REPORT

of the

Auditor-General

for the

FINANCIAL YEAR ENDED DECEMBER 31, 2016

ON

STATE ENTERPRISES AND PARASTATALS

Presented to Parliament of Zimbabwe: 2017
The Hon. P. Chinamasa  
Minister of Finance and Economic Development  
New Government Complex  
Samora Machel Avenue  
Harare  

Dear Sir,

I hereby submit my Report on the audit of State Enterprises and Parastatals in terms of Section 309(2) of the Constitution of Zimbabwe read together with Section 10(1) of the Audit Office Act [Chapter 22:18], for the year ended December 31, 2016.

Yours faithfully,

M. CHIRI,  
AUDITOR-GENERAL.

HARARE  
June 14, 2017
OAG Vision
To be the Center of Excellence in the provision of Auditing Services.

OAG Mission
To examine, audit and report to Parliament on the management of public resources of Zimbabwe through committed, motivated, customer focused and well trained staff with the aim of improving accountability and good corporate governance.

OAG VALUES

RESPECT
Accepting mutual and reciprocal individuals' self-esteem, diversity of view and need for recognition and acknowledgement of the office structures, processes and authority.

COMMITMENT
Self-driven, promise keeping to foster mastery in customer service delivery thereby leaving a legacy of being visionaries.

INTEGRITY
Being transparent, trustworthy and fair in order to guarantee professionalism and goal congruence in our daily conduct.

ACCOUNTABILITY
Responsibility of giving assurance on the effective use of public resources and answerable for individual actions.

TEAMWORK
Results-oriented contribution each one of us makes through inspiration, creativity, chemistry and effectiveness.

EMPATHY
Empathetic support and encouragement within the OAG family.
LIST OF ACRONYMS

1. ARDA- Agricultural and Rural Development Authority
2. CAAZ- Civil Aviation Authority of Zimbabwe
3. GMB- Grain Marketing Board
4. IAASB- International Auditing and Assurance Standards Board
5. IFRS- International Financial Reporting Standards
6. ISSAI- International Standards of Supreme Audit Institutions
7. ISA- International Standards on Auditing
8. IT- Information Technology
9. MMCZ- Minerals Marketing Corporation of Zimbabwe
10. NOIC- National Oil Infrastructure Company of Zimbabwe
11. NAC- National AIDS Council
12. NRZ- National Railways of Zimbabwe
13. NSSA- National Social Security Authority
14. OAG- Office of the Auditor General
15. PAYE- Pay As You Earn
16. POSB- People’s Own Savings Bank
17. POTRAZ- Postal and Telecommunication Regulatory Authority of Zimbabwe
18. RBZ- Reserve Bank of Zimbabwe
19. RIB- Removal in Bond
20. RIT- Removal in Transit
21. RTGS- Real Time Gross Transfer
22. SAP- Systems, Applications and Products
23. SPB- State Procurement Board
24. TIMB- Tobacco Industry and Marketing Board
25. TIP- Temporary Import Permit
26. VAT- Value Added Tax
27. ZBC-Zimbabwe Broadcasting Corporation
28. ZIA- Zimbabwe Investment Authority
29. ZIMDEF- Zimbabwe Manpower Development Fund
30. ZIMPOST- Zimbabwe Posts (Private) Limited
31. ZIMRA- Zimbabwe Revenue Authority
32. ZIMSTATS- Zimbabwe National Statistics Agency
33. ZINARA- Zimbabwe National Roads Administration
34. ZINWA -Zimbabwe National Water Authority
35. ZMDC- Zimbabwe Mining Development Corporation
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EXECUTIVE SUMMARY

Audit mandate

My duties as set out in the Constitution of Zimbabwe and amplified in the Audit Office Act [Chapter 22:18] are, in addition to examining, auditing and reporting on accounts of all persons entrusted with public monies or state property, to audit all institutions and agencies of government, and at the request of government carry out special audits of the accounts of any statutory body or government controlled entity.

Audit approach

I conducted my audit in accordance with the International Standards on Supreme Audit Institutions (ISSAIs) and the International Standards on Auditing (ISAs). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. My audit approach was designed to enable me to express an opinion on the State Enterprises and Parastatals’ financial statements for the year ended December 31, 2016.

I adopted the International Auditing and Assurance Standards Board (IAASB)’s new and revised Audit Reporting Standards which became effective for periods ending on or after December 15, 2016. The main feature of the new long form audit report requires the auditor to communicate key audit matters to those charged with governance of the entity. Key audit matters are those matters that, in the auditor’s professional judgment, were of most significance in the audit of the financial statements. Key audit matters are not included in this report, but they form part of individual public entity audit report.

All aspects of the entities’ activities and procedures may not have been examined. I consider maintenance of adequate internal controls to be the responsibility of management. My work cannot therefore, be expected to identify all weaknesses in the systems and procedures, which a special investigation directed at those areas might reveal. As to the possibility of fraud, I plan my audit to have a reasonable expectation of its disclosure if the potential effects of the fraud would be material in the financial statements. However, there are many kinds of fraudulent activities, particularly those involving defalcation, forgery, collusion and management override of controls, which would be unreasonable to expect the normal audit to uncover. The principal objective of my audit procedures is to enable me to express an opinion on the truth and fairness of the financial statements as a whole. An audit opinion is based on the concept of reasonable assurance. It is not a guarantee that the financial statements are free of misstatements.

Financial reporting framework

All the State Enterprises and Parastatals financial statements are prepared in accordance with International Financial Reporting Standards as provided for by the Public Finance Management Act [Chapter 22:19]. The entities are responsible for the preparation and fair
presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS).

The report outlines material audit findings noted during the audits of the financial statements of the State Enterprises and Parastatals. The audit findings are classified under:

- Governance Issues,
- Revenue Collection, Management and Debt Recovery,
- Procurement of Goods and Services, and
- Employment Costs.

Also included under each audited account are possible risks/implications associated with the audit findings, audit recommendations, management responses in respect of the findings, audit comments to management responses where necessary. I also made a follow up on my prior year recommendations and reported on the progress made in addressing the prior year findings.

Although some of the issues identified are common within the audited entities, the majority of the findings are not the same due to the nature, uniqueness and varying mandates of the entities. The highlights are summarised below.

1. **GOVERNANCE ISSUES**

   As a result of my audit of State Enterprises and Parastatals I issued the following opinions; disclaimer of opinions 3, adverse opinions 3, qualified opinions 10, and unqualified/clean opinions 62.

   Entities with adverse and disclaimer of opinions point at weak financial governance.
Whilst there has been a general improvement in the area of corporate governance in the public sector, some extreme cases of weak corporate governance practices were noted.

MMCZ did not have a fully constituted board since 2013. Furthermore, the Corporation incurred expenditure on donations amounting to $2,989,913 that exceeded the approved budget of $250,000.

The GMB diverted grain purchase funds amounting to $7.9 million to non-related activities.

The Zimbabwe Youth Council did not avail supporting documents for audit for the period January 2009 to June 2010, furthermore, the Youth Council received $362,000 in donations for which it could not avail supporting documents for expenditure.

Litefold Engineering (Private) Limited, a subsidiary of Small and Medium Enterprises Development Corporation (SMEDCO) did not maintain proper books of accounts since introduction of the multi-currency system.

There was continued non-compliance with statutory requirements. Some fringe benefits were processed outside the payroll and not subjected to tax. These cases were noted for ZIMRA, CAAZ, ZINARA, MMCZ and National Museums and Monuments.

I noted instances of un-vouched expenditure in some entities. ZINARA could not support project expenditure amounting to at least $2.1 million and ZIMSTATS could not support census expenditure amounting to $28 million.
2. **REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY**

   The challenge that continued to face most of the State Enterprises and Parastatals included weak controls over the generation, receipting, collections and follow up on outstanding revenue.

   Net*One Cellular (Private) Ltd in its cash account wrote off $159 000 of under bankings and also could not account for $90 000 cash. The entity failed to recover $11 million from a related party whose main shareholders included Net*One management.

   ZETDC last carried out meter readings for some properties in 1984 and total negative bills amounted to $60 million. Furthermore, 333 members of staff had negative bills. ZIMRA’s records showed that 29 000 TIPs with a potential duty of $42 million were yet to be acquitted.

   The administration of leases continued to lack transparency as noted with the Zimbabwe Parks and Wildlife Management Authority. In a notable case, lease fees for a hunting concession were revised from $1.1 million to $650 000 without the required documentation.

3. **PROCUREMENT OF GOODS AND SERVICES**

   There were issues noted that ranged from lack of due diligence in procurement to noncompliance with procurement regulations which include the following:

   CMED (Private) Limited procured 1 million litres of fuel without going to tender. TIMB incurred excess escalation costs amounting to $7 million not sanctioned by SPB. GMB procured goods and services worth $1.5 million without following tender procedures.

   NRZ procured goods worth $1.4 million that were not delivered, some of these date back as far as 2011.

4. **EMPLOYMENT COSTS**

   ZINARA paid its management amounts in excess of what was provided in their contracts.

5. **IMPLEMENTATION OF PRIOR YEAR AUDIT RECOMMENDATIONS**

   I noted some improvements in the implementation of prior year audit recommendations by some entities and there was room for improvement in some areas.

6. **CONCLUSION**

   The audit findings warrant the attention of management and those charged with governance. The audit revealed that most of the weaknesses emanate from governance issues, revenue collection, debt recovery, employment costs and procurement of goods and services.
PUBLIC ENTITIES UNDER THE CATEGORY OF AUTHORITIES AND AGENCIES.
BACKGROUND INFORMATION

The Agricultural Marketing Authority was formed to regulate, supervise, develop and administer the marketing of agricultural products. The Authority is guided by the Agricultural Marketing Authority Act [Chapter 18:24], Statutory Instrument 63 of 2011 and Statutory Instrument 140 of 2013.

I have audited the financial statements of the Agricultural Marketing Authority for the year ended December 31, 2016 and I issued an unmodified/clean opinion.

OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Agricultural Marketing Authority as at December 31, 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below is a material issue noted during the audit.

1. GOVERNANCE ISSUES

1.1 Board composition

Finding

The board did not have an agricultural economist as stipulated in the Agricultural Marketing Authority Act [Chapter 18:24]. The appointing authority was taking long to appoint this critical member and no justifiable reasons were given.

Risk / Implication

Non-compliance with the Agricultural Marketing Authority Act.

Lack of adequate oversight by the board in the related area.

Recommendation

The appointing authority should ensure that an agricultural economist is appointed to the board.

Management response

Noted. We have raised the issue with Ministry. We are waiting for their guidance.
Background information

The Agricultural and Rural Development Authority was established on July 01, 1982 through the Agricultural and Rural Development Authority Act [Chapter 18:01] and its primary role is to spearhead the advancement of Agricultural Production and Rural Development in Zimbabwe.

I have audited the financial statements of the Agricultural and Rural Development Authority for the years ended December 31, 2011, 2012 and 2013 and I issued an adverse opinion.

Basis for Adverse opinion

Inventory count

I did not observe the counting of physical inventories stated at $227,522 as at December 31, 2011. I was unable to satisfy myself as to the inventory quantities at that date by other audit procedures. Since opening inventories enter into the determination of the financial performance and cash flows, I was unable to determine whether adjustments to profit for the year and net cash flows from operating activities might be necessary.

Financial records for Sanyati Estate and Katiyo Estate

The Authority did not maintain accounting records for Sanyati Estate and Katiyo Estate in the years under review. The balances that have been included in the statement of financial position for Sanyati Estate were as at December 31, 2010 and those for Katiyo Estate were as at December 31, 2011. The Estates were operating but no entries have been included in the financial records. As a result of unavailability of the records for Sanyati and Katiyo Estate, I was unable to satisfy myself using alternative procedures on the completeness and accuracy of amounts presented in the financial statements of the Authority. In these circumstances, I was unable to carry out all the auditing procedures I considered necessary for my audit.

Movement of non-distributable reserve

I was unable to obtain supporting documentation relating to the movement on the non-distributable reserve. Consequently, I was unable to satisfy myself on the accuracy of the reserve using alternative auditing procedures.

Adverse Opinion 2011

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of
Agricultural and Rural Development Authority as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Adverse Opinion 2012**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of Agricultural and Rural Development Authority as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Adverse Opinion 2013**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of Agricultural and Rural Development Authority as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Emphasis of matter**

Without further qualifying my opinion, I draw your attention to the fact that the Authority incurred a loss for the year of $5 730 825 for the year ended December 31, 2013 (2012: $6 387 861, 2011: $6 985 242). As at that date, the Authority’s current liabilities exceeded its current assets by $3 237 881 (2012: $10 203 142, 2011: $8 963 549). These conditions indicate a material uncertainty which may cast significant doubt on the ability of the entity to continue as a going concern.

However, the following are other material issues noted during the audit.

1. **GOVERNANCE ISSUES**

1.1. **Accounting records for Sanyati Estate and Katiyo Estate**

**Finding**

Financial records for Sanyati and Katiyo estates for the period under review were not availed for audit. Management represented that a proper hand over and take over exercise was not performed when the Sanyati estate’s accountant left the employment of the estate.

**Risk/Implication**

Misstatement of financial statements.

Irregularities and fraud may not be detected in the absence of financial records.
**Recommendation**

Management should ensure that records for estates are maintained and availed for audit.

Proper handover and takeover processes should be performed when an employee leaves the employ of the Authority.

**Management response**

*During the period audited (2011-2013) the Estate was under a Joint Venture (JV), called Gameloft Investments (Private) Ltd which did not perform to our expectation. The JV was terminated on 31/12/2013. In fact, the Joint Ventures at ARDA Sanyati Estate and ARDA Katiyo Estate suffered a still birth due to various technicalities. Among them is that our 51% Equity Value based on Assets transfers and values thereof were not concluded completely and hence financials were not prepared for the period 2011 to 2013 by the Partner. For consolidation purposes, the External Auditors were therefore provided with terminal accounts as at 31/12/2010.*

1.2. **Recurring operating losses**

**Finding**

The Authority incurred recurring operating losses amounting to $19 103 928 during the three (3) years ended December 31, 2011, 2012 and 2013. As at December 31, 2013, the Authority’s current liabilities exceeded its current assets by $3 237 881 (2012: $10 203 142, 2011: $8 963 549). The table below contains details:

<table>
<thead>
<tr>
<th>Year</th>
<th>Loss $</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>6 985 242</td>
</tr>
<tr>
<td>2012</td>
<td>6 387 861</td>
</tr>
<tr>
<td>2013</td>
<td>5 730 825</td>
</tr>
<tr>
<td>Total</td>
<td><strong>22 988 102</strong></td>
</tr>
</tbody>
</table>

**Risk/Implication**

The Authority may fail to continue offering sustainable service delivery.

**Recommendation**

There should be a comprehensive review of the crops and livestock that the Authority is currently growing and rearing.

The Board and Management should also evaluate the operations of each and every estate and operational centre to determine if it is still essential and contributing positively to the Authority as a whole, Board and Management should consider downsizing loss making and non-strategic operations and estates.
Management response

The observation has been noted. Our fruitless efforts to obtain shareholder funding since inception of the multicurrency regime in 2009 negatively affected most of our operations on the ground. The Authority ended up having to borrow from banks at high interest rates in most of the various Estates during this period. Those not borrowed were operating at below capacity resulting in the recorded losses. Again, those with established facilities suffered delayed receipt of inputs arranged by the bankers, a situation compounded by frequent breakdown of aged irrigation infrastructure of the sprinkler based systems. In addition, as a result of revaluation of the Authority`s major fixed assets in 2010, a larger than expected depreciation expense has been carried and enhanced the losses over those years. However, the adverse trend is now expected to reverse mainly due to the adoption of the current funding approach through the Public Private Partnerships (PPP’s) concept and the staff rationalization programme undertaken during the year 2015. Effective downsizing, especially labor and cost cutting measures have since been implemented on all Estates. The resultant impact should be felt in 2014 onwards.
Background information

Civil Aviation Authority of Zimbabwe was incorporated in Zimbabwe in terms of the Civil Aviation Act \([\text{Chapter 13:16}]\). The Authority was established to promote the safe, regular and efficient use and development of aviation inside and outside Zimbabwe and to advise the Government on all matters relating to domestic and international civil aviation.

I have audited the financial statements of Civil Aviation Authority of Zimbabwe for the year ended December 31, 2016 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Civil Aviation Authority of Zimbabwe as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Board allowances

Finding

The Authority’s board members received monthly fuel allowances during the year under review which were processed outside the payroll system and were not subjected to Pay as You Earn (PAYE) in violation of the Income Tax Act \([\text{Chapter 23:06}]\).

Furthermore, I noted that the board members were receiving monthly cell phone allowances amounting to $200 each which were subjected to withholding tax instead of Pay as You Earn (PAYE).

Risk/Implication

Financial loss as a result of penalties and fines for non-compliance with tax regulations.

Recommendation

All benefits and allowances should be processed through the payroll and subjected to PAYE in line with the Income Tax Act \([\text{Chapter 23:06}]\).

Management response

The audit observation is noted. Management will engage the Board and implement the audit recommendation in order to comply with the provision of Income Tax Act \([\text{Chapter 23:06}]\).
1.2 **Joshua M.N. Nkomo Airport sewer project**

**Finding**

The Authority embarked on a project of sewage ponds in October 2012 and paid $226 690. The project was not completed and there may be need to rework some of the work when the project resumes.

**Risk/Implication**

Financial loss due to project cost overruns as a result of reworks.

**Recommendation**

The Authority should ensure projects are completed in time to avoid unnecessary additional costs due to reworks.

**Management response**

The sewer works were a component of the JMN Nkomo Terminal upgrading. The Authority had set targets for completion of the project. However due to severe financial constraints some components of this project were affected. The authority has since secured funds to complete the sewer work this financial year.

1.3 **Deemed benefits**

**Finding**

Employees at Victoria Falls Airport were staying in Authority rented houses with rental deductions below the rentals paid by the Authority. The deemed housing benefits that accrued to the employees were not taxed contrary to Income Tax Act [Chapter 23.06], which states that any amount paid or benefit accruing to an employee or on behalf of an employee by the employer as salary, benefit or advantage forms part of the employee’s remuneration and should be taxed. Below are the details of a sample of such employees:

<table>
<thead>
<tr>
<th>Employee number</th>
<th>Rental payments per month</th>
<th>Rental Deductions</th>
<th>Difference (Deemed Benefit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>991237</td>
<td>$400</td>
<td>$70</td>
<td>$330</td>
</tr>
<tr>
<td>991369</td>
<td>$400</td>
<td>$70</td>
<td>$330</td>
</tr>
</tbody>
</table>

**Risk / Implication**

Financial loss due to penalties and interests imposed by ZIMRA for failure to comply with the requirements of the Income Tax Act [Chapter 23.06].

**Recommendation**

Management should ensure that all employee benefits, allowances and advantages are taxed in accordance with the legislation.
Management response

Due to the shortage of accommodation for all staff within Victoria Falls Airport, and also shortage of accommodation within Victoria Falls Town, the Organisation has committed to pay rentals on behalf of members of staff who are not staying in institutional accommodation, either at the airport or in town.

The two highlighted above represent those whose rental is being paid by the Authority.

1.4 Fuel allowance

Finding

Some of the Authority’s employees received fuel allowances during the year under review which were not subjected to Pay as You Earn (PAYE) in violation of the Income Tax Act [Chapter 23:06]. The fuel allowances received were as follows:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Fuel allowance per month in litres</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>250</td>
</tr>
<tr>
<td>14</td>
<td>250</td>
</tr>
<tr>
<td>13</td>
<td>200</td>
</tr>
<tr>
<td>11-12</td>
<td>150</td>
</tr>
</tbody>
</table>

Risk/Implication

Financial loss as a result of penalties and fines for non-compliance.

Recommendation

All benefits and allowances should be processed through the payroll and subjected to PAYE in line with the Income Tax Act [Chapter 23:06].

Management response

The audit observation is noted. Managers have a motor vehicle benefit on the payroll for tax purposes which management understood that covered the fuel provided for the personal issue vehicle in question. However, Management will take corrective action if this understanding is erroneous.
2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 Accounts receivables

Finding

The tenants at JM Nkomo were owing the Airport for utility bills which were being settled by the Authority on a monthly basis, hence burdening the financial cash flows of the Authority. The table below shows:

<table>
<thead>
<tr>
<th>Utility</th>
<th>Amount owing $</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>58 554</td>
<td>Some clients owe as much as $ 7 125.</td>
</tr>
<tr>
<td>Electricity</td>
<td>246 357</td>
<td>There is a tenant that owes $ 108 838.</td>
</tr>
</tbody>
</table>

Risk/Implication

Financial loss due to debts owed by the airline as well as financing the activities of commercial clients (tenants).

