

INTRODUCTION

On the 30th of November 2017, the Report of the Auditor General on Accounts of Parastatal Bodies and other Statutory Institutions for the financial years ended 31st December 2013, 2014, 2015 and 2016 was released to the public. The report indicated fourteen institutions (five parastatals and nine statutory institutions) that had not produced audited financial statements for the financial years up to 31st December 2016. The report also indicated twenty-two institutions (two parastatals and twenty statutory institutions) with audit queries.

DEFINITIONS

A **Statutory Body** is established by Acts which Parliament and state legislatures can pass. They are generally established to perform specific functions which a Government considers effectively performed outside the traditional departmental executive structure.

Examples of *statutory bodies in Zambia include; Food Reserve Agency (FRA), Zambia National Broadcasting Corporation (ZNBC), National Pension Scheme Authority (NAPSA), Electoral Commission of Zambia (ECZ), Eastern Water and Sewerage Company among others.*

A **Parastatal** is a legal entity that undertakes commercial activities on behalf of a Government. Examples of Parastatals in Zambia include **ZESCO Limited, Zambia Daily Mail, Indeni Petroleum Product Limited, Mulungushi International Conference Centre, Zamtel Limited** among others.

According to the Auditor General's report, out of the twenty-five Parastatals under the Industrial Development Corporation (IDC) portfolio, in which IDC holds 60.7% - 100% shareholding, only two Parastatals (**Mulungushi Village Complex and Indeni Petroleum Products Limited**) declared dividends for the year 2016 in amounts totalling **K7,600,000**. In addition, two out of seven institutions in which IDC had shareholding between 14.27% - 50% had declared dividends in amounts totalling **K16,760,000**

The most significant internal control lapses were;

CATEGORY	DEFINITION
Non preparation of financial statements	Failure to prepare a formal record of the financial activities and financial position of an entity.
Failure to remit statutory contributions	Failure to pay tax obligations to Zambia Revenue Authority (ZRA) and National Pensions Scheme Authority (NAPSA).
Weakness in procurement procedures	Failure to implement a project, delays in projects, poor workmanship resulting in faults (structures / roads etc).
Irregular payments	Payments made outside the normal practice or acceptable regulations or norms, this includes payments or allowances inappropriately distributed or above allocated amounts.
Poor financial performance	Inability of an entity to use assets from its primary mode of business and generate revenues.

The most significant audit issues were;

CATEGORY	DEFINITION
Non Remittance of Statutory Contributions	Failure to pay tax obligations to Zambia Revenue Authority (ZRA) and National Pensions Scheme Authority (NAPSA).
Unsupported Payments	Payment vouchers not availed for audit because they are either missing or inadequately supported. This includes the lack of payment voucher, lack of signed payment voucher, no receipt backing up payment voucher, no other supporting documents for an expenditure.
Unaccounted Stores	Lack of receipts and disposal details for goods procured. Includes both fuel and stores.
Unretired Imprest	Failure to retire funds or monies for audit because they are either missing or inadequately supported.
Missing Payment Vouchers	Lack of signed payment voucher, no receipt backing up payment voucher, no other supporting documents for an expenditure.
Wasteful Expenditure	Expenditure incurred when there is no benefit derived.
Failure to submit Expenditure Returns	No details provided on expenditure, funds disbursed for a particular project or item but no further information provided.
Irregular Issuance of Fuel	Drawing fuel without authorisation, claiming fuel allowances twice through different systems, drawing fuel for incorrect vehicles.
Irregular Procurements	Procurement made outside the normal practice or acceptable regulations or norms, which includes procurement of items above allocated amounts
Undelivered Stores	Stores not delivered to appropriate places when already paid for, or items not collected.
Irregular Payments	Payments made outside the normal practice or acceptable regulations or norms, this includes payments or allowances inappropriately distributed or above allocated amounts.
Loss on Non Revenue Water	These are losses incurred as a result of the difference between the quantity of treated water distributed in the network and the quantity of water actually billed.
Failure to Recover Loans	Fees or monies due not collected effectively, reducing funds available.

