve (12) transactions were paid to three (3) officers of the Ministry of General Education. However, there were no explanations and documentations such as payment vouchers, backing sheets and authorities among others availed for audit to support the payments as of July 2017.

BANK STATEMENT DATE	PAYEE	CHEQUE NO	AMOUNT K
04.04.2016	L Bwalya P	438387	290,500
14.04.2016	L B Phiri	438388	320,000
09.05.2016	Bwalya Phiri	438389	289,500
23.05.2016	B Phiri	438390	298,750
17.06.2016	Lawrence Phiri	438391	271,000
08.07.2016	Bwalya Phiri	438392	277,005
Sub Total 1,746,755			
14.01.2016	I Sibajene	428139	296,472
14.01.2016	M Thole	428138	308,250
29.01.2016	Moses Thole	428103	266,550
29.01.2016	L Phiri	428102	240,600
10.08.2016	B Phiri	428129	298,550
15.09.2016	L Bwalya	427659	291,150
Sub Total 1,701,572			
Grand Total 3,448,327			

PREPARED BY

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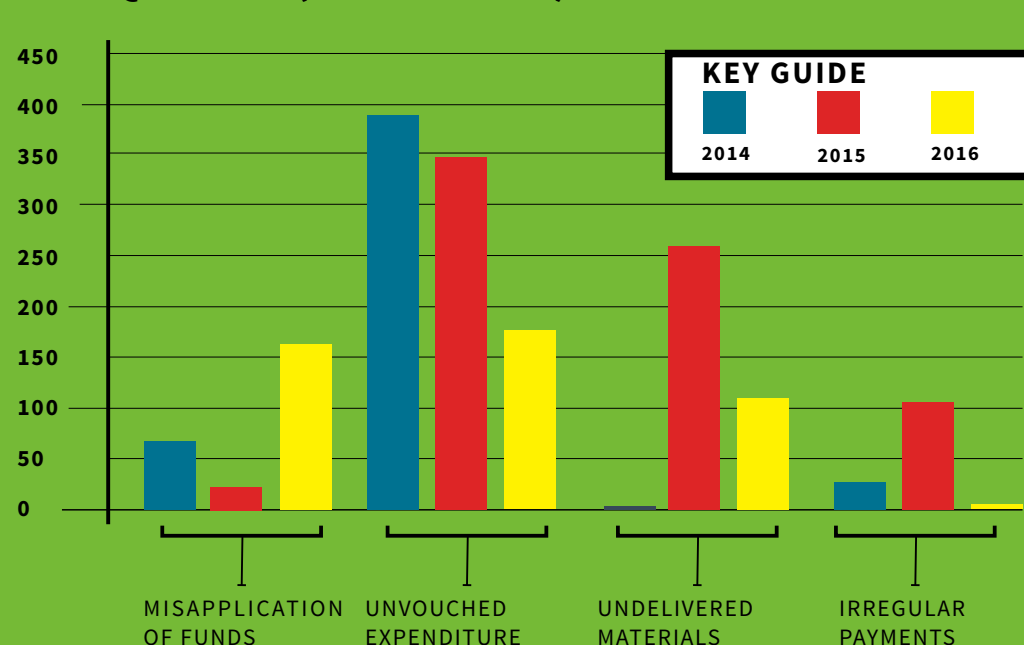
DEFINITIONS OF CATEGORIES USED IN AUDITOR GENERAL REPORT ANALYSIS

CATEGORY	DEFINITION
Failure to follow procurement procedures	Non-Compliance with the ZPPA Act and Procurement guidelines in the purchase of goods and services. This includes lack of correct tender procedures and not obtaining competitive quotes
Irregular payment	Payments made outside the normal practice or acceptable regulations or norms. This includes payments or allowances inappropriately distributed or above allocated funds.
Misapplication of funds	Use of funds budgeted for a programme on an unrelated programme without authority from the Secretary to the Treasury
Misappropriation of funds	Use of public funds for personal purposes or crediting public funds to a private bank account
Non recovery of loans and advances	Failure to effect recovery of loans or advances
Non submission of expenditure returns	No details provided on expenditure resulting from not providing information for funds disbursed for projects or items.
Overpayment	Payments made above the normal price charged
Unaccounted for funds	Failure to properly account for funds, missing from an account, no explanation of where funds have been spent or reasons for withdrawn
Unaccounted for revenue	Revenue not banked, not properly transferred or accounted for
Unaccounted for stores	Lack of receipt and disposal details for goods procured. Includes both fuel and stores
Unretired imprest	Failure to retire funds or monies issued out to facilitate payments of a minor nature when the officer is travelling on duty or to facilitate the purchase of goods and services whose value cannot be ascertained
Unvouched expenditure	Payment vouchers not availed for audit because they are either missing or inadequately supported. This includes the lack of payment vouchers, lack of signed payment vouchers, no receipts backing up payment voucher, no other supporting documents for an expenditure
Wasteful expenditure	Expenditure incurred when there is no benefit derived

PMRC RECOMMENDATIONS

1. PMRC urges the Government to **expedite the revisions to Public Finance Act** to make it more punitive to cases of abuse of public funds; and revisions to the **Public Procurement Act** during this current sitting of Parliament. *These revisions have been delayed despite Government commitment through the Revised Sixth National Development Plan (R-SNDP), the Seventh National Development Plan (7NDP) and the 2017 and 2018 Budgets.*
2. PMRC urges the Government to consider prioritizing **funding to the Auditor General's Office**, this will improve both **efficiency and coverage of the audit**. In 2017 only 58% of funds allocated towards the Recurrent Departmental Charges to audit the accounts for 2016 financial year was released. This poses challenges for the Office with regards to executing its mandate. Funds invested in the Auditor General's Office can be recouped through savings resulting from improved public financial management.
3. Finally, PMRC calls for the **Review of internal controls of Audit Committees in all Ministries, Provinces and spending Agencies (MPSAs)** in order to have enhanced Corporate Governance through financial management, reporting and monitoring.

TOP QUERIES (K'MILLIONS)



OTHER QUERIES (K'MILLIONS)