Recommendation

Management should put in place mechanisms to collect the debts.

The Authority should consider the installation of prepaid meters for all its utilities as well as engaging the management agent so that collection is accelerated.

Management response

The airport is pursuing the installation of prepaid meters to our commercial clients. Efforts will be made to engage the management agent to accelerate collections.

3. EMPLOYMENT COSTS

3.1 Grossing up of allowances

Finding

The Authority grossed up the holiday and clothing allowances. I was not provided with the board approval allowing such practice nor was such grossing up included in the contracts of the managers.

<table>
<thead>
<tr>
<th>Allowance</th>
<th>Manager</th>
<th>Amount as per policy or contract or invoice $</th>
<th>Amount entered in the payroll $</th>
<th>Total Amount prejudiced $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing</td>
<td>27 Managers</td>
<td>9 720</td>
<td>14 066</td>
<td>4 346</td>
</tr>
<tr>
<td>Holiday</td>
<td>4 Managers</td>
<td>8 558</td>
<td>12 284</td>
<td>3 826</td>
</tr>
</tbody>
</table>
Risk/Implication
Financial loss to the Authority since it is paying taxes on behalf of its employees.

Recommendation
The Authority should adhere to the benefits and allowances as stipulated in the contracts of employment.

Management response
The audit observation is noted. The allowances were provided net of tax and the employer paid the tax hence the grossing up.
NATIONAL SOCIAL SECURITY AUTHORITY (NSSA) 2016

Background information

The National Social Security Authority is a corporate body that was established in terms of the National Social Security Authority Act, [Chapter 17:04], to establish Social Security Schemes for the provision of benefits to contributors of the schemes. It has the mandate to administer the Pension and Other Benefits Scheme, the Accident Prevention and Workers Compensation Scheme and Schemes to be established in terms of the Act. These financial statements are in respect of the Authority as a whole (consolidation of the two schemes and the subsidiaries) and separate financial statements have been prepared for the individual schemes.

I have audited the financial statements of National Social Security Authority for the year ended December 31, 2016 and I issued an unmodified/clean opinion with an emphasis of matter paragraph. However, at the time of my report, the financial statements had been sent for signature.

Opinion on the Group’s financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Social Security Group as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion on the Authority’s financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Social Security Authority as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion on the Pension and Other Benefits Scheme’s financial statements

In my opinion, the Scheme’s financial statements present fairly, in all material respects, the financial position of the Pensions and Other Benefits Scheme as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion on the Accident Prevention and Workers’ Compensation Scheme’s financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Accident Prevention and Worker’s Compensation Scheme as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.
Emphasis of matter

Without qualifying my opinion, I draw your attention to the fact that Capital Bank results have not been included in the consolidated financial statements. The Bank’s operating license was withdrawn by the Reserve Bank of Zimbabwe after the major shareholder had opted for voluntary liquidation due to recurring and unsustainable losses. The liquidation process is yet to be initiated as the matter is before the courts following an objection by minority shareholders. No final determination has been given with regards to the value of assets and liabilities held by the Bank as no financial information was available.

However, the following are other material issues noted during the audit.

1. **GOVERNANCE ISSUES**

1.1 **Information Technology steering committee**

**Finding**

The Authority did not have an IT steering committee which sits to deliberate and monitor IT operations and deliverables. Decisions which are best made by a steering committee composed of executives in the organisation are left to the IT department. There was a committee which was usually setup for projects but there was no IT steering committee which meets regularly to discuss the overall department’s operations.

**Risk/Implication**

Oversight for the department is left to the Head of IT and may not always be carried out effectively.

Authority’s vision and direction may not be adequately pursued.

**Recommendation**

NSSA requires an IT steering committee to provide oversight on the drafting, implementation and adherence to IT policies and strategies.

An IT steering committee should be constituted and made responsible for IT oversight and control. It should also be made responsible for monitoring progress against agreed upon targets.

**Management response**

The recommendation is noted and will be discussed at the ICT Board committee before implementation.
The Authority also has an ICT Board Committee which meets 4 times a year to deliberate on ICT operations, and deliverables. The General Manager, Chief Finance and Operations Officer and the ICT Executive sit on this Board, the latter two by invitation.

1.2 Implementation of SAP

Finding

There was no evidence that the Authority supported the implementation of SAP. The few modules that had gone live were facing serious challenges including failure to generate contract accounts automatically, errors leading to failure of processing and accounting of contribution income and lack of interface of the accounting package used by the Authority and the SAP system. Had the feasibility study done, the Authority could have designed strategies to mitigate challenges currently being faced.

Risk/Implication

SAP computerisation project may not meet the specifications of NSSA.

Data integrity may also be compromised.

Recommendation

Authority should also re-assess the SAP project and evaluate whether the software meets the needs of the entity and the possibility of the project being completed in light of the challenges being encountered.

Feasibility studies be conducted for future projects

Management response

Management is aware of the challenges associated with the SAP system. Consultants have been engaged to review the system and come up with recommendations. In future detailed feasibility studies will be done taking into account the business fit and risk associated with the project.

1.3 Hand over take over

Finding

There was no evidence of a written handover takeover between new executives and their predecessors. Handover takeover should have been documented and agreed between the concerned officers. As an example, land in Chegutu, Hintonville Extension valued at
$3,419,000 was written off in the year ended December 31, 2016 as the Authority could not locate the land.

**Risk/Implication**

Possible loss of important information may occur.

Misappropriation may occur.

**Recommendation**

The Authority should ensure that proper written handover takeover procedures are carried out.

**Management response**

A standard format will be used for handover/takeover exercises to ensure consistency and safeguarding of information.

**1.4 Property lease records**

**Finding**

I noted that there was no adequate maintenance/updating of rent rolls by property manager (Dawn properties). Variances existed between information on the lease agreements of various sitting tenants against information on the rent roll. Lease agreements of some sitting tenants had expired in 2010, while other tenants had updated lease agreements which were not captured on rent roll. The table below shows some of the anomalies noted on records:

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Expiry date on rent roll</th>
<th>Expiry date of filed lease agreement</th>
<th>Amount Owing as at December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>15265</td>
<td>31.7.18</td>
<td>31.7.15</td>
<td>836,569.11</td>
</tr>
<tr>
<td>12633</td>
<td>31.3.17</td>
<td>31.3.16</td>
<td>(537,248.59)</td>
</tr>
<tr>
<td>11566</td>
<td>31.1.18</td>
<td>No lease agreement in file</td>
<td>583,821.60</td>
</tr>
<tr>
<td>11669</td>
<td>28.2.15</td>
<td>28.2.15</td>
<td>2,533</td>
</tr>
<tr>
<td>11598</td>
<td>31.12.10</td>
<td>31.12.10</td>
<td>47,470.37</td>
</tr>
<tr>
<td>Code</td>
<td>Start Date</td>
<td>End Date</td>
<td>Value</td>
</tr>
<tr>
<td>--------</td>
<td>------------</td>
<td>-----------</td>
<td>------------</td>
</tr>
<tr>
<td>15346</td>
<td>31.12.14</td>
<td>31.12.14</td>
<td>16 775.69</td>
</tr>
<tr>
<td>13551</td>
<td>30.9.14</td>
<td>30.9.14</td>
<td>8 380</td>
</tr>
<tr>
<td>15778</td>
<td>31.3.15</td>
<td>31.3.15</td>
<td>10 495</td>
</tr>
<tr>
<td>11629</td>
<td>30.6.15</td>
<td>30.6.15</td>
<td>5 708.19</td>
</tr>
<tr>
<td>14837</td>
<td>30.9.14</td>
<td>30.9.14</td>
<td>6 590.61</td>
</tr>
<tr>
<td>11624</td>
<td>30.6.15</td>
<td>30.6.15</td>
<td>13 343.80</td>
</tr>
<tr>
<td>14729</td>
<td>31.5.14</td>
<td>31.5.14</td>
<td>3 943.50</td>
</tr>
<tr>
<td>13642</td>
<td>31.12.11</td>
<td>30.4.16</td>
<td>16 218.12</td>
</tr>
<tr>
<td>13683</td>
<td>28.2.16</td>
<td>28.2.13</td>
<td>321 067.17</td>
</tr>
<tr>
<td></td>
<td>30.6.17</td>
<td>No lease agreement in file</td>
<td>-</td>
</tr>
<tr>
<td>13995</td>
<td>30.9.15</td>
<td>30.9.14</td>
<td>620 114.36</td>
</tr>
<tr>
<td>16110</td>
<td>30.4.16</td>
<td></td>
<td>66 922.04</td>
</tr>
</tbody>
</table>

**Risk/ Implication**

Financial loss arising from lease related disputes.

**Recommendation**

Authority should ensure that property lease records are updated timely.

**Management response**

A Properties Facilities Manager is being recruited whose full responsibility will be the administration of all NSSA properties ensuring that all controls are in place.
1.5 Declaration of interest

Finding

I noted that declaration of interest registers for Mutare region was not being maintained for those involved in procurement. The declaration of interest register is where employees would declare their interest in issues pertaining to conflict of interest in procurement.

Risk/Implication

Financial loss due to conflict of interest.

Recommendation

Management should put in place a declaration of interest register where members would sign for their declarations for every procurement and inspection done to guard against conflict of interest.

Management response

Procurement will introduce the declaration of interest form for all informal and formal tender procedures since they are high valued transactions.

The Audit observation is correct. The Authority does not have a separate declaration of interest register. However, for procurement the register will be introduced as an improvement but for Compliance Inspectors, it’s not necessary since inspection of employers’ records is one of their daily routine duties. An improvement will be made for inspectors to declare interest when taking up new zones. Above all, NSSA Employees signed an Oath of Secrecy and Declaration of interest which can be found in each employee’s personal file.

1.6 Client Service Charter

Finding

The Authority did not have a client service charter in place. This document helps in improving awareness of the availability and quality of the services offered by the Authority. It specifies standards for service delivery which stakeholders have a right to expect, and set out complaint handling and feedback mechanism if things go wrong.

Risk /Implication

Service delivery may be compromised.
Recommendation

The Authority should put in place a client service charter.

Management response

A draft Client Service Charter which was prepared in 2016 was not approved as it was not aligned to the new NSSA strategic thrust. A revised Charter incorporating NSSA’s strategic thrust will be available for Board approval in Quarter 4 of 2017.

1.7 Investment property

Finding

The Authority had a number of properties within its investment property portfolio which were lying idle for a significant period of time. These properties include Ekusileni Medical Centre, National Blankets, Woodlands Town House and Helens Drive.

Furthermore, the building previously occupied by National Blankets was in a dilapidated state and in need of refurbishment to be usable. I also noted that there was no security manning the premises thereby making the building easily accessible to individuals who were vandalising the property. The property had been placed under the management of a property management agent.

Property 8 Helens Drive was also in a dilapidated state, some of the roofing sheets were blown off by the wind. As a result, the tenant’s machinery was affected. The laminated factory furnaces were submerged in water. The building is now home to monkeys.

Risks/Implication

Loss of potential revenue.

Financial loss due to destruction to Authority’s property.

Recommendation

Management should continuously monitor all its properties and consider refurbishing them to an income generating state.

Management response

<table>
<thead>
<tr>
<th>Property</th>
<th>Background</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ekusileni &amp;</td>
<td>The hospital was supposed to be a joint venture with other partners of which</td>
<td>The Authority conducted a roadshow where doctors were invited for a tour of</td>
</tr>
<tr>
<td>Woodlands</td>
<td>which one of the partners was going to operate it</td>
<td>the hospital. This was done for the</td>
</tr>
</tbody>
</table>
on completion. However, all the supposed partners failed to raise the required financing and NSSA ended up constructing the hospital on its own and retaining 100% ownership. The Woodlands apartments were also constructed with a view of housing the doctors. doctors to have an appreciation of the facility and assist in operationalising it.

Management through the Authority’s property managing agent are looking to lease out the Woodlands apartments on a short term basis.

<table>
<thead>
<tr>
<th>National Blankets</th>
<th>The property was a debt recovery pledged as security to NSSA.</th>
<th>There have been no serious takers on the property and the cost benefit of providing security for the huge property have been adverse. We continue to look for tenants for the property and will install more cost effective passive security alarm system</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 St Helens Drive</td>
<td>The property was a debt recovery pledged as security to NSSA</td>
<td>The Authority will maintain the property to a lettable state to protect value.</td>
</tr>
</tbody>
</table>

The point is noted and as indicated above, management is continuously monitoring all its properties and making efforts to have them generate income. All investment properties are inspected annually and impaired to market value if circumstances justify such.

### 1.8 Helpdesk procedures

**Finding**

During the review I noted that the helpdesk procedures are not adequate as there is no mechanism to monitor the efficiency of the helpdesk. Tracking and allocation of queries reported to the helpdesk is being done manually. There are no procedures to log the time taken to resolve each service call.

**Risk/Implication**

The Authority may not be monitoring service delivery issues.

**Recommendation**

All service calls and the time taken to resolve each call should be logged.
Fault logs should be reviewed frequently to ensure that all faults have been satisfactorily resolved, and to identify the root causes of operational failures so that steps can be taken to eliminate them.

Management response

Noted. Plans are underway to implement a helpdesk system by 30 June 2017.

1.9 Restoration tests

Finding

I noted that NSSA has never done restoration tests of their data backups. Data backups are the main component of the Authority’s Business Continuity plan. All too often testing is the missing step in making backups.

It has been established that many entities make substantial investments and spend a lot of time backing up their data only to find the backups won't work when something goes wrong with their data storage.

Risk/Implication

Insufficient testing leaves the organization vulnerable to data loss, downtime and redundancy of effort.

Recommendation

The Authority should carry out restoration tests.

Due to possible effects from updates to hardware on the machines to be restored to or the hardware, firmware or software on the backup system, it is important to retest when changes are made.

Management response

The first restoration test was done for the SUN Accounting system on the 1st of February 2016 and will be systematically done for all data every quarter.

1.10 Master file maintenance and change management procedures.

Finding

Changes to the system and updates to master data records are not being documented.
A number of changes to master file data were performed in the system, however, there is no documentation to support that these changes were approved, and were performed by the appropriate users. The configurable control settings do not adequately address the risks pertaining to the validity, completeness and accuracy of master data.

There is no documentation to support that these configurable control settings have been set in accordance with management objectives. Due to the on-going development of system authorisations, restrictions to master data changes are still to be finalised. The ability to create and change master data needs to be restricted for most system users.

**Risk/Implication**

An insufficient internal control system to monitor master data changes may impair compliance with operational principles and the data security of the organization.

Inadequate security for master data maintenance can result in financial losses.

**Recommendation**

NSSA must clearly define the responsibilities and authorizations related to master data management. Functions must be adequately separated between the data processing departments and the functional departments, as well as between master data maintenance and all types of entry activity.

All master data changes and deletions should be properly logged, documented and retained.

Management should ensure that control documents (authorised forms) are implemented and signed by management whenever a change is made to SAP and also that logs are kept for requested changes, who performed the coding changes, testing results, implementation, and thereafter, signed off by the appropriate management.

Changes should be reviewed for accuracy and on-going pertinence before implementation.

**Management response**

This will be implemented by 31 December 2017.

1.11 Pension beneficiary database

**Finding**

As previously reported, the Authority is still using information provided by employers P9/10 to process benefits. This is a prior year issue which was expected to be corrected by the data clean up exercise which was to be done as part of implementation of the SAP system but this is yet to be implemented. The Authority still relies on information from third parties / employer confirmation instead of its own database to process claims.
Risk/Implication

Financial loss as fraudulent claims may be processed.

Recommendation

The Authority should strive to ensure that the SAP system operates to expectations.

Management response

With the assistance of Actuaries, we are in the process of compiling information from all employers. The details will be captured in the SAP database by 30th of June 2017.

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 Rental income

Finding

The Authority extended lease agreements to tenants for its Bulawayo’s properties who had accumulated significant arrears, table below refers:

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Outstanding Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant 1</td>
<td>55 588.81</td>
</tr>
<tr>
<td>Tenant 2</td>
<td>78 660.00</td>
</tr>
<tr>
<td>Tenant 3</td>
<td>24 374.05</td>
</tr>
<tr>
<td>Tenant 4</td>
<td>18 798.50</td>
</tr>
<tr>
<td>Tenant 5</td>
<td>33 796.34</td>
</tr>
<tr>
<td>Tenant 6</td>
<td>89 511.04</td>
</tr>
<tr>
<td>Tenant 7</td>
<td>29 758.31</td>
</tr>
<tr>
<td>Tenant 8</td>
<td>17 443.23</td>
</tr>
<tr>
<td>Tenant 9</td>
<td>20 945.22</td>
</tr>
<tr>
<td>Tenant 10</td>
<td>23 476.80</td>
</tr>
<tr>
<td>Tenant 11</td>
<td>22 718.20</td>
</tr>
<tr>
<td>Tenant 12</td>
<td>17 667.12</td>
</tr>
<tr>
<td>Tenant 13</td>
<td>73 557.28</td>
</tr>
</tbody>
</table>

Risk/Implication

Loss of revenue by providing services to non-paying tenants.

Recommendation

The Authority should come up with strategies to recover the arrears.
Management response

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Outstanding Amount ($)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant 1</td>
<td>55 588.81</td>
<td>Instituting legal action with view to exercise tacit hypothetic over the tenants assets.</td>
</tr>
<tr>
<td>Tenant 2</td>
<td>78 660.00</td>
<td>Lease terminated by NSSA on the basis of failure to operate and outstanding rents. Tenant was dealing directly with NSSA.</td>
</tr>
<tr>
<td>Tenant 3</td>
<td>24 374.05</td>
<td>Absconded, efforts to locate whereabouts of debtors underway.</td>
</tr>
<tr>
<td>Tenant 4</td>
<td>18 798.50</td>
<td>Absconded, efforts to locate whereabouts of debtors underway.</td>
</tr>
<tr>
<td>Tenant 5</td>
<td>33 796.34</td>
<td>Instituting legal action to evict tenant and recover rent arrears.</td>
</tr>
<tr>
<td>Tenant 6</td>
<td>89 511.04</td>
<td>Entered into a payment plan</td>
</tr>
<tr>
<td>Tenant 7</td>
<td>29 758.31</td>
<td>Entered into a payment plan</td>
</tr>
<tr>
<td>Tenant 8</td>
<td>17 443.23</td>
<td>Instituting legal action to evict tenant and recover rent arrears.</td>
</tr>
<tr>
<td>Tenant 9</td>
<td>20 945.22</td>
<td>Absconded, efforts to locate whereabouts of debtors underway.</td>
</tr>
<tr>
<td>Tenant 10</td>
<td>23 476.80</td>
<td>Instituting legal action to evict tenant and recover rent arrears.</td>
</tr>
<tr>
<td>Tenant 11</td>
<td>22 718.20</td>
<td>Absconded, efforts to locate whereabouts of debtors underway.</td>
</tr>
<tr>
<td>Tenant 12</td>
<td>17 667.12</td>
<td>Absconded, efforts to locate whereabouts of debtors underway.</td>
</tr>
<tr>
<td>Tenant 13</td>
<td>73 557.28</td>
<td>Instituting legal action to evict tenant and recover rent arrears.</td>
</tr>
</tbody>
</table>

2.2 Updating of Employers’ and employees’ database

Finding

The Authority has not progressed well on the issue of establishing a robust database for employers and employees as was evidenced by the fact that out of a total number of 16 037 employers in Harare as at December 31, 2016 only 2 369 P4 forms had been submitted but only 118 had been captured into SAP. This means 12.8% employers had submitted and 0.07% of the total employers had only been captured.

I observed that the Authority had a lot of inconsistencies in the SAP database of both employers and employees as shown by the table below;
<table>
<thead>
<tr>
<th>Nature of problem</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees not linked to employers</td>
<td>132 966</td>
</tr>
<tr>
<td>Employees with incomplete surname</td>
<td>401</td>
</tr>
<tr>
<td>Employees with incomplete first name</td>
<td>2 408</td>
</tr>
<tr>
<td>Employees without ID</td>
<td>79 907</td>
</tr>
<tr>
<td>Employees without Date of birth</td>
<td>25 122</td>
</tr>
</tbody>
</table>

**Risk/ Implication**

Financial loss as benefits may be paid to undeserving employees or invalid contributors.

**Recommendation**

The Authority should put in place strategies to collect and capture the P4 forms.

**Management response**

With the assistance of Actuaries, we are in the process of compiling information from all employers. The details will be captured in the SAP database by 30th of June 2017.

3. **PROCUREMENT OF GOODS AND SERVICES**

3.1 **Contracts of services**

**Finding**

The Authority did not have service provider’s contracts with the lawyers they contracted during the year under review. I also noted that they have no framework to guide on the selection of the legal firms.