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

REPORT OF THE AUDITOR GENERAL
ON THE ACCOUNTS OF PARASTATAL BODIES AND STATUTORY INSTITUTIONS FOR
THE FINANCIAL YEAR ENDING 2013 TO 2016

ADAPTED BY

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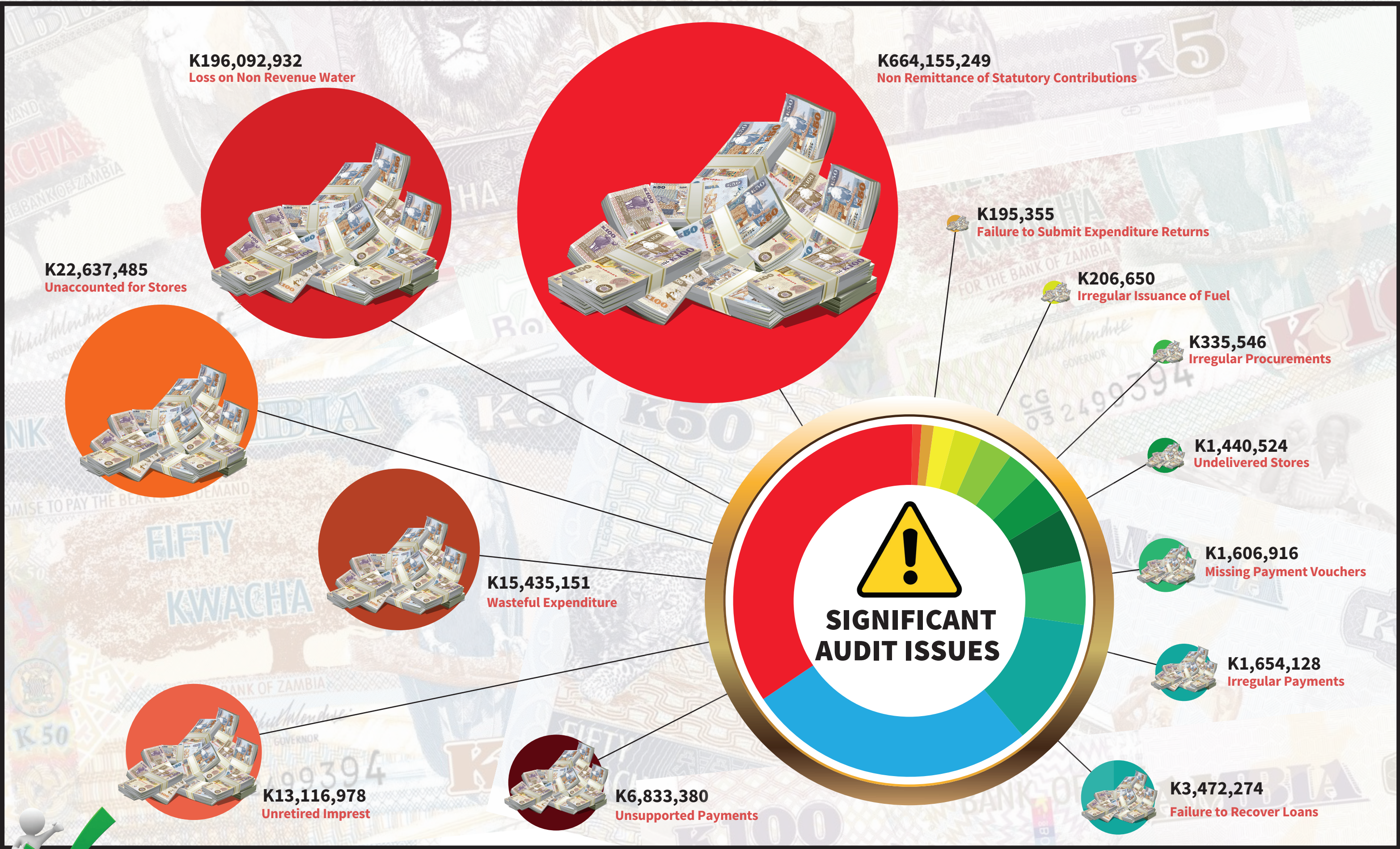


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INFOGRAPHIC

The report recorded a total of amount of **K927,182,568** as audit queries



PMRC RECOMMENDATIONS

1. An effective routine mechanism should be put in place by ZRA and other taxation authorities to ensure that all Parastatals and Statutory Bodies remit their statutory contributions.
2. The principles of corporate governance such as maintaining a full board composition, ensuring accountability and transparency as well as the existence of a fully functioning audit committee must be embedded in the running of all Parastatals and Statutory Bodies.
3. Staff members of Parastatals and Statutory Bodies that fail to produce financial statements, or record audit queries must in accordance with the **Public Finance Act**, be made to account for their failures.
4. All Parastatals and Statutory Bodies should implement the **Internal Control Integrated Framework** which is expected to help organizations design and implement internal controls in light of many changes in business and operating environment.
5. There should be a thorough assessment that should be undertaken to assess the status and performance of Parastatals. This would further assist the IDC with planning for the Parastatals on how they can be efficient in areas of concern.