**Risk /Implication**

Services provided may not be to the best advantage of the Authority and in case of disputes there is no fallback position

**Recommendation**

The Authority should comply with the procurement regulations when sourcing for services.

**Management response**

It is not permissible for lawyers to competitively bid for service provision. It is however recommended that the Authority should have a framework which will act as a guide on how clients who offer services which do not require tendering are selected.
This will be done by 30 September 2017 with the assistance of the Supply Chain and Administration Services Executive.

3.2 Contract agreements

Finding

I observed that National Social Security Authority entered into a contract with CIMAS for the Rehabilitation Centre where the medical aid society was to provide pathology and other related medical services to NSSA. The contract was not signed by both parties and time period was not specified on the contract.

Risk/Implication

Lack of recourse, in the event of dispute.

Recommendation

The contract agreements should be signed by both parties to ensure that in the case of disagreements there will be a base to refer to.

Management response

Noted. A standard contract format will be introduced to ensure all critical elements are captured. Existing contracts will be reviewed to correct anomalies.

4. EMPLOYMENT COSTS

4.1 Executive salaries

Finding

I noted that the remuneration framework approved by the Secretary for Public Service, Labour and Social Welfare in May 2016 approved basic salaries that are in column A in table below. I however, observed that management’s contracts had amounts that were in excess of the approved which are in column B. Upon inquiry, management indicated that the job titles were changed but however the grades remained the same. There was no evidence of approval by the Ministry for the amounts subsequently applied in their contracts. The table below illustrates;

<table>
<thead>
<tr>
<th>Grade</th>
<th>Basic salary approved on the framework</th>
<th>Basic salary on the employment contracts</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>E2</td>
<td>7 775.13</td>
<td>11,000.00</td>
<td>3224.87</td>
</tr>
<tr>
<td>E2</td>
<td>7 775.13</td>
<td>11,000.00</td>
<td>3224.87</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>E2</td>
<td>7 775.13</td>
<td>11,000.00</td>
<td>3224.87</td>
</tr>
<tr>
<td>E3</td>
<td>6 240.04</td>
<td>9,000.00</td>
<td>2760.00</td>
</tr>
</tbody>
</table>

**Risk/Implication**

Non-compliance with the approved remuneration framework. Financial loss due to excessive costs.

**Recommendation**

The Authority should recover the excess and if the Authority want to continue with the excess, they should obtain approval from the Ministry.

**Management response**

The substance of the approved framework gives a guide of 60% basic and maximum of 40% allowances. The amounts contained in the framework related to the then existing executive and do not form the substance of the framework. This framework cascades to middle managers yet their earnings are not specified therein. The salaries for the new executives are approved and comply with the given framework from the parent Ministry.

4.2 **Addendum to employee contracts**

**Finding**

From our review of employee files, there are staff with no addendum to employment contracts with respect to salaries. Employees who joined before the multi-currency in February 2009 have contracts stated in Zimbabwean dollar. The Labour Act [*Chapter 28:01*] provides that entities must maintain an employment contract for every person who is employed, receiving or entitled to receive any remuneration in respect of such employment or work.

The employees have not signed any documents with regards to their salary. Discussions with management revealed that these employees are now being paid in accordance to company pay grades. The pay grades give allowance for an employee to be paid according to performance.

**Risk/Implication**

In the event of fraud and litigation, the entity cannot make claims without employment contracts. The employees may not be able to make any claims towards the entity in the event of unfair dismissal if they do not have contracts of employment.
Recommendation

Management should ensure that each staff member has a valid and up to date employment contract.

Management response

All employment contracts will be updated by 30 June 2017.

5. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that the Authority made some progress and there was room for improvement in respect of the following recommendations.

5.1 Land banking policy

Recommendation

The Authority should investigate the circumstances surrounding the reallocation of its land with the view of recovering it or at least being compensated.

The Authority should develop a system that actively monitors investments.

Progress made

The Ministry of Lands agreed that NSSA will retain 50% of the plot as this was not officially allocated under the land reform program. The Ministry also pledged to compensate NSSA with land equivalent to the portion lost on Kwekwe Woodlands farm. Management has sought the assistance of the Ministry of Local Government and the Ministry of Lands to assist in expediting claims for the restitution of land.

5.2 Uninsured claims (WCIF)

Recommendation

Management should ensure that efforts are made to recover outstanding uninsured claims.

Progress made

Outstanding balance as at 30 September 2016 is;

<table>
<thead>
<tr>
<th>2015 US $</th>
<th>30/09/2016</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,496,156.54</td>
<td>1,425,532.36</td>
<td>5%</td>
</tr>
</tbody>
</table>

- Collection of outstanding debt for uninsured employers is still work in progress
Management formed a board sanctioned, Debt Recovery Taskforce Team which started work on 1 July 2016.
Management is also engaging debt collectors to intensify collection. Huge amounts are also referred to NSSA Lawyers for recovery

5.3 Debtors

Recommendation

The Authority should continue engaging government and the related public entities in a bid to recover the outstanding amounts.

Progress made

A lot of work was done in 2016 in engaging the Government and local Authorities with the assistance of the Board and our Parent Ministry. As a result, Government cleared its arrears dating back to 2013 in respect of state employees’ contributions through issuance of TBs worth US$180.9million, being outstanding debt as at 31.12.16 which included the US$91 975 291.7 owed as at 31.12.15

Except for TN Harlequin Luxaire whose debt has been written off but continue to be pursued, the rest of the SEPs are on payment plans, but in some cases inadequate to fully liquidate the arrears in the current year because of non-performing economy. Rates setoffs have been executed with Harare City Council in excess of US500 000. All urban local authorities will be engaged to agree on land /debt swap which can be utilised by NBS.

5.4 Individual NSSA Accounts

Recommendation

The Authority should consider maintaining individual employee accounts and use those for billing the employer and debt ascertainment.

Progress made

The Authority is now capturing P4 forms after SAP modules for registration, billing and collections were rolled out in 2016. The Authority however is still facing difficulties in terms of employer rate of compliance.

The enforcement measures, although they started in the second quarter of 2016, are being strengthened throughout 2017 with a view to populate a significant number of employee accounts by 31.12.17 This will enable the Authority to issue contribution certificates to contributors from January 2018 and also ensure adequate data availability for actuarial valuation.
5.5 Employer and employee contributions reconciliations

Recommendation

The Authority should consider introducing a system that maintains individual employee contribution records.

Progress made

We are now able to capture P4 forms on SAP. The Authority is now enforcing submission and capturing of P4 forms on SAP which detail each individual employee’s contributions per each month of contributions received. We expect to have built credible data by December 2017, i.e. a year’s record of individual contribution record.

5.6 Subletting at Sakubva Shopping Mall

Recommendation

Regular monitoring of investment properties in the region is encouraged.

Progress made

Management will incorporate active property management inspections in the new SLA with the new service provider.
Postal and Telecommunications Regulatory Authority of Zimbabwe was established in terms of the Postal and Telecommunications Act [Chapter 12:05]. The objective of the Authority as provided in the Act is to provide for the licensing and regulation of the cellular telecommunication and all telecommunication services.

I have audited the financial statements of Postal and Telecommunications Regulatory Authority of Zimbabwe for the year ended December 31, 2015 and I issued a qualified opinion.

Basis for Qualified opinion

Understatement of revenue and trade receivables

The Authority did not comply with the requirements of International Financial Reporting Standards-IAS 18 and the accounting policy in that it did not accrue all its revenue.

License fees and trade receivables were recognized at $26 689 447 and $6 728 963 respectively. The Authority’s records indicated that had management accrued all its revenue, the total license fees would have been $28 224 321 and trade receivables would have been $40 338 382. Management has not made adjustments to that effect.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Postal and Telecommunications Regulatory Authority of Zimbabwe as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

However, below are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Understatement of revenue and trade receivables

Finding

The Authority recognized license fees revenue on receipt/cash basis which constitutes a departure from International Financial Reporting Standards. IAS 18 requires revenue to be accounted for on accrual basis. These license fees and trade receivables were recognized at $26 689 447 and $6 728 963 respectively. The Authority’s records indicated that had
management recognized revenue on accrual basis, the total license fees would have been $28,224,321. Trade receivables would have been $40,338,382. Management had not made adjustments to that effect.

**Risk / Implication**

Financial Statements may be misstated.

**Recommendation**

The Authority should apply the accrual basis of accounting in order to comply with International Financial Reporting Standards (IFRS).

**Management response**

The board is currently considering the issue with a view to implement the recommendation in 2016 after consultations with the parent Ministry and the Ministry of Finance and Economic Development.
ZIMBABWE NATIONAL ROAD ADMINISTRATION (ZINARA) 2015

Background information

The Zimbabwe National Road Administration was established in 2001 by the Roads Act [Chapter 13:18] to administer the fixing, collection, management and disbursement of road funds. The Fund consists of road user charges collected. The funds are disbursed to Local Authorities, Department of Roads and District Development Fund for the purpose of road maintenance, rehabilitation and construction.

I have audited the financial statements of Zimbabwe National Road Administration for the year ended December 31, 2015 and I issued a qualified opinion.

Basis for Qualified Opinion on Consolidated and Separate Financial Statements

Basis for Qualified Opinion on Consolidated Financial Statements

ZINARA’s tolling assets were not allocated values and were not recognised in the financial statements. Failure to recognise the tolling assets in the statement of financial position has resulted in asset balances being materially misstated. Management has not made any adjustments to that effect to the financial statements.

Expenditure vouchers amounting to $437,279 were not availed for my inspection. Consequently, I was not able to verify the accuracy of expenditure and also unable to determine whether any adjustments to the expenditure amount were necessary.

Infralink (Private) Limited received a garnishee order for understated income tax and value added tax (VAT) of $46,977,476 for the year. Management did not accrue these amounts because they contended that the tax status of the subsidiary was still to be established. The effect of non-accrual of these tax obligations is an understatement of $46,977,476 in income tax expenses, an understatement of $46,977,476 in trade and other payables and an overstatement of accumulated profit by $46,977,476.

Qualified Opinion on the Consolidated Financial Statements

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Zimbabwe National Road Administration and its subsidiary, Infralink (Private) Limited as at December 31, 2015, and the consolidated financial performance and the consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Qualified Opinion on Separate Financial Statements

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the
financial position of the Zimbabwe National Road Administration as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In my opinion, the consolidated financial statements of the Zimbabwe National Road Administration and its subsidiary have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Roads Act [Chapter 13:18] and other relevant Statutory Instruments except for Section 15(d) of the Roads Act which states that the Administration shall use the Road Fund in meeting any salaries, allowances and other expenses of the Road Administration provided that expenditure of this purpose shall not exceed two point five per centum of the revenue of the Road Fund in any financial year. ZINARA utilised 11% which is 8.5% above the percentage specified in the Roads Act.

However, below are other material issues noted during the audit.

1. **GOVERNANCE ISSUES**

1.1 **Infralink tax obligations**

**Finding**

Infralink (Private) Limited received a garnishee order from the Zimbabwe Revenue Authority (ZIMRA) for understated income tax and value added tax (VAT) amounting to $46 977 476 for the year. Management did not accrue the amount because they contend that the tax status of the subsidiary is being discussed and is yet to be finalised.

**Risk/Implication**

Financial statements may be misstated due to the understatement of the tax expense and trade creditors and an overstatement of accumulated profit by $46 977 476.

**Recommendation**

Management should resolve the tax issue with ZIMRA to avoid further garnishee orders and ensure that taxation is appropriately accounted for.

**Management response**

Observation is noted. Efforts are being made to resolve the matter and the issue has been escalated to the level of our principals for final resolutions.
1.2 **Compliance with the Roads Act**

**Finding**

The expenditure incurred by the Administration for salaries, allowances and other expenses amounted to 11% of revenue for the year ended December 31, 2015. This expenditure exceeded the 2.5% threshold by 8.5% contrary to the requirement of Section 15(d) of the Roads Act [Chapter 13:18] which states that the Administration shall use the Road Fund in meeting any salaries, allowances and other expenses of the Road Administration provided that expenditure of this purpose shall not exceed two point five per centum (2.5%) of the revenue of the Road Fund in any financial year.

**Risk/Implication**

Service delivery may be compromised.

Non-compliance with the statutory provisions.

**Recommendation**

The Administration should comply with the requirements of the Roads Act [Chapter 13:18].

**Management response**

Observation is noted. Management has begun work on this issue. Significant gains will be more evident in the 2017 financial statements.

1.3 **Funds held in banks under liquidation**

**Finding**

The Administration had funds amounting to $2 172 689 held in Allied bank which was under final liquidation. The bank was placed under provisional liquidation on February 4, 2015 and subsequent final liquidation on March 4, 2015. However, from the creditors meetings held, there were no reports availed to show that management were attending creditors’ meetings at these institutions.

**Risk/Implication**

Financial loss as the Administration may fail to recover the funds held in the banks.
Recommendation

Management should attend creditor’s meetings in order to assess the recoverability of funds held in the banks under liquidation and make necessary adjustments in the financial statements.

Management response

Observation is noted. A claim was registered under Depositors’ Protection Corporation on February 3, 2015. A creditor’s claim was registered through Master of High Court on October 29, 2015. We are waiting for the outcome from liquidator Tudor House Consultants (Private) Ltd.

Auditor’s comment

Whilst I appreciate management’s response, the need for them to attend the creditors meetings still remains crucial.

1.4 Contracts with service providers

Finding

There were no contracts entered into between the Administration and third parties for the collection of overload fees, collection of presumptive tax, bridge toll fees and for security services at tollgates. Documented agreements were necessary to guide the operational parameters and obligations of each party to the contract.

Risk/Implication

Financial loss in case of a dispute.

Recommendation

Management should ensure that the Administration has valid contracts with third parties to govern business arrangements.

Management response

Observation noted. We are in the process of putting together service level agreements in place. For Bridge Toll Fees, the service level agreement is already in place. ZIMRA and ZINARA are currently engaged on terms for the service level agreement which is expected to be finalised in 2017.
1.5 Expenditure vouchers

Finding

Payment vouchers for ZINARA expenditure amounting to $437,279 were not availed for my inspection hence, I could not verify the validity and accuracy of the related expenditure. Upon inquiry I was informed that the documents could not be located in the filing system.

Risk/Implication

Financial loss due to fraud.

Financial statements may be misstated.

Recommendation

Management should ensure that outstanding documents are located and availed for audit.

The Administration should design and operate an efficient document filing and retrieval system.

Management response

Observation is noted. Recommendations will be implemented. Outstanding documents worth $411,867 are still to be availed for audit.

1.6 Tax on board fees and allowances

Finding

The board approved the grossing up of its own board allowances to cover the tax liability without approval from the relevant Ministry. This resulted in the Administration incurring withholding tax on directors’ fees and allowances amounting to $7,052 emanating from the grossed up earnings for the three months to December 2015.

In addition, a review of the board fees and allowances documents for 2015 revealed that $137,417 for board fees and cell-phone allowances for the period January 2015 to September 2015 were not taxed. Board members also received fuel worth $28,512 as fuel allowance during the year under review which was not taxed for the whole year.

Risk/Implication

Financial loss due to payment of unauthorized expenditure.

Financial loss due to penalties and fines from ZIMRA.
**Recommendation**

Variations from the stipulated board fees and allowances should be authorised in writing by the relevant Ministry before they are implemented.

Management should ensure that all the board fees and allowances are taxed in accordance with the Income Tax Act \(\textit{Chapter 23:06}\).

**Management response**

**Observations noted. We are going to regularise in 2017.**

**For allowances that were not taxed, the anomaly will be rectified in 2017.**

1.7 **Taxation of allowances**

**Finding**

Home telephone allowances and private mileage fuel awarded to management were not processed through the payroll and were not subjected to PAYE in contravention of the Income Tax Act \(\textit{Chapter 23:06}\). The table below has details of allowances to management personnel that were not processed through the payroll, hence not taxed.

<table>
<thead>
<tr>
<th>Staff benefit</th>
<th>Condition</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home telephone allowances</td>
<td>$75 per month per director</td>
<td>Noted on two executive directors</td>
</tr>
<tr>
<td>Home telephone allowances</td>
<td>$50 per month</td>
<td>Noted on Corporate Secretary</td>
</tr>
<tr>
<td>Private mileage</td>
<td>200 litres per month</td>
<td>Noted on eleven managers</td>
</tr>
<tr>
<td>Private mileage</td>
<td>250 litres per month</td>
<td>Noted on two executive directors</td>
</tr>
</tbody>
</table>

These allowances were processed outside the payroll despite the Administration having been penalised in the past by tax authorities for staff allowances which were not going through the payroll and for not accounting for tax.

**Risk/Implication**

Financial loss due to penalties and interest for non-compliance with the Income Tax Act \(\textit{Chapter 23:06}\).
Recommendation

The Administration should ensure that allowances are taxed in line with the provisions of the Income Tax Act [Chapter 23:06] section 8 (1).

All staff benefits should be processed through the payroll.

Management response

Observation noted. We will ensure all allowances and benefits pass through the payroll. However, fuel for private mileage is attached to the motoring benefit of those with condition of service vehicle and are being taxed for the motoring benefit. Hence, private mileage fuel was accounted for in the motoring benefit whose tax was accounted for through the payroll.

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 Revenue reconciliations

Finding

There was no evidence that the Administration carried out monthly reconciliations to verify that the Agents were remitting correct amounts and charging correct collection agency fees for the revenue collected on behalf of the Administration, in particular, the collection of:

Fuel levy
Overload / Transit fees.
Vehicle licencing

Risk/Implication

Financial loss due to material errors and fraud that may not be detected on time.

Recommendation

The Administration should reconcile revenue remittances with its agents and ensure that correct funds are remitted to the Administration.

Management response

Observation noted. We are in the process of devising methods of having actual records of the imported fuel from independent organisations for reconciliations to be done. Transit fees are going to be collected at the port of entry under the Ease of
Doing Business initiatives. Tight monitoring is going to be put on the agents that collect vehicle licensing.

3. PROCUREMENT OF GOODS AND SERVICES

3.1 Payments to contractors

Finding

ZINARA entered into a contract with a certain contractor to carry out road surfacing works at One Commando and Police General Headquarters (PGHQ). The total amount on the contract was $447 154 for the works to be done. I observed that ZINARA made payments amounting to $652 830 for the works done at One Commando and PGHQ which were $205 677 above the contract price and some of the payments were made without supporting documents. The table below shows details of payments made to the contractor;

<table>
<thead>
<tr>
<th>Date</th>
<th>Expenditure voucher number</th>
<th>Amount</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>24/09/15</td>
<td>11070</td>
<td>6 671</td>
<td></td>
</tr>
<tr>
<td>21/05/15</td>
<td>10402</td>
<td>46 159</td>
<td></td>
</tr>
<tr>
<td>3/9/2015</td>
<td>11361</td>
<td>50 000</td>
<td></td>
</tr>
<tr>
<td>18/06/15</td>
<td>10594</td>
<td>50 000</td>
<td></td>
</tr>
<tr>
<td>30/07/15</td>
<td>10914</td>
<td>50 000</td>
<td></td>
</tr>
<tr>
<td>17/07/15</td>
<td>10827</td>
<td>50 000</td>
<td></td>
</tr>
<tr>
<td>10/7/15</td>
<td>10662</td>
<td>50 000</td>
<td></td>
</tr>
<tr>
<td>2/7/15</td>
<td>10808</td>
<td>50 000</td>
<td></td>
</tr>
<tr>
<td>26/06/15</td>
<td>10566</td>
<td>50 000</td>
<td></td>
</tr>
<tr>
<td>12/6/15</td>
<td>10599</td>
<td>50 000</td>
<td></td>
</tr>
<tr>
<td>4/6/15</td>
<td>10457</td>
<td>50 000</td>
<td></td>
</tr>
<tr>
<td>28/05/15</td>
<td>10437</td>
<td>50 000</td>
<td></td>
</tr>
<tr>
<td>27/08/15</td>
<td>11301</td>
<td>50 000</td>
<td></td>
</tr>
<tr>
<td>6/8/2015</td>
<td>10971</td>
<td>50 000</td>
<td></td>
</tr>
<tr>
<td>30/07/15</td>
<td>10914</td>
<td>50 000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>$652 830</td>
<td></td>
</tr>
</tbody>
</table>

Risk/Implication

Financial loss may result due to payment for services not rendered.

Recommendation

Management should ensure all the payments made are supported with interim payment certificates and invoices.
All contract variations above the agreed amount should be approved before commencement of the additional work.

Management response

Observation is noted. In future proper documentation will be attached as recommended from the first quarter of 2017.

3.2 Grader maintenance

Finding

ZINARA was being invoiced by Southern Region Trading Company (SRTC) for grader maintenance. I however noted that there was no evidence to support that road authorities had requested for and received the services to which ZINARA was being invoiced. The invoices related to all the ZINARA graders being used by the road authorities.

Risk/Implication

Financial loss due to payment for goods not received and services not rendered.

Recommendation

The Administration should ensure that all invoices for graders’ maintenance are adequately supported.

Management response

The observation is noted. We have since put in place a system i.e. approval of repair works, order form, job card which is signed by the road authority after receipt of service.

3.3 Payments to suppliers

Finding

The Administration made payments amounting to $1.7million to suppliers without supporting documents. The table below has a list of such anomalies:

<table>
<thead>
<tr>
<th>Date</th>
<th>Voucher No</th>
<th>Payee</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20/01/16</td>
<td>2291</td>
<td>Airport road contractor</td>
<td>200 000</td>
</tr>
<tr>
<td>19/01/15</td>
<td>2357</td>
<td>Airport road contractor</td>
<td>200 000</td>
</tr>
<tr>
<td>22/01/15</td>
<td>2265</td>
<td>Airport road contractor</td>
<td>475</td>
</tr>
<tr>
<td>22/01/15</td>
<td>2266</td>
<td>Airport road contractor</td>
<td>70 772</td>
</tr>
<tr>
<td>22/01/15</td>
<td>2292</td>
<td>Airport road contractor</td>
<td>100 000</td>
</tr>
<tr>
<td>27/01/15</td>
<td>2408</td>
<td>Airport road contractor</td>
<td>100 000</td>
</tr>
<tr>
<td>Date</td>
<td>Amount</td>
<td>Description</td>
<td>Amount</td>
</tr>
<tr>
<td>------------</td>
<td>--------</td>
<td>-----------------------</td>
<td>---------</td>
</tr>
<tr>
<td>24/02/15</td>
<td>2734</td>
<td>Airport road contractor</td>
<td>100 000</td>
</tr>
<tr>
<td>2/10/15</td>
<td>1489</td>
<td>Department of roads</td>
<td>500 000</td>
</tr>
<tr>
<td>2/10/15</td>
<td>1490</td>
<td>Department of roads</td>
<td>500 000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>1 771 247</strong></td>
</tr>
</tbody>
</table>

**Risk/Implication**

Financial loss due to fraud and errors.

**Recommendation**

Payments should be adequately supported.

**Management response**

Observation is noted. In future proper documentation will be attached.

4. **EMPLOYMENT COSTS**

4.1 **Corporate wear**

**Finding**

Management received $3 000 per manager for corporate wear during the period under review. These benefits were not covered by the Administration’s policies and procedures and were not provided for in the managers’ contracts of employment.

**Risk/Implication**

Financial loss due to unauthorised expenditure.

**Recommendation**

The Administration should pay benefits and allowances as per contracts and in compliance with approved policies and procedures.

**Management response**

Observation noted. Management will regularise in 2017. We are also in the process of having approved policy documents.

4.2 **Executive allowances**

Two directors were paid allowances in excess of what was approved in the contracts of employment. The table below refers;
<table>
<thead>
<tr>
<th>Allowance</th>
<th>Allowance approved $</th>
<th>Amount paid $</th>
<th>Total amount overpaid $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entertainment</td>
<td>250 per month</td>
<td>2 250 per month</td>
<td>18 500</td>
</tr>
<tr>
<td>Representation</td>
<td>nil</td>
<td>691 per month</td>
<td>16 583</td>
</tr>
<tr>
<td>Holiday Allowance</td>
<td>5 000 per year</td>
<td>6 300 per year</td>
<td>1 300</td>
</tr>
</tbody>
</table>

**Risk/Implication**

Financial loss to the Administration by paying unauthorised allowances.

A weak control environment as a result of management overriding of controls.

**Recommendation**

Management should ensure that all allowances are paid as per contract and that any changes are duly approved by the board.

**Management response**

Observation noted. Allowances will be paid as per contract.

5. **PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS**

I reviewed the progress made towards the implementation of prior year recommendations and found that the Administration made some progress and there was some room for improvement in respect of the following recommendations:

5.1 **Disbursements to Department of Roads**

**Recommendation**

Payment vouchers and supporting documents should be certified correct, authorised and approved.

**Progress made**

Implementation is in progress.
5.2 Vehicle weight at tollgates

Recommendation

Management should ensure that there is synchronisation of the Toll-roads Act [*Chapter 13.13*] with the Roads Act [*Chapter 13.18*].

Progress made

No progress made. The vehicle licensing regulations and tolling regulations classify vehicles differently yet tolling system is dependent on the Vehicle Licensing data base. There are certain vehicles classified as heavy under licensing but under tolling they will be classified as light. However, Tolling Operations department is working on synchronizing its classification structure with vehicle licensing.

5.3 Weighbridge sites

Recommendation

Management should ensure that storm water drainage systems are serviced at all times.

Progress made

No progress made. The Administration is considering to have the surrounding area tarred to avoid dust clogging the sensors of the weighbridge.

5.4 Tollgate Assets

Recommendation

Property, plant and equipment at tollgates should be allocated values and included in the financial statements.

Progress made

No progress was made during the year. Management indicated that they were working on resolving this matter in 2016.
Background information

The Zimbabwe National Statistics Agency was established in terms of the Census and Statistics Act, [Chapter 10:29], to collect, collate, process, analyse and disseminate statistical information for the government and other stakeholders to make informed decisions. The Agency started operating as a standalone public entity on January 01, 2010. Prior to that, the Agency was a department in the then Ministry of Finance.

I have audited the financial statements of the Zimbabwe National Statistics Agency for the year ended December 31, 2012 and I issued a qualified opinion.

Basis for Qualified Opinion

Population census expenditure and payables

I could not satisfy myself of the accuracy, completeness and validity of population census expenditure amounting to $45 480 731 and related accounts payable amounting to $ 24 080 205 disclosed in the financial statements due to the following:

Expenditure amounting to $29 739 909 for the population census participants was not adequately supported. The Agency failed to avail adequate evidence such as attendance registers for the 40 438 individuals who had participated in the census. There was no database/schedules with detailed and requisite information of the participants.

Vehicle hire and rental expenditure amounting to $15 740 822 was not adequately supported. Supporting schedules of rental and car hire expenses from the Agency’s provincial offices were not availed. Details of the hired vehicles including their makes, registration numbers, mileages and accumulated hiring cost per vehicle were also not availed for my verification.

I was unable to carry out alternative procedures to verify the accuracy and completeness of these account balances.

Qualified opinion

In my opinion, except for the possible effects of matters described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Zimbabwe Statistical Agency as at December 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are other material issues noted during the audit.
1. GOVERNANCE ISSUES

1.1 Population census expenditure and payables

Finding

Field allowances, food, accommodation and training expenses amounting to $29 739 909 were based on the number of population census participants. However, the Agency failed to avail adequate evidence such as attendance registers for the 40 438 individuals who had participated in the census. As a result, I could not verify the accuracy and validity of supplier invoices.

There was no database with requisite information of the participants, indicating details of their age, sex, residential address, occupation, employer and employment number. Upon request for the details of the participants, only a few hard copy lists showing where the participants had signed for their allowances were availed. These lists only showed the name of the centre, the name of the participant, national registration number, signature and amount signed for. A population census is an important national exercise and the maintenance of a database of the participants is essential.

Furthermore, I noted that the Agency did not avail instructions on recruitment, training, payments, including maintenance of registers before the start of census exercise.

The following is a sample of centres for which participants’ attendance registers could not be availed for audit inspection:

<table>
<thead>
<tr>
<th>Date of invoice</th>
<th>Population Training Centre</th>
<th>Number of participants</th>
<th>Invoice number / reference</th>
<th>Invoice amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>21/08/2012</td>
<td>1</td>
<td>737</td>
<td>School invoice</td>
<td>339 177</td>
</tr>
<tr>
<td>20/08/2012</td>
<td>2</td>
<td>951</td>
<td>School invoice</td>
<td>584 422</td>
</tr>
<tr>
<td>8/8/2012</td>
<td>3</td>
<td>430</td>
<td>218</td>
<td>66 220</td>
</tr>
<tr>
<td>8/8/2012</td>
<td>4</td>
<td>95</td>
<td>221</td>
<td>5 852</td>
</tr>
<tr>
<td>17/8/2012</td>
<td>5</td>
<td>312</td>
<td>215</td>
<td>48 048</td>
</tr>
<tr>
<td>17/8/2012</td>
<td>6</td>
<td>80</td>
<td>216</td>
<td>4 928</td>
</tr>
<tr>
<td>15/8/2012</td>
<td>7</td>
<td>422</td>
<td>Aquatic</td>
<td>45 787</td>
</tr>
<tr>
<td>8/8/2012</td>
<td>8</td>
<td>320</td>
<td>211</td>
<td>49 280</td>
</tr>
<tr>
<td>Date of invoice</td>
<td>Population Training Centre</td>
<td>Number of participants</td>
<td>Invoice number / reference</td>
<td>Invoice amount ($)</td>
</tr>
<tr>
<td>----------------</td>
<td>---------------------------</td>
<td>------------------------</td>
<td>---------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>8/8/2012</td>
<td>9</td>
<td>62</td>
<td>212</td>
<td>3 819</td>
</tr>
<tr>
<td>17/8/2012</td>
<td>10</td>
<td>118</td>
<td>214</td>
<td>7 269</td>
</tr>
<tr>
<td>17/8/2012</td>
<td>11</td>
<td>367</td>
<td>213</td>
<td>56 518</td>
</tr>
<tr>
<td>25/8/2012</td>
<td>12</td>
<td>440</td>
<td>104238</td>
<td>29 600</td>
</tr>
<tr>
<td>16/08/2012</td>
<td>13</td>
<td>774</td>
<td>School invoice</td>
<td>291 771</td>
</tr>
<tr>
<td>15/08/2012</td>
<td>14</td>
<td>203</td>
<td>41</td>
<td>21 518</td>
</tr>
<tr>
<td>15/8/2012</td>
<td>15</td>
<td>97</td>
<td>40</td>
<td>13 726</td>
</tr>
<tr>
<td>6/7/2012</td>
<td>16</td>
<td>774</td>
<td>2</td>
<td>216 358</td>
</tr>
</tbody>
</table>

Supporting Provincial schedules for accommodation, rental and car hire expenses amounting to $15 006 576 were not availed for audit. I was not availed with a list of the vehicles that had been hired to enable me to verify the mileage and accumulated costs of the vehicles hired during the population census exercise.

**Risk/Implication**

Financial loss as a result of overstated population census expenditure.

**Recommendation**

The Agency should maintain proper records including attendance registers to support population census expenditure.

The Agency should maintain a database of population census participants.

**Management response**

Yes, at the time of audit management did not provide all the attendance registers for participants. However, out of a total of 96 level four training centres, management availed registers for 79 centres.
In future, the Agency will come up with a Census Implementation Plan (CIP), that will contain, among other things, modalities on registers maintenance and standardisation. Management will ensure that ZIMSTAT personnel will be assigned to perform administrative and financial duties at every training centre.

All names of those seconded to the census were provided by the various Government Ministries under authority from Public Service Commission. Since all those seconded were civil servants, during census they were bound by the Official Secrets Act on the release of sensitive information. In future the Agency will put systems in place to capture details of participants and come up with a national database.

Management has unbundled the figure of $15 006 576 and the activities under which the funds were used, as shown below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conference &amp; Workshops rentals</td>
<td>$13 567 072</td>
</tr>
<tr>
<td>Vehicle Hire</td>
<td>$ 1 439 503</td>
</tr>
<tr>
<td>Total</td>
<td>$15 006 576</td>
</tr>
</tbody>
</table>

Conferencing and workshop rental expenses were incurred for training of trainers (level 1 to 3), Inter- Ministerial Technical Census Committee, (ITCC) conferencing workshops and the main training of enumerators (level 4) (i.e. cost for food, accommodation and other required necessary facilities covering the period from January 01 to August 17, 2012.

Management sub-contracted (hired) the CMED to provide vehicles for the enumeration phase and a total amount of $1,2 million was paid for vehicle hiring services.

In future, Management will include a provision for service contracts in the Census Implementation Plan (CIP) which will specify all the details and obligations of both ZIMSTAT and Service Providers.

1.2 Contracts with service providers

Finding

The Agency had no contracts with the service providers for food, accommodation and census materials for population census. The Agency obtained quotations and placed orders with service providers without standing contracts.

Risk/Implication

The Agency may have no recourse in the event of disputes.
Recommendation

The Agency should have contracts with its services providers.

Management response

Noted. ZIMSTAT will in future enter into service level agreements/contracts which will be kept on file.
ZIMBABWE NATIONAL WATER AUTHORITY (ZINWA) 2015

Background information

Zimbabwe National Water Authority (ZINWA) was established as a body corporate in January 2000 by an Act of Parliament, the Zimbabwe National Water Authority Act [Chapter 20:25], following a merger of the Regional Water Authority and the Department of Water. The Authority is responsible for the planning, development, operation and management of water resources within Zimbabwe.

I have audited the financial statements of Zimbabwe National Water Authority for the year ended December 31, 2015 and I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Zimbabwe National Water Authority as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying my opinion, I draw attention to the fact that the Authority incurred a loss for the year amounting to $13,253,545 (2014: $13,905,452) and was in a net current liability position of $17,800,893 (2014: $9,114,738) as at December 31, 2015.

The above referred matters indicate the existence of material uncertainty which may cast doubt on the Authority’s ability to continue operating as a going concern for the foreseeable future.

However, below are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Going concern

Finding

The Authority incurred a loss for the year amounting to $13,253,545 (2014: $13,905,452) and was in a net current liability position of $17,800,893 (2014: $9,114,738) as at December 31, 2015. The Authority had negative operating cash flows for the year ended December 31, 2015 of $8.7 million (2014: $6.9 million) and had liquidity challenges that resulted in its inability to pay its creditors and net salaries on due dates.
**Risk/Implication**

These matters indicate the existence of material uncertainties which may cast significant doubt on the Authority’s ability to continue operating as a going concern for the foreseeable future.

**Recommendation**

The Authority should come up with strategies to address the recurrent losses, negative working capital and focus on improving the cash flow generating capacity.

**Management response**

The Board of Directors and Management have reviewed the status of the Authority’s ability to continue to operate as a going concern and the mitigating activities including reference to matters affecting the Authority and the water industry as a whole. In the assessment, the Board considered the following:

The Tokwe Mukosi Dam, which is nearing completion in the Lowveld where sugar cane is grown, will result in a significant increase in the Authority`s sales of raw water for irrigation purposes.

The Authority is carrying out a restructuring exercise which will result in the non-commercial functions being transferred to the Water Services Regulator which is being formed by the parent Ministry.

The Authority was owed US$32.4 million as at 31 December 2015 (2014: $19.9 million) by Government Institutions. The Board will intensify its engagements with the Ministry of Finance in order to recover a substantial amount of the debt. The engagements had resulted in set-offs of $13 million against the Authority’s tax dues by the 24th of June 2016.

Initiatives that are being pursued by the Board of Directors and Management include the following:

In order to increase revenue, the Authority will expand its activities in the boreholes drilling segment.

Arrangements whereby the amounts owed by Government institutions will be set-off against some of the Authority’s statutory creditors will be rigorously pursued. Aggressive debtors’ collection policies involving debt collectors, litigations and disconnections will be implemented. Local Authorities are being asked to extinguish part of their debts in residential stands which are then sold to the Authority’s employees.

New business ventures will be entered into in the following identified business lines:
Mini Hydro power stations
Agriculture
De-silting programmes
Eco-tourism
Construction

1.2 Late remittance of statutory obligations

Finding

The Authority was not remitting its obligations to Statutory Authorities and other service providers timeously. The following are examples:

<table>
<thead>
<tr>
<th>Statutory deduction</th>
<th>Amount $</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Pension Fund</td>
<td>805 058</td>
<td>Was outstanding as at year end and no payment was made throughout the year under review</td>
</tr>
<tr>
<td>NSSA</td>
<td>2 438 166</td>
<td>Two years’ contributions, were outstanding at year end</td>
</tr>
<tr>
<td>ZINWA Pension Fund</td>
<td>12 723 742</td>
<td>Had not been paid by year end</td>
</tr>
<tr>
<td>Group Life Assurance</td>
<td>1 439 526</td>
<td>The Authority only paid $105 071.60 during the year</td>
</tr>
</tbody>
</table>

Risk/Implication

Penalties and interest may be levied for non-compliance with statutory requirements.

Loss of investment income on pension contributions not yet remitted which will result in members not receiving meaningful benefits upon retirement.

Recommendation

Management should remit statutory dues within the stipulated timeframes.

Where necessary statutory authorities and the pension fund administrators should be engaged and alternative arrangements made.

Management response

Noted. Government pension Fund will be offset with the Government debtors and payment plans are now in place with NSSA to liquidate the debts.
ZIMBABWE PARKS AND WILDLIFE MANAGEMENT AUTHORITY 2015

Background information

Zimbabwe Parks and Wildlife Management Authority is incorporated in Zimbabwe by an Act of Parliament, Parks and Wildlife Act [Chapter 20.14]. The functions of the Authority are to control, manage and maintain national parks, botanical reserves and botanical gardens, sanctuaries, safari areas and recreational parks.

I have audited the financial statements of Zimbabwe Parks and Wildlife Management Authority for the year ended December 31, 2015 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Zimbabwe Parks and Wildlife Management Authority as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Submission of Income tax returns

Finding

Income Tax Act [Chapter 23:06] section 72 requires that all taxable entities should submit tax returns for Income tax. I however noted that the Authority did not submit Income tax assessment returns to ZIMRA for quarterly payment dates for the year ended December 31, 2015.

Risk/Implication

Interest and penalties may be levied by ZIMRA.

Recommendation

The Authority should submit tax returns within the quarterly payment dates set out by the Revenue Authority.

Management response

Audit recommendations noted. We will submit Income Tax returns consistently according to the Quarterly Payment Dates enshrined in the Act.
1.2 Ownership of assets

Finding

There was no evidence to support that the Authority had title deeds for the Regional office building and a staff house in Masvingo.

Furthermore, there were vehicles appearing on the Authority’s assets register that were registered in the name of the Ministry of Environment, Water and Climate. Table below contains some of the vehicles:

<table>
<thead>
<tr>
<th>Registration number</th>
<th>Description/model</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNP839</td>
<td>Foton Station Wagon</td>
</tr>
<tr>
<td>GNP840</td>
<td>Foton Station Wagon</td>
</tr>
<tr>
<td>GNP848</td>
<td>Foton Station Wagon</td>
</tr>
<tr>
<td>GNP849</td>
<td>Dongfeng Tipper</td>
</tr>
<tr>
<td>GNP850</td>
<td>Dongfeng Tipper</td>
</tr>
<tr>
<td>GNP851</td>
<td>Dongfeng Tipper</td>
</tr>
<tr>
<td>GNP852</td>
<td>Foton Tunland D/Cab 4X4</td>
</tr>
<tr>
<td>GNP853</td>
<td>Foton Tunland D/cab 4X4</td>
</tr>
<tr>
<td>GNP854</td>
<td>Foton Tunland D/Cab 4X4</td>
</tr>
<tr>
<td>GNP815</td>
<td>Toyota Land cruiser</td>
</tr>
<tr>
<td>GNP816</td>
<td>Toyota Land cruiser</td>
</tr>
</tbody>
</table>

Risk / Implication

Financial loss in case the Authority fails to prove title or ownership in disputes.

Recommendation

The Authority should ensure that they have title to the property and that the motor vehicles are registered in its name.

Management response

Observation noted.

1.3 Business development initiatives

Finding

The Authority had business development initiatives to fund conservation. I however noted that the initiatives were not visible to the domestic market. As a result, there was evidence of slow uptake of the Authority’s products compared to the other players in the sector.
Risk/Implication

Sustainability of service may be compromised by failure to generate sufficient revenue.

Recommendation

The Authority should make efforts to be visible in the domestic market. The Authority may explore ways to package their product for local market.

Management response

Audit recommendations have been noted. The Authority will intensify on advertising and promotions to increase visibility.

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 Banking of daily receipts

Finding

The accounting and procedures manual stipulate that head office, regional offices and stations are required to bank their total collections immediately when their daily cash and cheque collections amounts to US$5 000 regardless of the number of bank accounts involved. Contrary to this policy, cash receipted was not banked on time. As a result of delays in banking, cash amounting to $45 312 collected from the 28th of April to the 5th of May 2015 was reported stolen before it was banked.

In addition, below are other instances where banking was not done on time:

<table>
<thead>
<tr>
<th>Date receipted</th>
<th>Date banked</th>
<th>Receipt numbers</th>
<th>Amount in US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>04-05/05/15</td>
<td>11/05/15</td>
<td>H10R58538-H10R58583</td>
<td>6 987</td>
</tr>
<tr>
<td>06/05/15</td>
<td>11/05/15</td>
<td>H10R58584-H10R58623</td>
<td>9 971</td>
</tr>
<tr>
<td>11/05/15</td>
<td>15/05/15</td>
<td>H10R58654-H10R58677</td>
<td>6 695</td>
</tr>
<tr>
<td>25-27/02/15</td>
<td>03/03/15</td>
<td>H10R57424-H10R57439</td>
<td>11 544</td>
</tr>
<tr>
<td></td>
<td></td>
<td>H10R57369-H10R57398</td>
<td></td>
</tr>
</tbody>
</table>

Furthermore, the accounting and procedures manual stipulate that all funds are to be deposited into the Authority’s bank accounts intact the next banking day. I however, noted that cash receipted was being utilized before it was banked contrary to the accounting and procedures manual. Table below shows some of the cash used before it was banked:

<table>
<thead>
<tr>
<th>Date receipted</th>
<th>Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/1/15</td>
<td>5 000</td>
</tr>
<tr>
<td>7/1/15</td>
<td>9 000</td>
</tr>
<tr>
<td>30/1/15</td>
<td>20 415</td>
</tr>
<tr>
<td>Date</td>
<td>Amount</td>
</tr>
<tr>
<td>-----------</td>
<td>--------</td>
</tr>
<tr>
<td>3/2/15</td>
<td>10 500</td>
</tr>
<tr>
<td>27/2/15</td>
<td>17 228</td>
</tr>
<tr>
<td>11/3/15</td>
<td>33 800</td>
</tr>
<tr>
<td>9/4/15</td>
<td>26 801</td>
</tr>
<tr>
<td>27/4/15</td>
<td>10 882</td>
</tr>
</tbody>
</table>

**Risk / Implication**

Fraudulent activities may be perpetrated.

Accountability may be compromised.

**Recommendation**

Management should ensure that all daily cash collections are banked intact.

**Management response**

Audit observation has been noted. The delays in banking were caused by urgent unplanned cash requests after banking hours. Theft of US$45 312 occurred on a Friday after normal banking hours on 30 April 2015.

### 2.2 Management of leases

**Finding**

The Authority did not have a lease policy in place to guide on how leases should be managed and the basis for charging lease fees on leased land. As a result, I was not able to assess the basis on which the Authority used to come up with lease fees.

In a notable case, the annual lease fees for Nyakasanga Hunting area, was revised downwards to $650,000 from $1,1 million. However, there was no evidence to suggest that the lessee submitted audited financial performance to the Authority before the review was made as required by clause 4.4 of the lease agreement.

Furthermore, below are the leased properties without lease agreements;

<table>
<thead>
<tr>
<th>Leased site</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mongwe Lodge 1</td>
</tr>
<tr>
<td>Mongwe Lodge 2</td>
</tr>
<tr>
<td>Mongwe Lodge 3</td>
</tr>
<tr>
<td>Mongwe Lodge 4</td>
</tr>
<tr>
<td>Mongwe Lodge 5</td>
</tr>
<tr>
<td>Mongwe Lodge 6</td>
</tr>
<tr>
<td>Mongwe Lodge 7</td>
</tr>
<tr>
<td>Mongwe Lodge 8</td>
</tr>
</tbody>
</table>
Risk/Implication

Financial loss due to revenue leakages arising from inconsistencies in issuing leases.

Recommendation

The Authority should consider putting in place a policy that guides on how leases are to be managed.

The Authority should have lease agreements in place.

Lease fees should be reviewed in accordance with the provisions of the lease agreements.

Management response

Observation noted. Of late lease fees have been determined using the revenue based model that was derived from Africa Wildlife Foundation as a way of calculating the lease rentals.

Mongwe Leases
Audit observation has been noted. The finalisation of Mongwe leases was delayed because negotiations took longer to conclude and there were changes in the administration set ups. Management will expedite the signing of Mongwe leases.

Nyakasanga Hunting area
The reduction of lease fees was handled by the parent ministry and the Authority implemented the decision.

We will monitor the lease agreements and continuously liaise with our Parent Ministry.
2.3 Concessionaires Agreements

Finding

The Authority auctioned four (4) areas in Sabi Valley in 2014 namely Senuko 3, Humani, Mapari and Bedford for annual concessions. However, the concessionaires were operating in 2016 without renewed agreements.

Risk/Implication

Financial loss as the Authority may have no recourse in the event of disputes if it does not have agreements with its concessionaires.

Recommendation

Agreements should be renewed annually.

Management response

The observation is noted. The delays in the conclusion of the concessionaire agreements was due to changes in the Ministry’s administration. The Authority will expedite the finalisation of the agreements.

2.4 Encroachment and leasing of park estates

Finding

The Authority was receiving rentals from individuals and churches at Tanganda Halt for residential and commercial stands. The lease of the area arose from Chipinge Rural District Council encroachment into the boundaries of Chipinge Safari Area. There was no evidence that there were lease agreements between the tenants and the Authority. As a result, I could not obtain the authority and basis on which the Authority was receiving the rentals.

In addition, the Authority did not put measures to mitigate the risk of encroachment in future as the area is not fenced or demarcated to show the boundaries of the parks estate.

Risk/Implication

Due to absence of lease agreements, disputes may arise.

The collection of revenue may be difficult.

Further encroachment of boundaries in the Parks Estate may result.
Recommendation

The Authority should come up with a resolution as the issue is long outstanding.

Management response

The observation is noted. This has been a long outstanding issue that emerged after Chipinge Rural District Council erroneously allocated stands at Tanganda Halt to tenants. Negotiations for the swapping of the land are in progress with Chipinge Rural District Council.

3. PROCUREMENT OF GOODS AND SERVICES

3.1 Payment of commission to organisers

Finding

Chinhoyi Caves Motel was offering 10% commission to individuals who facilitated the booking of the conference facility. I was not availed with board or management approval supporting the payment of commission to conference organisers. The individual (conference organisers) only signed the payment voucher for receiving cash payment. In addition, I failed to authenticate whether the individuals who were paid commission had actually organized for conferences facilities as there were no invoices attached to the petty cash vouchers. Below are examples of payments to conference organisers;

<table>
<thead>
<tr>
<th>Date</th>
<th>Voucher Number</th>
<th>Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>23/12/2015</td>
<td>P4403</td>
<td>1035</td>
</tr>
<tr>
<td>2/1/2015</td>
<td>P2803</td>
<td>480</td>
</tr>
<tr>
<td>8/1/2015</td>
<td>4856</td>
<td>1152</td>
</tr>
<tr>
<td>16/3/2015</td>
<td>3201</td>
<td>216</td>
</tr>
<tr>
<td>22/6/2015</td>
<td>3889</td>
<td>378</td>
</tr>
<tr>
<td>19/1/2015</td>
<td>2921</td>
<td>346</td>
</tr>
</tbody>
</table>

Risk / Implication

Financial loss due to fraud and corruption through the payment of individuals who may not have provided any service to the Motel.

Recommendation

The Authority should relook at their model of soliciting for business and in addition, such loyalty programmes should be approved by the Board.
Management response

Audit Observation Noted. All payments will be appropriately authorised and supported.

4. EMPLOYMENT COSTS

4.1 Medical aid contributions

Finding

The Authority was supposed to contribute 80% to medical aid societies while employees were supposed to contribute 20%. I noted that the Authority was not remitting the medical aid contributions to service providers. For the year under review, the employer’s contribution and the employees’ contribution withheld amounting to $1,513,205 and $395,331 respectively were not remitted. This resulted in medical aid societies terminating services to Parks employees.

Risk / Implication

Financial loss due to litigations from employees.

Service delivery may be compromised due to low staff morale.

Recommendations

The Authority should remit withheld funds to medical aid providers.

Management response

Noted. Due to cash flow challenges, the Authority terminated the services of all medical aid providers and is assisting employees to meet their medical expenses. Management has engaged medical service providers for a managed medical aid society.

4.2 Super User (All Profile)

Finding

The Super user (ALL profile) is a profile which grants unlimited access to the system, including all functional areas and Basis Security Administration. It is expected that access to this profile be granted based on business need, restricted to a limited number of users and was being monitored closely.
Audit noted that the external consultants for the Sun System had super user (all profile) to the production environment of the Authority. The following users had Super User (ALL Profiles):

<table>
<thead>
<tr>
<th>System</th>
<th>Number of Super User Profiles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sun System v4.4</td>
<td>8</td>
</tr>
<tr>
<td>Wild life Permit System</td>
<td>9</td>
</tr>
<tr>
<td>Online Booking system</td>
<td>2</td>
</tr>
<tr>
<td>Belina</td>
<td>5</td>
</tr>
</tbody>
</table>

**Risk/Implication**

Invalid or inappropriate changes to the system either intentionally or unintentionally may take place if a high number of users are granted unlimited access to the system.

If external consultants are given access to the production environment, unapproved changes to the payroll may be effected.

**Recommendation**

All access rights should be granted to the Authority’s users based on business need in line with job descriptions. Furthermore, management should review access rights of automated processes in order to determine access to all modules within all the systems.

**Management response**

This has been duly noted.
ZIMBABWE REVENUE AUTHORITY (ZIMRA) 2016

Background information

The Zimbabwe Revenue Authority (ZIMRA) is constituted in terms of the Zimbabwe Revenue Authority Act [Chapter 23:11] of 1999 and started operations on September 01, 2001. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond.

I have audited the financial statements and revenue returns of the Zimbabwe Revenue Authority for the year ended December 31, 2016 and I issued a qualified opinion with an emphasis of matter paragraph on the Outstanding revenue return, and an unqualified/clean opinion on the Tax Reserve Certificates Return, Revenue Return, Receipts and disbursements return and the financial statements of the Authority.

Basis for Qualified opinion on the Outstanding Revenue Return

The interest module in the Systems Application and Products (SAP) system was not automatically charging interest for outstanding taxes. As a result, some business partners were not charged interest at all on outstanding amounts. I could not establish the extent of the understatement.

Removal in Transit (regional consignments) entries amounting to $19 008 102 which originated at ports of entry had not been acquitted as at December 31, 2016. Some of the entries date back to the year 2013. As a result, the extent of outstanding duty payable to be included in the outstanding revenue return could not be ascertained as some of the goods could have been consumed locally.

The SAP system allowed creation of duplicate contract accounts for the same revenue head under one business partner number. Evidently, assessments by the Authority and payments from clients were posted to the different contract accounts for the same business partner thereby distorting outstanding revenue for the individual business partners. I was unable to determine the amount of adjustment necessary on the multiple business partner numbers and duplicate contract accounts in the SAP system.

Temporary Import Permit Vehicles that enter the country temporarily are given temporary import permits (TIP). As at reporting date, 26 996 Temporary Import Permits with potential duty at stake of over $42 million had not been acquitted despite the fact that they had expired. Some of the vehicles may have been localised as they are long outstanding.

The E-services was not charging civil penalties for some outstanding returns. As a result, some business partners with outstanding returns were not charged civil penalties on all outstanding returns. I could not establish the extent of the understatement.
Tobacco levy returns were not captured in the system and as a result, the client balances were in credit. Credit balances misrepresent tax status of the clients. Had the returns been captured, the credit balances would have been cleared. There was a backlog on the capturing of returns (billing) in the system leaving some clients with a credit balance. I could not establish the extent of the understatement.

**Opinion on Outstanding Revenue Return**

In my opinion, except for the possible effects of matters described in the Basis for Qualified Opinion paragraph, the Outstanding Revenue Return presents fairly, in all material respects, the Outstanding Revenue as at December 31, 2016.

**Emphasis of Matter**

Without further qualifying my opinion, I draw your attention to the following:

**Transfers to banks that are under liquidation or judicial management**

Included in the Outstanding Revenue Return is $3,566,528 which relates to taxes transferred by clients to the Authority’s bank accounts. These banks were subsequently placed under curatorship or liquidation before the funds had been transferred to the Commissioner General’s Account for onward transfer to the Exchequer Account. The recoverability of the full amount is doubtful.

**Clients under Judicial management**

There were clients under judicial management owing the Authority $50,756,261 as at year end.

**Fraudulent value added tax refunds**

During previous years, fraudulent value added tax refunds were made to some business partners amounting to $1,239,083. The amount has not been included in the outstanding revenue return and the issue is outstanding in the courts of law.

**Opinion on the Authority’s financial statements**

In my opinion, the financial statements present fairly, in all material respects the financial position of Zimbabwe Revenue Authority for the year ended December 31, 2015 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

However, below are other material issues noted during the audit.
1. **GOVERNANCE ISSUES**

1.1 **Border post access**

**Finding**

On my tour of Beitbridge Border Post, I noted that the fence of the entrance to the exit area, the parameter fencing and electric fence were no longer intact giving alternative routes for those who may want to enter and exit the country without using designated points. Pictures below depict the highlighted area as at April 10, 2017.

![Picture showing the electric fence that was not intact on April 10, 2017;](image-url)
Picture showing the electric fence that was not intact on April 10, 2017;
Picture depicts the tracks of pedestrian and cyclists using this route as at April 10, 2017;
Picture of the track leading to the undesignated entry point as at April 10, 2017;
Risk / Implication

Revenue leakages as travellers/importers may circumvent paying duty by using undesignated points.

Prohibited, dangerous substances and controlled products might be entering the country.

Recommendation

An immediate physical barrier in the short to medium term should be put in place while the long term plans to upgrade the border are being considered.

Approach those in control of CCTV and obtain regular monitoring tapes to follow up on those who have already been taking goods in and out of the country using it as an alternative entrance and exit undesignated point.

Management response

Noted and agreed. A request for the procurement and installation of 180 meters of palisade fence has been made which will stretch along the exit route and gate (to South Africa) adjacent to the duty free shop. Installation is targeted before end of second quarter, 2017

A letter will be drafted to the Inter-ministerial committee requesting for archived tapes to enable evaluation if the point was used to smuggle goods in and out the country using it as an alternative entrance and exit undesignated point.

1.2 Border post infrastructure

Finding

The import rump that serves as holding bay for trucks awaiting clearance at the scanner centre was in need of an upgrade. The import rump area was not tarred as a result staff and travellers were exposed to fine dust around the area.

Risk / Implication

Possible health hazards to the public and ZIMRA officers.

Recommendation

Management should come up with immediate solutions to minimise exposure to dust in the short term whilst the long term plans to upgrade the border post are being considered.
Management response

The border infrastructure is included in the national project for Beitbridge Border Post Capacitation and Modernization Project. Tendering process is being coordinated by IDBZ. The tender closed on the 24th of April. Work is expected to commence during the third quarter, 2017.

1.3 Declaration of independence

Finding

There were no standardized forms for the loss control division and Investigations officers where the officers declare their independence for the assignments they will be carrying out.

Risk/Implication

Possible conflict of interest may compromise execution of assignments.

Recommendation

The Authority should make it mandatory for officers to declare their independence in writing before and after an assignment.

Management response

Loss control division
The observation is noted. Assignments are allocated to officers using a standard form called an “Authority to Investigate Form”. The form did not have room for officers to declare their independence. The form was modified on 5 May 2017 and it now has space for officers to declare their independence.

Investigations
The observation is noted. Assignments are allocated to officers using a standard form called an “Authority to Investigate Form”. The form did not have room for officers to declare their independence. The form was modified on 5 May 2017 and it now has space for officers to declare their independence.

1.4 Land development

Finding

As previously reported, the Authority acquired five (5) residential stands in Fair bridge park extension, Mutare in 2003 that had not been developed. The latest correspondence on file from Council advised the Authority to start developing the stands immediately to avoid the risk of losing the stands. The stands were allocated 13 years ago. Similarly, I noted that the Authority also had stands in Bulawayo, Beitbridge with similar circumstances.
Furthermore, the Authority incurred rental expenses amounting to $82,800 for Forbes border post staff accommodation which could have been avoided had the stands been developed. Below is a table showing a list of the stands:

<table>
<thead>
<tr>
<th>Stand number</th>
<th>Value $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stand 7353 Mutare Township</td>
<td>27,000</td>
</tr>
<tr>
<td>Stand 7394 Mutare Township</td>
<td>19,000</td>
</tr>
<tr>
<td>Stand 7430 Mutare Township</td>
<td>16,000</td>
</tr>
<tr>
<td>Stand 7430 Mutare Township</td>
<td>20,000</td>
</tr>
<tr>
<td>Stand 7451 Mutare Township</td>
<td>24,000</td>
</tr>
<tr>
<td>Stand 17009 B.T Bulawayo</td>
<td>320,000</td>
</tr>
</tbody>
</table>

**Risk/Implication**

Financial loss as stands may be repossessed by Council.

**Recommendation**

The Authority should abide by the Council’s by laws on stands development within the stipulated timelines.

**Management response**

The observation is noted. The Authority is taking a phased approach in the development of the stands so as to address staff and office accommodation challenges. The development will also reduce the rental bills for the Authority. The engagement of the Ministry of Local Government, Public Works and National Housing has commenced and procurement has been initiated for the construction of eight – four bedroomed self-contained cottages in Chirundu.

Masvingo City Council has been engaged and has since offered two commercial stands for the construction of office accommodation. The Authority has also engaged Beitbridge Town Council for the construction of staff accommodation. All these efforts are pencilled to commence during the second quarter, 2017. For the other stations the Authority is however still to secure funding to develop the stands.

**1.5 Baggage scanners**

**Finding**

The baggage scanners at the Plumtree border post were not functioning. On enquiry with management and inspection of the baggage scanner registers, I noted that the baggage scanners had not functioned well since their installation.
Three (3) out of four (4) baggage scanners at Beitbridge border post were not working. The Authority still relied on physical examinations.

I also noted that mobile scanner (MB1215HS) located at the entrance point of the border post experienced major faults which resulted in it being grounded. During this downtime period, vehicles were passing the border post without being scanned. Instead, they were physically examined.

There were also no baggage scanners at Kariba border post.

**Risk/Implication**

Financial loss due to frequent repairing and maintenance costs each time the engineers are called to repair the items.

Revenue leakages as prohibited goods maybe smuggled in and out of the country.

**Recommendation**

The Authority should analyse the cause of frequent breakdown of these scanners in order to make an efficient and economic decision.

The Authority should ensure that baggage scanners are operating consistently to avoid compromising service potential.

**Management response**

The observations by the auditors are noted. The baggage scanners have had frequent breakdowns which the Authority's engineers have failed to repair due to the lack of the necessary expertise to do so. Nuctech the suppliers of the scanners moved off-site in December 2016 following the failure by the Authority to pay the 2016 and 2017 maintenance fees. An agreement was however reached with Nuctech in March 2017 in terms of which Nuctech would provide operational and maintenance training to ZIMRA engineers for the baggage scanners so that the engineers can be able to repair and service the baggage scanners internally, with Nuctech providing backup support in complicated matters that the Authority engineers fail to resolve. This arrangement would be effective from when the Authority pays for the 2016 maintenance fees which it is in the process of doing.

Beitbridge scanners

Noted and agreed. These scanners were bought in 2003 and installed then. They faced the following challenges:

The infrastructure was not adequately structured and it was difficult to manage flow of human traffic and use baggage scanners.

The technology by then was not very good resulting in the scanner not being very useful as the images were not good and had many technical faults. The technology was not embraced as officers thought it was extra duty using the tools.
Because of the above reasons the scanner did not work much hence they were replaced in 2010 but still infrastructure is hindering the use of baggage scanners at Beitbridge.

A Board of Survey was done in October 2016 and the disposal process is targeted in the second quarter of 2017 and will be done in consultation with the Radiation Protection Authority of Zimbabwe. It is agreed that baggage and mobile scanners must be operational every time so as the curb the risk of smuggling

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 DOMESTIC TAX

2.1.1 Interest on outstanding revenue

Finding

The notice of assessments states that interest would be charged on tax not paid by the due date and when there is no objection within the 30 days’ due date period. However, I have noted that there were assessments on which payments were still outstanding as at December 31, 2016 and some for which payments were made after 30 days during the year for which interest was not calculated. The following table shows a sample of the assessments raised with no payments made and no interest charged for capital gains tax.

<table>
<thead>
<tr>
<th>Number</th>
<th>BP Number</th>
<th>Assessment Date</th>
<th>Amount outstanding ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>200005035</td>
<td>28/08/2013</td>
<td>1 750</td>
</tr>
<tr>
<td>2</td>
<td>200012674</td>
<td>31/08/2011</td>
<td>180</td>
</tr>
<tr>
<td>3</td>
<td>200121707</td>
<td>07/08/2013</td>
<td>750</td>
</tr>
<tr>
<td>4</td>
<td>200138174</td>
<td>13/03/2014</td>
<td>2 625</td>
</tr>
<tr>
<td>5</td>
<td>200167432</td>
<td>29/10/2015</td>
<td>1 205</td>
</tr>
<tr>
<td>6</td>
<td>200170488</td>
<td>15/04/2016</td>
<td>750</td>
</tr>
<tr>
<td>7</td>
<td>200171133</td>
<td>15/12/2015</td>
<td>152</td>
</tr>
<tr>
<td>8</td>
<td>200174223</td>
<td>16/02/2016</td>
<td>1 000</td>
</tr>
<tr>
<td>9</td>
<td>200182105</td>
<td>16/09/2016</td>
<td>1 670</td>
</tr>
</tbody>
</table>

Risk / Implication

Loss of potential revenue.

Recommendation

The Authority should ensure that the system automatically calculates interest upon reaching due date when payment is not made.
Management response

Interest on Capital Gains Tax was run on 27th April 2017 and going forward interest on all outstanding amounts is being run on a monthly basis in SAP.

2.1.2 Duplicate contract accounts

Finding

The SAP system allowed creation of duplicate contract accounts for the same revenue head under one business partner number. Assessments by the Authority and payments from clients were posted to the different contract accounts for the same business partner thereby distorting outstanding revenue for the individual business partners. I was unable to determine the amount of adjustment necessary on the multiple business partner numbers and duplicate contract accounts in the SAP system.

Region 2 had a total of 582 business partners who had duplicate contract accounts for the same revenue head. The Authority made some efforts to block some of the contract accounts, however, some transactions were being recorded in both the contract accounts. BP number 200000264 had 2 contract accounts for income tax on companies and transactions were being recorded in both the contract accounts.

Risk/ Implication

Misstatements in the outstanding revenue return as both contract accounts may be billed for outstanding returns.

Recommendation

The Authority should maintain only one contract account in the system.

Management response

The tax position of the client on the outstanding revenue return does not change because the client is accessing the blocked contract account. If the client submits the return through a blocked contract account, the system automatically issues an instant feedback message that, “the transaction failed, report to ZIMRA”. Additionally, the responsible Liaison Officer then re-routes the transaction from the blocked contract account to the active contract account, thus posting the assessment to the active account and where applicable penalties and interest are accordingly calculated.

However, the Consultants have been engaged to rectify this system challenge within the 2nd Quarter of 2017.
2.1.3 Civil penalties

Finding

Penalties and interest were not being charged for some returns that were submitted late under E-services as indicated in the table below.

<table>
<thead>
<tr>
<th>VAT Returns</th>
<th>Number of returns</th>
<th>Amount of Civil Penalty not charged due to system challenge ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-16</td>
<td>1 258</td>
<td>27 960</td>
</tr>
<tr>
<td>Feb-16</td>
<td>1 475</td>
<td>29 180</td>
</tr>
<tr>
<td>Mar-16</td>
<td>1 794</td>
<td>32 310</td>
</tr>
<tr>
<td>Apr-16</td>
<td>1 632</td>
<td>30 430</td>
</tr>
<tr>
<td>May-16</td>
<td>1 550</td>
<td>26 780</td>
</tr>
<tr>
<td>Jun-16</td>
<td>1 394</td>
<td>25 310</td>
</tr>
<tr>
<td>Jul-16</td>
<td>1 336</td>
<td>22 540</td>
</tr>
<tr>
<td>Aug-16</td>
<td>1 367</td>
<td>20 540</td>
</tr>
<tr>
<td>Sep-16</td>
<td>1 325</td>
<td>16 940</td>
</tr>
<tr>
<td>Oct-16</td>
<td>1 208</td>
<td>12 000</td>
</tr>
<tr>
<td>Nov-16</td>
<td>1 216</td>
<td>9 500</td>
</tr>
<tr>
<td>Dec-16</td>
<td>905</td>
<td>3 490</td>
</tr>
<tr>
<td>2015 Income Tax Returns</td>
<td>13 574</td>
<td>275 620</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30 034</strong></td>
<td><strong>532 600</strong></td>
</tr>
</tbody>
</table>

Risk/Implication

Outstanding revenue return may be misstated.

Loss of potential revenue.

Recommendation

The system challenges should be resolved without further delay.

Management response

The Consultant has been engaged to deal with the system challenge of failure to charge civil penalties for late submission of returns. The issue should be resolved within the 2nd quarter of 2017.
2.1.4 Tobacco levy returns

Finding

I noted that there were returns that were not yet captured into the system, as a result, the client balances were in credit. Credit balances misrepresent tax status of the clients. Had the returns been captured, the credit balances will be cleared. All returns must be captured in the SAP system as they are submitted by clients so as to reflect the actual position in that client’s account. There was a backlog on the capturing of returns (billing) in the system leaving some clients with a credit balance. The table below is a sample of clients with returns not captured.

<table>
<thead>
<tr>
<th>BP number</th>
<th>Credit $</th>
</tr>
</thead>
<tbody>
<tr>
<td>200003173</td>
<td>(2 539 821)</td>
</tr>
<tr>
<td>200001013</td>
<td>(1 950 512)</td>
</tr>
<tr>
<td>20006465</td>
<td>(318 741)</td>
</tr>
<tr>
<td>200015148</td>
<td>(1 680 778)</td>
</tr>
<tr>
<td>200031886</td>
<td>(4 046 456)</td>
</tr>
<tr>
<td>200042536</td>
<td>(3 241 905)</td>
</tr>
<tr>
<td>200088941</td>
<td>(1 335 616)</td>
</tr>
<tr>
<td>200101733</td>
<td>(1 956 167)</td>
</tr>
<tr>
<td>200108384</td>
<td>(33 824)</td>
</tr>
<tr>
<td>200104605</td>
<td>(602 497)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(17 706 322)</strong></td>
</tr>
</tbody>
</table>

Risk/Implication

Loss of revenue.

Loss due to erroneous credits that may be misconstrued as overpayments.

Outstanding revenue return may be misstated by omitted returns not captured.

Recommendation

It is recommended that returns be captured promptly and without further delay.

Management response

The Tobacco Levy returns could not be captured in the system as there was need for the consultant to change the rates of Tobacco Levy as a result of change in legislation. The configuration of tobacco levy is one of the outstanding support issues under TRM which the consultant still needs to resolve. The new rates will be configured by 21 April 2017. The tobacco levy returns will be captured thereafter and the backlog is expected to be cleared by end of May 2017.
2.1.5 Mining production assessments

Finding

I noted that there were no assessments done to confirm production to sales inventory made by producers. The Authority placed reliance on collecting agents. The Authority was expected to assess production in order to get assurance of the completeness and accuracy of declared sales. Access to production source documents helps the Authority to reconcile the amounts they receive from the third parties.

Risk/Implication

Revenue loss due to under declaration or fraudulent declaration.

Recommendation

The Authority should regularly assess mining productions to reduce the risk of revenue leakages.

Management response

Risk based audit of royalties has been included in the audit plan which will include reconciliation of sales to production returns submitted together with the Rev 5 and site inspections on a quarterly basis.

2.1.6 Withholding taxes

Finding

I noted that, returns submitted for withholding taxes did not have adequate supporting documentation for the Authority to confirm the dates on which the amounts were withheld. In addition, there were companies which were owing withholding taxes but were however not remitting to ZIMRA despite the fact that the amounts have been withheld. The table below shows a sample of amounts that were outstanding as at December 31, 2016 which had not been remitted;

<table>
<thead>
<tr>
<th>BP Number</th>
<th>Tax Head</th>
<th>Amount owing ($)</th>
<th>Period owing</th>
</tr>
</thead>
<tbody>
<tr>
<td>200087178</td>
<td>Non-resident Tax on fees</td>
<td>24 294 048</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>200011622</td>
<td>Non-resident Tax on fees</td>
<td>14 541 826</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>200002584</td>
<td>Non-resident Tax on fees</td>
<td>3 294 034</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>200010853</td>
<td>Non-resident Tax on fees</td>
<td>909 469</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>200002652</td>
<td>Non-resident tax on remittances</td>
<td>860 455</td>
<td>Over 365 days</td>
</tr>
</tbody>
</table>

Risk/Implication

There may be under-declaration of withholding taxes.
Recommendation

ZIMRA should ensure that clients submit returns which are appropriately supported with documents that enable the Authority to establish the dates the amounts were withheld.

Management response

The Rev 5 form was amended to make it mandatory the submission of supporting documents. Enforcement activities are being implemented to ensure adherence to this obligation.

2.1.7 Outstanding revenue

Finding

As per my analysis of the outstanding revenue for both domestic tax and customs tax, I noted that outstanding debtors amounting to $1,677,073,776 out of the opening debtors balance of $2,142,467,374 (78%) were owing for over 365 days for the Authority. From a sample of 60 files out of 75 files for Region 2 debtors with significant amounts that I reviewed, there was no evidence to support that the Authority was making regular follow-ups on the amounts outstanding. Most of the files were showing evidence that the last follow-ups were made in 2015.

The outstanding revenue per each major revenue head is illustrated in the pie-chart below.
Risk/Implication

The long outstanding debtors might not be collected.

Recommendation

Management should ensure long outstanding amounts are followed up regularly. Strategies to collect amounts outstanding should be put in place to include among others agreeing of feasible payment plans.

Management response

Noted. Debtors are constantly being followed up, with garnishes being placed on most debts and agreed payments plans being made. Attached are excel spread sheets for payment plans and collections from such, garnish orders and the respective collections and write off submitted. Payment plans are captured in the SAP system.

2.2 CUSTOMS AND EXCISE

2.2.1 Temporary Import Permits (TIPs)

Finding

Temporary Import Permit Vehicles that enter the country temporarily are given temporary import permits (TIP). As at reporting date, 26 996 Temporary Import Permits with potential duty at stake of over $42 million had not been acquitted despite the fact that they had expired. Some of the vehicles may have been localised as they are long outstanding.

I noted that there were some entries registered during the year in respect of Temporary Import Permits (TIPs) that had not yet been acquitted in respect of Chirundu and Kariba station with potential duty at stake of $4 950 442 and $1 795 077 respectively. I also noted that there were 2 718 long outstanding TIPs at Plumtree border post and some of them have been outstanding since 2013. Although follow ups were being done the entries still remained outstanding as indicated in the table below for Plumtree border post;

<table>
<thead>
<tr>
<th></th>
<th>As at 31.07.2016</th>
<th>As at 31.12.2016</th>
<th>As at 31.03.2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding 2016</td>
<td>779</td>
<td>837</td>
<td>542</td>
</tr>
<tr>
<td>Outstanding 2015</td>
<td>1 182</td>
<td>982</td>
<td>956</td>
</tr>
<tr>
<td>Outstanding 2014</td>
<td>1 466</td>
<td>1 251</td>
<td>1 237</td>
</tr>
<tr>
<td>Outstanding 2013</td>
<td>632</td>
<td>485</td>
<td>475</td>
</tr>
<tr>
<td>Total</td>
<td>4 059</td>
<td>3 555</td>
<td>3 210</td>
</tr>
</tbody>
</table>
I also noted that there were more than five hundred (500) outstanding temporary import permits at Forbes border post with some dating back to 2014 that had not been cleared at the time of audit. Table below shows some of the outstanding TIPs as at December 31, 2016:

<table>
<thead>
<tr>
<th>PORT OF ENTRY</th>
<th>TIP REF NUMBER (PV No)</th>
<th>TIP REG DATE</th>
<th>TIP EXPIRY DATE</th>
<th>DRIVER'S PASSPORT No</th>
<th>PORT OF EXIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZWFB</td>
<td>2036</td>
<td>29/3/2016</td>
<td>4/12/2016</td>
<td>P0509740</td>
<td>ZWVF</td>
</tr>
<tr>
<td>ZWFB</td>
<td>2258</td>
<td>7/4/2016</td>
<td>4/10/2016</td>
<td>ZN483123</td>
<td>ZWCH</td>
</tr>
<tr>
<td>ZWFB</td>
<td>2475</td>
<td>18/4/2016</td>
<td>19/4/2016</td>
<td>10AA68328</td>
<td>ZWFB</td>
</tr>
<tr>
<td>ZWFB</td>
<td>2635</td>
<td>25/4/2016</td>
<td>5/2/2016</td>
<td>06010074904 3N</td>
<td>ZWFB</td>
</tr>
<tr>
<td>ZWFB</td>
<td>659</td>
<td>24/1/2015</td>
<td>27/1/2015</td>
<td>AO2416475</td>
<td>ZWBB</td>
</tr>
<tr>
<td>ZWFB</td>
<td>717</td>
<td>27/1/2015</td>
<td>30/1/2015</td>
<td>M00068367</td>
<td>ZWFB</td>
</tr>
<tr>
<td>ZWFB</td>
<td>5115</td>
<td>30/7/2015</td>
<td>8/2/2015</td>
<td>MA265195</td>
<td>ZWBB</td>
</tr>
<tr>
<td>ZWFB</td>
<td>5171</td>
<td>8/1/2015</td>
<td>8/4/2015</td>
<td>483912689</td>
<td>ZWBB</td>
</tr>
<tr>
<td>ZWFB</td>
<td>5178</td>
<td>8/1/2015</td>
<td>8/4/2015</td>
<td>504634860</td>
<td>ZWCH</td>
</tr>
<tr>
<td>ZWFB</td>
<td>9239</td>
<td>18/12/2014</td>
<td>19/12/2014</td>
<td>13AE16405</td>
<td>ZWFB</td>
</tr>
<tr>
<td>ZWFB</td>
<td>9240</td>
<td>18/12/2014</td>
<td>18/1/2015</td>
<td>58974605</td>
<td>ZWFB</td>
</tr>
<tr>
<td>ZWFB</td>
<td>9297</td>
<td>20/12/2014</td>
<td>23/12/2014</td>
<td>10AA873345</td>
<td>ZWFB</td>
</tr>
<tr>
<td>ZWFB</td>
<td>9302</td>
<td>20/12/2014</td>
<td>23/12/2014</td>
<td>L942182</td>
<td>ZWFB</td>
</tr>
</tbody>
</table>

In addition, some clients with outstanding temporary import permits were issued with another TIP suggesting the need to improve controls over TIPs processing system. Below is a sample of clients with more than one outstanding TIP.

<table>
<thead>
<tr>
<th>Port of entry</th>
<th>TIP Number</th>
<th>Registered date</th>
<th>Expiry date</th>
<th>Driver passport number</th>
<th>Intended port of exit</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZWCH</td>
<td>PV2270</td>
<td>23-07-16</td>
<td>26-07-16</td>
<td>10PD03802</td>
<td>ZWCH</td>
</tr>
<tr>
<td>ZWCH</td>
<td>PV3362</td>
<td>9-11-16</td>
<td>12-11-16</td>
<td>10PD03802</td>
<td>ZWBB</td>
</tr>
<tr>
<td>ZWCH</td>
<td>PV1493</td>
<td>6-05-16</td>
<td>6-06-16</td>
<td>AB451427</td>
<td>ZWCH</td>
</tr>
<tr>
<td>ZWCH</td>
<td>PV1515</td>
<td>10-05-16</td>
<td>9-07-16</td>
<td>AB451427</td>
<td>ZWCH</td>
</tr>
<tr>
<td>ZWCH</td>
<td>PV243</td>
<td>23-01-16</td>
<td>22-02-16</td>
<td>ZN419270</td>
<td>ZWCH</td>
</tr>
<tr>
<td>ZWCH</td>
<td>PV2247</td>
<td>21-07-16</td>
<td>24-07-16</td>
<td>ZN419270</td>
<td>ZWCH</td>
</tr>
<tr>
<td>ZWCH</td>
<td>PV2377</td>
<td>3-08-16</td>
<td>2-09-16</td>
<td>ZN419270</td>
<td>ZWCH</td>
</tr>
</tbody>
</table>

Furthermore, I noted that the Authority processes TIPs electronically and manually. The electronic and manual TIPs have different processes of issuing and clearing. I was concerned that the manually raised TIPs were not captured in the system. As a result, I was unable to determine with certainty whether all the TIPs raised were properly accounted for.
in the relevant records for the year under review. Furthermore, I could not determine the validity of all TIPs issued.

**Risk/Implication**

Some of the vehicles may have been localized as they are long outstanding thereby possibly circumventing customs duty obligation.

Revenue leakage through abuse of TIP system

**Recommendation**

There is need for regular follow up on all outstanding TIPs.

The Authority should liaise with Central Vehicle Registry and ZINARA to identify vehicles on TIP that might have been localised.

The controls surrounding the acquittal process of TIPs should be reviewed.

**Management response**

Follow ups are ongoing to clear the outstanding TIPs. Currently, officers are advised to search for outstanding TIPs using the chassis number or passport number before issuing a visitor with a new TIP.

An improvement on the TIP module - the flagging of outstanding Temporary Import Permit for Visitor’ Vehicle (TIP) using the Chassis number as the control number prior to registration of a new TIP has been developed and tested. It is now awaiting to be transported into production. This initiative will enable the authority to acquit outstanding TIPs with re-entry details.

2.2.2 Capturing of Manual Temporary import permits (TIP)

**Finding**

When the Asycuda system is down, the Authority Register Temporary Imports Permits manually. The record for these manual TIPs cannot be entered into the system when the system is up, implying that the system is handicapped and the TIPs have to be acquitted manually. As a result, this prompted the border post to maintain a manual TIP register. The officer only relies on customer copy as they acquit at port of exit. The outstanding TIPs report availed for audit did not include the outstanding manual TIPs for the period under review.

**Risk/Implication**

Revenue leakage as some vehicles may be localised without payment of duty.
Recommendation

The Authority should study and analyse the causes of system down-time and address these with a view of minimizing use of manual TIPs.

Management response

Observation is noted. Management will ensure that manual tips are entered into the system as soon as the system is up. Supervision in this area will be enhanced.

The Authority has increased the bandwidth at most of the major stations which were running on 2MB to 10MB and this hoped to solve the challenge of system downtime.

2.2.3 Removal in transit (RIT) and Removal in bond (RIB)

Finding

I noted that Forbes Border Post had long outstanding RITs and RIBs, which had not been cleared since 2011. This was despite the fact that the same issues had been raised in the prior year audit. The table below is an illustration of such items:

<table>
<thead>
<tr>
<th>D Number</th>
<th>Date</th>
<th>Report date</th>
<th>C/DUTY $</th>
<th>VAT $</th>
<th>Surtax $</th>
<th>TOTAL $</th>
<th>Management Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>D4519</td>
<td>5/8/2011</td>
<td>31/12/2015</td>
<td>241.27</td>
<td>398.10</td>
<td>0.00</td>
<td>639.37</td>
<td>Agents bond closed</td>
</tr>
<tr>
<td>D5527</td>
<td>6/4/2011</td>
<td>31/12/2015</td>
<td>1,054.96</td>
<td>3,323.13</td>
<td>0.00</td>
<td>4,378.09</td>
<td>Agents bond closed</td>
</tr>
<tr>
<td>D7750</td>
<td>7/21/2011</td>
<td>31/12/2015</td>
<td>0.00</td>
<td>11,519.55</td>
<td>0.00</td>
<td>11,519.55</td>
<td>Agents bond closed</td>
</tr>
<tr>
<td>D7977</td>
<td>7/26/2011</td>
<td>31/12/2015</td>
<td>1,590.00</td>
<td>2,623.50</td>
<td>0.00</td>
<td>4,213.50</td>
<td>Agents bond closed</td>
</tr>
<tr>
<td>D11535</td>
<td>10/3/2011</td>
<td>31/12/2015</td>
<td>464.15</td>
<td>1,462.10</td>
<td>0.00</td>
<td>1,926.25</td>
<td>Agents bond closed</td>
</tr>
<tr>
<td>D14324</td>
<td>12/2/2011</td>
<td>31/12/2015</td>
<td>0.00</td>
<td>0.00</td>
<td>6,115.84</td>
<td>6,115.84</td>
<td>Agents bond closed</td>
</tr>
<tr>
<td>D15270</td>
<td>12/20/2011</td>
<td>31/12/2015</td>
<td>310.40</td>
<td>3,334.29</td>
<td>0.00</td>
<td>3,644.69</td>
<td>Agents bond closed</td>
</tr>
<tr>
<td>D15596</td>
<td>12/25/2011</td>
<td>31/12/2015</td>
<td>310.40</td>
<td>3,073.83</td>
<td>0.00</td>
<td>3,384.23</td>
<td>Agents bond closed</td>
</tr>
<tr>
<td>D2784</td>
<td>2/25/2012</td>
<td>31/12/2015</td>
<td>1,221.09</td>
<td>0.00</td>
<td>0.00</td>
<td>1,221.09</td>
<td>Both Agents and surety bond closed.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Last follow up done 05/05/2015</td>
</tr>
<tr>
<td>D2783</td>
<td>2/25/2012</td>
<td>31/12/2015</td>
<td>1,221.09</td>
<td>0.00</td>
<td>0.00</td>
<td>1,221.09</td>
<td>Both Agents and surety bond closed.</td>
</tr>
<tr>
<td>D20514</td>
<td>11/28/2012</td>
<td>3,611.00</td>
<td>5,958.15</td>
<td>0.00</td>
<td>9,569.15</td>
<td>Agents bond closed. Last follow up done 05/05/2015</td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>------------</td>
<td>----------</td>
<td>----------</td>
<td>-------</td>
<td>----------</td>
<td>--------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>D4768</td>
<td>3/10/2013</td>
<td>1,456.00</td>
<td>2,402.40</td>
<td>0.00</td>
<td>3,858.40</td>
<td>Both Agents and surety bond closed. Last follow up done 05/05/2015</td>
<td></td>
</tr>
<tr>
<td>D12674</td>
<td>3/21/2013</td>
<td>0.00</td>
<td>10,500.00</td>
<td>0.00</td>
<td>10,500.00</td>
<td>Both Agents and surety bond closed. Last follow up done 05/05/2015</td>
<td></td>
</tr>
<tr>
<td>D14142</td>
<td>3/25/2013</td>
<td>321.59</td>
<td>1,013.00</td>
<td>0.00</td>
<td>1,334.59</td>
<td>Both Agents and surety bond closed. Last follow up done 05/05/2015</td>
<td></td>
</tr>
<tr>
<td>D17975</td>
<td>5/9/2013</td>
<td>706.50</td>
<td>2,225.47</td>
<td>0.00</td>
<td>2,931.97</td>
<td>Agents bond closed. Last follow up done 05/05/2015</td>
<td></td>
</tr>
<tr>
<td>D9073</td>
<td>5/22/2013</td>
<td>0.00</td>
<td>10,134.60</td>
<td>0.00</td>
<td>10,134.60</td>
<td>Both Agents and surety bond closed. Last follow up done 05/05/2015</td>
<td></td>
</tr>
<tr>
<td>D12258</td>
<td>7/4/2013</td>
<td>3,640.32</td>
<td>6,006.52</td>
<td>0.00</td>
<td>9,646.84</td>
<td>Both Agents and surety bond closed. Last follow up done 16/12/2014</td>
<td></td>
</tr>
<tr>
<td>D20451</td>
<td>10/18/2013</td>
<td>0.00</td>
<td>11,889.60</td>
<td>0.00</td>
<td>11,889.60</td>
<td>Agents bond closed. Last follow up done 05/05/2015</td>
<td></td>
</tr>
<tr>
<td>D20383</td>
<td>10/18/2013</td>
<td>0.00</td>
<td>9,830.25</td>
<td>0.00</td>
<td>9,830.25</td>
<td>Agents bond closed. Last follow up done 05/05/2015</td>
<td></td>
</tr>
<tr>
<td>D21906</td>
<td>11/4/2013</td>
<td>634.95</td>
<td>2,000.11</td>
<td>0.00</td>
<td>2,635.06</td>
<td>Agents bond closed. Last follow up</td>
<td></td>
</tr>
</tbody>
</table>
Chirundu Border post had long outstanding RITs, which had not been cleared since 2014. This was despite the fact that the same issues had been raised in the prior year audit. The bond on the outstanding amounts was not being called. Below is an analysis of the RIT for the border post;

<table>
<thead>
<tr>
<th>Year since owing</th>
<th>Number of entries</th>
<th>Guarantee amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>29</td>
<td>465 791</td>
</tr>
<tr>
<td>2015</td>
<td>11</td>
<td>293 607</td>
</tr>
<tr>
<td>2016</td>
<td>11</td>
<td>18 946</td>
</tr>
<tr>
<td>Total</td>
<td>51</td>
<td>778 344</td>
</tr>
</tbody>
</table>

Risk/ Implication

Outstanding RITs and RIBs may not be cleared and the Authority may have been prejudiced of revenue.

Recommendation

The Authority should ensure that all RITs and RIBs are acquitted within the prescribed time framework.

Management response

Most of the outstanding RITs are for prior years when the authority was experiencing connectivity challenges. Follow up of the RITs and RIBs is in progress and also letters sent to the Insurers on some of the cases.

With the introduction of the Electronic Cargo Tracking System the outstanding RITs and RIBs are now in control and agents whose transactions remain outstanding within the prescribed timeframes are being suspended from operation to ensure timely regularisation.
2.2.4 Asycuda assessment system

Finding

I observed that the Asycuda assessment system had no adequate mechanism to identify duplicate Form 49 assessments. The system did not have restriction as to how many assessments can be captured for a single declaration, allowing multiple declarations. A declarant can make multiple submissions for assessments and then chose a favourable assessment leaving all other attempts open and not cleared.

Risk/Implication

Misstatement of outstanding customs revenue with amounts that may not be recovered.

There is room for applicants to engage in corrupt activities as there is an opportunity to lodge multiple submissions and pick a favourable one.

Recommendation

The Asycuda passport field should be activated as a control to flag any resubmission of form 47 for assessment.

Management response

Observation noted.

The recommendation has been noted, however, the control field which is the declarant reference number which is the control number cannot be duplicated in a Calendar year.

The declarant field on the Single Administrative Document (SAD) will have the characters increased to enable capturing of the control number as the National Identity number followed by the date and month to enable the system to flag any resubmission of Form 47 for assessment on the same day. Procedures will be reviewed to guide officers on how to capture the Form 49 declarant reference numbers.

3. PROCUREMENT OF GOODS AND SERVICES

3.1 Tendering

Finding

State Procurement Board Circular Number 1 of 2015 dated February 19, 2015 highlights that the new tender thresholds for informal tenders range from $10 000 to $500 000. However, the Authority procured goods and services from various suppliers within this range using competitive quotations as provided in the table below;
**Date** | **Details** | **Amount $**
---|---|---
06/01/2016 | Procurement of removal of household effects for ZIMRA staff on transfer | 17 086
12/02/2016 | Procurement of stock items for central stores | 10 091
20/09/2016 | Procurement of stock items for central stores toners | 14 176

**Risk/Implication**

Non-compliance with State Procurement Board regulations.

Financial loss due to penalties charged for non-compliance with state regulations.

**Recommendation**

The Authority should comply with State Procurement Board regulations.

**Management response**

Observation noted. Going forward the Authority will adhere to the requirements of the Circular No. 1 of 2015 dated February 19, 2015.

4. **EMPLOYMENT COSTS**

4.1 **Supporting documents**

**Finding**

I observed that some payments were made through the payroll and some through Electronic Fund Transfer (EFT) during the period under review without supporting relevant documentation being filed in the personal file of the beneficiary. Some allowances paid were more than the amounts on contracts of the employees. I was not provided with supporting documents like invoices and instructions for the following transactions paid during the year:

<table>
<thead>
<tr>
<th>EC No.</th>
<th>Amount Paid</th>
<th>Purpose</th>
<th>Date</th>
<th>Status</th>
<th>Mode of payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2273</td>
<td>Y43 400</td>
<td>School fees</td>
<td>30.8.16</td>
<td>Paid Y43 400 but the receipt on which reimbursement is based has Y42 600.</td>
<td>EFT</td>
</tr>
<tr>
<td>2305</td>
<td>$22 117</td>
<td>Holiday allowance</td>
<td>May 2016</td>
<td>No source document. The holiday allowance per year on his contract is $5 000</td>
<td>Payroll</td>
</tr>
</tbody>
</table>
Risk/Implication

Financial loss due to payment of expenses which may not have been approved by relevant authorities.

Recommendation

All source documents and supporting documents should be filed in the beneficiaries’ files.

Management response

Observation noted.

For the school fees paid for EC. No. 2273, information on record reveals that this could have been an error. Corrective action will be taken to recover the amount overpaid.

A grossed up amount of $22,117.26 was paid for holiday accommodation in May 2016 for EC. No. 2305. The net of tax amount paid was $10,726.87 broken down as $4,671.93 (US$ conversion from AED17,159.55) for accommodation for the year and the balance of $6,054.94 being accommodation claim for 2014 and 2015 – Going forward Board approval will be obtained before payment is made.

4.2 School fees allowances

Finding

I observed that 3rd term school fees for 2016 amounting to $407,429 was processed outside the payroll. Hence they were not subjected to PAYE in violation of Income Tax Act [Chapter 23:06].

Risk/Implication

Financial loss as a result of penalties and fines for non-compliance with tax regulations.

Recommendation

All allowances should be processed through the payroll.

Management response

Observation noted. From the schedule of beneficiaries, we have noted that school fees payments to some of the managers did not go through payroll. The amounts will be ascertained and captured in May 2017 pay run. Please note that the Authority amended the relevant procedure to ensure that all payroll related payments are processed through payroll.
4.3 Membership subscriptions

Finding

The Authority paid subscriptions for its managers such as sport recreations, home DSTV during the year under review which were processed outside the payroll system and were not subjected to Pay as You Earn (PAYE) in violation of the Income Tax Act [Chapter 23:06].

Risk / Implication

Financial loss as a result of penalties and fines for non-compliance with tax regulations.

Recommendation

All benefits and allowances should be processed through the payroll and subjected to PAYE in line with the Income Tax Act [Chapter 23:06].

Management response

Observation noted. The amounts will be captured in May 2017 pay run. Please note that the Authority amended the relevant procedure to ensure that all payroll related payments are processed through payroll.

5. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that the Authority made some progress and there was room for improvement in respect of the following recommendations:

5.1 Motor vehicles

Recommendation

Timely repairs should be effected to ensure availability of resources. The storage facilities for the Authority’s assets should be improved through provision of sheds for motor vehicles.

Progress made

The sheds for stations were still work in progress.
5.2 Enterprise Risk Management

Recommendation

Review of the ERM grid and this should be a continuous process. There is need to ensure that information is backed up and stored at a secure place which is separate from the warehouse. ZIMRA should consider equipping warehouses with appropriate fire detection and prevention equipment.

Progress made
State warehouse operations had not been computerized so as to fully address the issue of backing up warehouse records.

5.3 Staff accommodation

Recommendation

Management should consider addressing accommodation challenges.

Progress made

The staff situation is not yet addressed.
PUBLIC ENTITIES UNDER THE CATEGORY OF BOARDS
GRAIN MARKETING BOARD (GMB) 2015 AND 2016.

Background information

The Grain Marketing Board was incorporated under statute in Zimbabwe by the Grain Marketing Board Act [Chapter 18:14]. The Board’s main activities are buying, storing of grain, manufacture of silo products, managing of the Strategic Grain Reserve and the Input Scheme on behalf of the Government of Zimbabwe.

I have audited the financial statements of the Grain Marketing Board of Zimbabwe for the years ended March 31, 2015 and 2016 and I issued a qualified opinion with an emphasis of matter paragraph.

Basis for Qualified Opinion

Revenue and cost of sales input documents which included dispatch vouchers, fiscalised receipts and invoices were not recorded in a consistent and sequential manner and numerous sequence gaps were noted. As a result, I could not place reliance on the completeness of revenue, receivables and cost of sales amounting to $31 446 234, $55 566 221 and $38 479 981 respectively as at March 31, 2015 and on the completeness of revenue, receivables and cost of sales amounting to $28 606 004, $68 034 714 and $32 831 237 respectively as at March 31, 2016.

I was unable to determine the extent of adjustments necessary given the numerous inconsistencies in the recording processes over revenue, receivables and cost of sales.

Qualified Opinion 2015

In my opinion, except for possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Grain Marketing Board as at March 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Qualified opinion 2016

In my opinion, except for possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Grain Marketing Board as at March 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without further qualifying my opinion, I draw your attention to the fact that the Board made a loss of $42 227 009 (2015: $58 116 899) and had accumulated losses amounting to $176 576 871 as at March 31, 2016. These circumstances indicate the existence of a material uncertainty that may cast significant doubt about the Board’s ability to continue operating as a going concern.
However, below are other material issues noted during the audit.

1. **GOVERNANCE ISSUES**

1.1. **Completeness of revenue, receivables and cost of sales**

**Finding**

Revenue input documents which included dispatch vouchers and fiscalised receipts/invoices were not recorded in a sequential and consistent manner in the SAP system during the years ended March 31, 2015 and 2016. Over 937 432 instances of sequence gaps in the input source documents were identified. As a result, I could not place reliance on the accuracy and completeness of revenue, receivables and cost of sales amounting to $31 446 234, $55 566 221 and $38 479 981 respectively as at March 31, 2015. This issue was caused by the following:

- Absence of cut off procedures and sequence checks,
- An ineffective batch processing and control system,
- Inadequate use of reconciliations and system reports and
- Inadequate supervision.

**Risk / Implication**

Misstatement of revenue.

Fraud and errors may go undetected.

**Recommendation**

The Board should improve its input system by ensuring that there is adequate supervision, consistent approaches to recording information, use of reconciliations and sequence checks to ensure completeness of revenue and receivables accounts.

**Management response**

The Board noted human capital weaknesses in the area of internal controls in the Finance division, including the ICT department and restructured. SAP connectivity has been spread to all depots and training conducted. All sales are now being captured real time and there will be no recurrence of such.

1.2. **Strategic grain reserve accounts**

**Finding**

The Board prepared financial statements that combined the Strategic Grain Reserve activities with the commercial activities of the Board. However, this was contrary to the
Debt Takeover Agreement of 1996 signed between the Government of Zimbabwe and the Grain Marketing Board, which required that the Board prepare separate accounts for all activities relating to the acquisition, management and out-turning of the Strategic Grain Reserve.

**Risk/Implication**

The combined financial statements may not give a fair view of the financial position and also be relied upon as a measure of the performance of the strategic grain reserve and the commercial division as separate units.

Improper decisions affecting the strategic grain reserve may be made based on inaccurate financial information.

The inefficiencies from both the commercial division and the strategic grain reserve may be inhibited in the combined financial statements.

The Board may be limited in its endeavor to monitor and evaluate the performance of both the commercial activities and the strategic reserve.

**Recommendation**

Separate financial statements should be prepared for the Strategic Grain Reserve and the commercial activities of the Board as per the Debt Takeover Agreement of 1996.

**Management response**

Strategic Grain Reserve and Commercial business activities are separated in the preparation of Management Accounts. They are however consolidated on preparation of year-end Financial Statements. Thus, the measure of performance of the two units is done separately.

The GMB’s proposed business model to distinctively separate the two units has been presented to the parent ministry and approval is pending. The proposal involves hiving-off all commercial activities into a private limited company leaving SGR to run as a separate unit.

**1.3. Sustainability of service delivery**

**Finding**

The Board incurred losses of $58 116 899 and $42 227 009 during the years ended March 31, 2015 and 2016 respectively. The Board had a cumulative loss of $176 576 871 as at March 31, 2016. I also noted that the Board had not been receiving Strategic Grain Reserve (SGR) support revenue and SGR handling charges from Treasury to adequately fund the Strategic Grain Reserve.
Risk/Implication
The Board may fail to achieve its mandate and service delivery may be compromised.

Recommendation
Management should continuously review the Board’s going concern and measures should be put in place to ensure the costs of the Board are adequately covered by sustainable inflows.

Management response
The Board has put in place the following turnaround strategies:

Staff rationalisation, reducing the number of permanent employees from 1925 to 663 in August 2015.
The GMB developed and submitted a new Business Model to distinctively separate the two units to the parent ministry and approval is pending. The proposal involves hiving-off all commercial activities into a private limited company leaving SGR to run as a separate unit. Revenue generation strategies to support the new business model were developed, that include amongst others the following:
Commissioning of the Stock feeds manufacturing plant in June 2015
Addition of new milling plants to increase milling capacity from 3 000 MT to 15 000 MT per month for both maize and wheat.

The new revenue generation strategies, under the new business model should result in revenue increases from $3.84 million to $7 million per month.

The Board will continue lobbing Treasury to meet Strategic Grain Reserve obligations, until such time, the Commercial is able to generate adequate revenues to sustain the management of the Strategic Grain Reserve.

1.4. Grain purchases scheme

Finding
The Board received a total of $119 376 000 from the Government for the payment of grain deliveries and grain handling charges between June 01, 2014 and October 31, 2015. However, I noted that out of this amount, $7 982 537 was used for non-grain procurement commitments such as salaries and statutory deductions, transport costs, council rates and water, electricity, packaging material, bank loans and overdrafts repayments and trading stock purchases and these were not authorised.

Risk/Implication
Farmers may not deliver their grain to the Board due to non-payment thereby compromising the strategic grain reserve initiative.

Misapplication of funds entrusted to the Board by its principals.
Recommendation

The Board should ensure that funds are utilised in the manner they are intended for within the confines of the agreements entered into with the stakeholders.

Management response

The Board met and deliberated on the diversion of farmer payment resources by management to offset SGR handling fees owed to GMB without authorisation and reprimanded the responsible staff to desist from such practices. In the 2016/2017 marketing season all farmer payments resources received from Treasury or the Reserve Bank have been employed for the intended purpose. As at 16 November, the Board received $130 678 244 and was paid as follows:

Maize $86 439 828
Wheat $42 197 911
Small grains $2 040 502

1.5. Remittance of statutory and other deductions

Finding

The Board was not remitting pension, medical aid and other statutory contributions timely. As a result, the Board incurred interest charges amounting to $466 494 and $737 692 during the years ended March 31, 2015 and 2016 respectively. The tables below provide summaries on the status of the Board’s obligations:

<table>
<thead>
<tr>
<th>Obligation</th>
<th>Balance as at March 31, 2015</th>
<th>Balance as at March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>GMB Pension fund</td>
<td>2 408 627</td>
<td>3 468 329</td>
</tr>
<tr>
<td>GMB Group life assurance</td>
<td>379 985</td>
<td>611 984</td>
</tr>
<tr>
<td>Medical aid (Grainmed)</td>
<td>1 734 466</td>
<td>1 866 965</td>
</tr>
<tr>
<td>NSSA</td>
<td>741 269</td>
<td>142 295</td>
</tr>
<tr>
<td>Standard development levy</td>
<td>253 390</td>
<td>348 219</td>
</tr>
<tr>
<td>ZIMDEF</td>
<td>160 671</td>
<td>212 897</td>
</tr>
<tr>
<td>PAYE</td>
<td>-</td>
<td>474 457</td>
</tr>
<tr>
<td>TOTAL</td>
<td>5 678 408</td>
<td>7 125 146</td>
</tr>
</tbody>
</table>
### Obligation

<table>
<thead>
<tr>
<th>Obligation</th>
<th>Interest incurred during the year ended March 31, 2015 $</th>
<th>Interest incurred during the year ended March 31, 2016 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>GMB Pension fund</td>
<td>374,984</td>
<td>583,845</td>
</tr>
<tr>
<td>GMB Group life assurance</td>
<td>91,510</td>
<td>153,847</td>
</tr>
<tr>
<td>TOTAL</td>
<td>466,494</td>
<td>737,692</td>
</tr>
</tbody>
</table>

### Risk/Implication

Prejudice to employees as the return on pension funds will be low due to reduction in funds available for investment.

Employees may fail to receive compensation from NSSA due to non-remittance of contributions by the Board.

Financial loss as a result of interest and penalties charged by the respective regulatory authorities.

Beneficiaries may face difficulties in accessing medical care due to the amounts owed to the medical aid society.

### Recommendation

Employee salaries, pension contributions, medical aid contributions and other statutory and non-statutory deductions and payments should be remitted or paid on time.

### Management response

The GMB faced and is still facing serious financial challenges since the introduction of the multi-currency regime. Several payment arrangements have been put in place including the payment of $400,000 per month towards the liquidation of salary arrears. Should the organisation’s inflows improve, the aim is to liquidate all outstanding obligations.
2. **PROCUREMENT OF GOODS AND SERVICES**

2.1. **Informal tenders**

**Finding**

The Board did not comply with procurement regulations under Statutory Instrument 171 of 2002 section 6(1) which requires informal tenders to be advertised through the newspaper. Tenders or quotation letters were not invited through newspaper advertisements for informal tenders amounting to $1,545,219 during the year ended March 31, 2015. The table below contains details;

| Date       | Order    | Tender          | Description                                               | Amount $  
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>17.06.14</td>
<td>5500018715</td>
<td>GMB/INF/28/06/14</td>
<td>10kg roller</td>
<td>100,505</td>
</tr>
<tr>
<td>03.09.14</td>
<td>5500019236</td>
<td>GMB/INF/45/08/14</td>
<td>400,000 x 10kg Silo upfu roller meal packaging</td>
<td>133,400</td>
</tr>
<tr>
<td>17.09.14</td>
<td>5500017357</td>
<td>GMB/INF/47/09/14</td>
<td>80 x fumigation sheets</td>
<td>202,400</td>
</tr>
<tr>
<td>03.10.14</td>
<td>5500019452</td>
<td>GMB/INF/56/10/14</td>
<td>500,000 x 10kg roller meal BOPP</td>
<td>166,750</td>
</tr>
<tr>
<td>03.10.14</td>
<td>5500019452</td>
<td>GMB/INF/56/10/14</td>
<td>400,000 x 10kg roller meal BOPP</td>
<td>133,400</td>
</tr>
<tr>
<td>09.10.14</td>
<td>5500019518</td>
<td>GMB/INF/58/12/14</td>
<td>158,730 x 50kg 110GSM empty poly bags.</td>
<td>100,000</td>
</tr>
<tr>
<td>14.10.14</td>
<td>5500019554</td>
<td>GMB/INF/59/10/14</td>
<td>Lab equipment</td>
<td>131,280</td>
</tr>
<tr>
<td>24.10.14</td>
<td>5500019674</td>
<td>GMB/INF/64/10/14</td>
<td>450 m/t Soya cake</td>
<td>297,000</td>
</tr>
<tr>
<td>20.01.15</td>
<td>5500020153</td>
<td>GMB/INF/04/01/15</td>
<td>Insurance cover</td>
<td>145,911</td>
</tr>
<tr>
<td>21.01.15</td>
<td>5500020153</td>
<td>GMB/INF/04/01/15</td>
<td>Insurance cover</td>
<td>134,573</td>
</tr>
</tbody>
</table>

**Total** | **1,545,219** |

**Risk / Implication**

Non-compliance with procurement regulations may result in penalties and fines. Financial loss through irregular informal tender procedures.
Recommendation

The Board should comply with State Procurement Board regulations on informal tenders.

Management response

Human capital deficiencies were noted and employment contracts for responsible staff were terminated. Informal tendering procedures are now being followed.

3. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that the Board made some progress and there was room for improvement in respect of the following recommendation;

3.1. Board of directors

Recommendation

The Board should ensure that written approvals are obtained for any extensions to the board’s tenure.

Management response

No progress was made.
NATIONAL MUSEUMS AND MONUMENTS OF ZIMBABWE 2015

Background information

National Museums and Monuments of Zimbabwe (NMMZ) is a statutory body established in Zimbabwe in terms of the National Museums and Monuments Act [Chapter 25:11] and is responsible for conducting scientific investigations and maintenance of Museums and monuments within and outside Zimbabwe.

I have audited the financial statements for National Museums and Monuments of Zimbabwe for the year ended December 31, 2015 and I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Museums and Monuments of Zimbabwe as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of matter

Without qualifying my opinion, I draw attention to the fact that the organisation incurred a deficit of $338 127 (2014: $ 799 035) for the year ended December 31, 2015 and as of that date the organisation’s current liabilities exceeded the current assets by $ 628 313 (2014: $ 773 007). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the organisation’s ability to continue as a going concern.

However, below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Board’s term

Finding

The Board of trustees’ term expired in 2013. Since then the term had not been renewed and the Board was operating on an interim basis. During the year under review the Board of trustees met once in June 2015.

Risk/Implication

The entity may fail to achieve its mandate due to inadequate board oversight.
Recommendation

A substantive board of trustees should be appointed.

Management response

The observation is noted. The Ministry is currently in the process of constituting a new Board.

1.2 PAYE on fringe benefits.

Finding

A review of the employee files and the trial balance revealed that some employee benefits such as fuel coupons and travel assistance allowances were not being processed through the payroll.

In terms of Section 8(1)(f) of the Income Tax Act [Chapter 23:06], all benefits and allowances whether in cash or kind should be added to the employee’s basic salary in order to come up with the gross income.

The table below shows some of the benefits that were not being processed through the payroll:

<table>
<thead>
<tr>
<th>Description</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel coupon 240 litres per week</td>
<td>Fuel coupons for management</td>
</tr>
<tr>
<td>Fuel assistance allowance worth $76 007</td>
<td>Assistance to members of staff</td>
</tr>
</tbody>
</table>

Risk/Implication

Financial loss due to penalties and interest that may be levied in terms of tax legislation.

Recommendation

All employee benefits should be processed through the payroll since they form part of the employee’s gross income.

Management response

The oversight is regretted and the recommendation is noted. NMMZ will ensure that all payments made to employees are processed through the payroll.

Background information

The State Procurement Board was established by the Procurement Act [Chapter 22:14]. The main function of the Board is to conduct procurement on behalf of State, Parastatals and Statutory Bodies as well as supervise procurement proceedings of these entities.

I have audited the financial statements of the State Procurement Board for the years ended December 31, 2012, 2013, 2014 and 2015 and I issued a qualified opinion.

Basis for Qualified Opinion 2012

Administration fees from direct awards

The Board recognised administration fees from direct awards at the point of award and not at the point the recipient of the direct award would have entered into a contract with the tenderer. The Board had no mechanism to monitor how direct awards were being executed and could not support the administration fees with signed contracts.

The Board could not reliably measure administration fees at the point of award as the direct awards were prone to variations and cancellations. The circularized direct award debtors disagreed with the amounts that they had been invoiced stating that the direct awards had not been executed or that there were variations from the initial award. I therefore could not satisfy myself of the accuracy of administration fees amounting to $962 330 and of the existence and valuation of related trade receivables of the same amount disclosed in the financial statements.

Leave pay provision

The Board did not recognise employee leave pay liabilities in violation of IAS 37-Provisions, contingent liabilities and contingent assets. The Board could not avail a schedule of employee leave day balances as at December 31, 2012. As such, I was unable to determine the extent of adjustments necessary to correct the leave pay provision account balance.

Opinion 2012

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraph, the statement of financial position present fairly, in all material respects, the financial position of the State Procurement Board as at December 31, 2012 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.
Basis for Qualified Opinion 2013

The Board recognised administration fees from direct awards at the point of award and not at the point the recipient of the direct award would have entered into a contract with the tenderer. The Board had no mechanism to monitor how direct awards were being executed and could not support the administration fees with signed contracts.

The Board could not reliably measure administration fees at the point of award as the direct awards were prone to variations and cancellations. The circularized direct award debtors disagreed with the amounts that they had been invoiced stating that the direct awards had not been executed or that there were variations from the initial award. I therefore could not satisfy myself of the accuracy of administration fees amounting to $518,290 and of the existence and valuation of related trade receivables amounting to $1,480,620 disclosed in the financial statements.

Leave pay provision

The Board did not recognise employee leave pay liabilities in violation of IAS 37 - Provisions, contingent liabilities and contingent assets. The Board could not avail a schedule of employee leave day balances as at December 31, 2013. As such, I was unable to determine the extent of adjustments necessary to correct the leave pay provision account balance.

Opinion 2013

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraph, the statement of financial position present fairly, in all material respects, the financial position of the State Procurement Board as at December 31, 2013 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Qualified Opinion 2014

The Board recognised administration fees from direct awards at the point of award and not at the point the recipient of the direct award would have entered into a contract with the tenderer. The Board had no mechanism to monitor how direct awards were being executed and could not support the administration fees with signed contracts.

The Board could not reliably measure administration fees at the point of award as the direct awards were prone to variations and cancellations. The circularized direct award debtors disagreed with the amounts that they had been invoiced stating that the direct awards had not been executed or that there were variations from the initial award. I therefore could not satisfy myself of the accuracy of administration fees amounting to $581,768 and of the existence and valuation of related trade receivables amounting to $2,062,388 disclosed in the financial statements.
Leave pay provision

The Board did not recognise employee leave pay liabilities in violation of IAS 37-Provisions, contingent liabilities and contingent assets. The Board could not avail a schedule of employee leave day balances as at December 31, 2014. As such, I was unable to determine the extent of adjustments necessary to correct the leave pay provision account balance.

Opinion 2014

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraph, the statement of financial position present fairly, in all material respects, the financial position of the State Procurement Board as at December 31, 2014 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Qualified Opinion 2015

The Board recognised administration fees from direct awards at the point of award and not at the point the recipient of the direct award would have entered into a contract with the tenderer. The Board had no mechanism to monitor how direct awards were being executed and could not support the administration fees with signed contracts.

The Board could not reliably measure administration fees at the point of award as the direct awards were prone to variations and cancellations. The circularized direct award debtors disagreed with the amounts that they had been invoiced stating that the direct awards had not been executed or that there were variations from the initial award. I therefore could not satisfy myself of the accuracy of administration fees amounting to $443,233 and of the existence and valuation of related trade receivables amounting to $2,505,621 disclosed in the financial statements.

Leave pay provision

The Board did not recognise employee leave pay liabilities in violation of IAS 37-Provisions, contingent liabilities and contingent assets. The Board could not avail a schedule of employee leave day balances as at December 31, 2015. As such, I was unable to determine the extent of adjustments necessary to correct the leave pay provision account balance.

Opinion 2015

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraph, the statement of financial position present fairly, in all material respects, the financial position of the State Procurement Board as at December 31, 2015 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.
However, below are other material issues noted during the audit.

1. **GOVERNANCE ISSUES**

1.1 **Administration fees on direct awards**

**Finding**

The Board recognised administration fees from direct awards at the point of award and not at the point the recipient of the direct award would have entered into a contract with the tenderer. The Board had no mechanism to monitor how direct awards were being executed and could not support the administration fees with signed contracts. The Board could also not reliably measure administration fees at the point of award as the direct awards were prone to variations and cancellations. The circularized direct award debtors disagreed with the amounts that they had been invoiced stating that the direct awards had not been executed or that there were variations from the initial award. I therefore could not satisfy myself of the accuracy of administration fees and of the existence and valuation of related trade receivables disclosed in the financial statements. The tables below contain details;

**Unsupported administration fees and related receivables**

<table>
<thead>
<tr>
<th>Year</th>
<th>Administration fees ($)</th>
<th>Related receivables ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>962,330</td>
<td>962,330</td>
</tr>
<tr>
<td>2013</td>
<td>518,290</td>
<td>1,480,620</td>
</tr>
<tr>
<td>2014</td>
<td>581,768</td>
<td>2,062,388</td>
</tr>
<tr>
<td>2015</td>
<td>443,233</td>
<td>2,505,621</td>
</tr>
<tr>
<td>Total</td>
<td><strong>2,505,621</strong></td>
<td><strong>2,505,621</strong></td>
</tr>
</tbody>
</table>

**Risk/ Implication**

Misstatement of financial statements.

**Recommendation**

The Board should recognize administration fees and related debtors when the contracts are signed.

**Management response**

The problem of recognition of debtors on award of tender is real. The Board has put in place measures to compel procuring entities to play their part in making sure that
cash is collected as soon as the tender has been awarded and the contract is signed. The Request for Proposal has been amended to include a clause that advises suppliers to pay administration fees upon award of tender, where applicable. A circular has been send to all procuring entities advising them to comply with this new regulation. The strategy has paid dividends in that the Board is now receiving the administration fees either ahead of or within the contract signing period. A credit controller has been hired on a temporary basis to recover all the outstanding debts. The credit controller has so far recovered $654,358.95 of the reported outstanding debtors. Reconciliations with debtors have been undertaken with some adjustments to the levied figures. The adjustments, if any, have been as a result of variations in quantities purchased emanating from delays in concluding contracts between the procuring entities and the suppliers due to insufficient draw downs on budgetary allocations. Some contracts have been signed three (3) years after award of tender, by which time prices had changed leaving procuring entities with no option but to reduce quantities so as to remain within the awarded amount. This matter will require further investigation to establish if procuring entities are not violating Section 26 of the Procurement Regulations which requires non-statutory cost variations to be reviewed by the Board. In the meantime, the Board is now recognising debtors upon contract signing but has no control over the period within which the contract should have been signed. The Board is contemplating giving a time in which the contract has to be entered into after which time the tender would be deemed to have been cancelled.

1.2 Leave pay provision

Finding

The Board did not recognise the liability in respect of employee leave days in violation of IAS 37-Provisions, contingent liabilities and contingent assets during the period under review. The Board also failed to avail a schedule of employee leave day balances as at December 31, 2012, 2013, 2014 and 2015.

Risk/ Implication

Misstatement of financial statements.

Recommendation

The Board should recognise employee leave pay liabilities in compliance with IAS 37-Provisions, contingent liabilities and contingent assets.

Schedules of employee leave day balances should be maintained and availed for audit.

Management response

Our budget now has a leave pay provision. Please note that we are now using Belina Payroll System and balance of leave days on a monthly basis is now available. Cash
in lieu of leave was suspended and staff have been advised to periodically go on leave otherwise they risk losing their leave days when they reach their maximum.

1.3 Board attendance register

Finding

The Board had no attendance register during the period under review. Sitting allowances were paid based on Board and Committee meeting minutes. Attendance registers are a record of board and committee member attendance to meetings. This should be the basis upon which sitting allowances are paid.

Risk/Implication

Financial loss as members could be paid for meetings that they did not attend.

Recommendation

An attendance register should be put in place and should be used as the basis for paying sitting allowances.

Management response

Please be advised that with the coming of a new Board on December 1, 2015, an Attendance Register has been put in place.

1.4 Budget

Finding

I noted that the Board was operating without a budget for the four (4) years ended December 31, 2012 to 2015. The Public Finance Management Act [Chapter 22:19] section 47 (1) requires public entities to prepare and submit their budgets to their parent Ministry for approval.

Risk/Implication

The Board may have no basis to evaluate and monitor its performance. Unplanned expenditure may be incurred.

Recommendation

The Board should prepare a budget and ensure that it is approved by the parent Ministry.
Management response

The Board was operating without a budget. However, budgets for 2016 and 2017 were approved by the parent Ministry and are available. We are currently working on the 2018 budget.

1.5 Composition of the board

Finding

The Board had an Executive Chairperson during the period under review contrary to the principles of good corporate governance. A Board Chairperson is expected to be a non-executive member.

Risk/Implication

The oversight role of the Board of directors over the executive management may be compromised.

Recommendation

The Board Chairperson should be an independent non-executive member.

Management response

The Public Procurement and Disposal of Public Assets Act that is set to replace the Procurement Act, which among other things is abolishing the position of the Executive Chairman is almost complete. It has so far passed both the Lower and Upper houses and is awaiting assent by the President.
TOBACCO INDUSTRY MARKETING BOARD (TIMB) 2015

Background information

The Board was established in terms of the Tobacco Marketing and Levy Act [Chapter 18:20]. The mandate of TIMB is to control, regulate and promote the marketing of tobacco as well as to produce and collate statistics relating to, the marketing, manufacture and consumption of tobacco in Zimbabwe.

I have audited the financial Statements of the Tobacco Industry and Marketing Board for the year ended December 31, 2015 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Tobacco Industry and Marketing Board as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1. Foreign travels

Finding

In 2015 some board and staff members travelled to China, Tanzania and India on TIMB business without Cabinet Authority for the trips.

Risk/Implication

Financial loss arising from unauthorised expenditure.

Recommendation

TIMB should ensure that Cabinet Authority is obtained for all members of the Board and staff before foreign travel is undertaken.

Management response

In the case of the trip to China an application was lodged with the Secretary, Ministry of Agriculture, Mechanisation and Irrigation Development on 12 June 2015 and a day before departure (Friday 19 June 2015) upon enquiry from TIMB we were advised that the TIMB was required to submit bank statements in support. The statements
could only be obtained well after the delegation had left and this was advised to the Ministry. The trip was not funded by TIMB.

In the case of the Tanzania trip, an application was lodged with the Secretary, Ministry of Agriculture, Mechanisation and Irrigation Development on 5 August 2015. Despite many follow ups no response was ever received.

In the case of the trip to India, an application was lodged with the Secretary, Ministry of Agriculture, Mechanisation and Irrigation Development on 9 December 2015. TIMB was advised that there were no signatories at the Ministry of Agriculture, Mechanisation and irrigation Development because they were attending a workshop in Victoria Falls.

TIMB will always apply for cabinet authority for its Board members and staff and keep records of all such communication. However, it cannot be guaranteed by TIMB that all applications will be responded to.

1.2 Cash in lieu of holiday allowance

Finding

The Board did not have a documented policy for the encashment of holiday allowance. For instance, I noted that an executive did not go on holiday in 2014 and in 2015 and the member was paid cash in lieu of holiday allowance based on quotations.

Risk/Implication

Financial loss and possible challenges with tax authorities in terms of timing of the holiday allowances and taxation thereon.

Recommendation

The Board should formulate and document a policy on holiday allowance.

Management response

Holiday benefit for executive management is governed by their employment contracts for the year ended 2014, all executives did not go on holiday for different reasons, and all got their cash in lieu of holiday allowances, two in November and December 2014, and the third was claimed in January 2015. The three allowances went through payroll in January 2015.

For 2015, two executives utilised their holiday benefits in December, one went to South Africa and another to United Kingdom. For the third executive, the outstanding claim was partly utilised in April 2016, UK/USA trip, and the balance is yet to be utilised. The benefits went through payroll in December 2015, the
outstanding amount will go through the payroll in May 2016 and the remainder when taken.

2. PROCUREMENT OF GOODS AND SERVICES

2.1 Capital expenditure

Finding

The Board incurred capital expenditure on the construction of the TIMB Head Office amounting to $23,485,002 as at December 31, 2015. The initial construction cost of the building which was approved by the State Procurement Board (SPB) amounted to $5,573,380. Since commencement of the construction, some cost escalations/ variations were submitted to the SPB for approval. However, there was no evidence that additional costs amounting to $7,083,242 incurred up to December 31, 2015 were approved by the SPB.

Risk/Implication

Financial loss due to non-compliance with the requirements of the SPB.

Recommendation

TIMB should seek ratification of the increased construction costs from the SPB. In future, the Board should obtain approvals in advance for any anticipated additional costs on the building.

TIMB should seek to obtain from the contractors the final estimated construction cost to complete the project. The parties should be bound by the agreed price and any variations there from should be interrogated and justified to the satisfaction of all parties.

Management response

The TIMB Board approved all cost escalations and applications were lodged with the SPB. However, despite numerous meetings and discussions with SPB officials, no terms of reference could be found for the appointment of a quantity surveyor to assess the proposal. It was confessed that the SPB had no precedent for such evaluation although they wanted to see it done. The matter had been complicated further with changes in the board membership at SPB and changes in the way they operate as necessitated by changes in the Act under which the SPB was established. The matter will be attended to once the building operations have been completed.
PUBLIC ENTITIES UNDER THE CATEGORY OF COMMISSIONS
ANTI-CORRUPTION COMMISSION OF ZIMBABWE 2011

Background information

The Anti-Corruption Commission of Zimbabwe is a corporate body established by an Act of Parliament, the Anti-Corruption Commission Act [Chapter 9:22] and became operational in 2006. The mandate of the Commission is to combat corruption, economic crimes, abuse of power and improprieties in Zimbabwe through public education, prevention and prosecution after thorough investigation.

I have audited the Financial Statements of the Anti-Corruption Commission of Zimbabwe for the year ended December 31, 2011 and I issued an adverse opinion.

Basis for Adverse Opinion

Reliability of accounting records

The Commission was not maintaining proper accounting records and as a result ledger balances were not agreeing to the trial balance and the financial statements. Management could not reconcile the variances between amounts in the ledgers, the trial balance and the financial statements. The statement of financial position had an imbalance/suspense of $693 611 and the cash flow statement was out of balance by $40 908.

Limitation of scope on fuel expenditure

The Commission recognized fuel expenditure amounting to $112 663 during the year ended December 31, 2011. Management failed to avail a fuel register or any other documentation of how the fuel had been consumed for my inspection. As a result, I was unable to verify the validity and accuracy of the expenditure.

Trade payables

There was no audit trail for trade payables amounting to $42 717 disclosed in the financial statements. The Commission could not avail the individual trade payables ledgers or the supporting supplier statements and invoices. I was unable to verify the completeness and accuracy of trade payables through alternative procedures.

Cash and cash equivalents

I could not satisfy myself of the accuracy and completeness of the disclosed cash on hand balance as the Commission did not maintain a petty cash book to account for the transactions that had occurred during the year. The Commission could not avail a cash count certificate to support the amount disclosed in the financial statement. As a result, the statement of cash flows had an imbalance of $40 908. I was unable to verify through alternative means, the accuracy and validity of the disclosed cash on hand balance. I was
also unable to determine the extent of the adjustments necessary to correct this account area.

**IAS 24-Related party disclosures**

The Commission did not comply with the requirements of International Accounting Standard 24-Related party disclosures, as it did not disclose key management personnel compensation. Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity and include executive and non-executive directors.

**Adverse opinion**

In my opinion, because of the significance of the matters described in Basis for Adverse Opinion paragraphs above, the financial statements do not give a true and fair view of the financial position of Zimbabwe Anti-Corruption Commission as at December 31, 2011, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Emphasis of matter**

Without further qualifying my opinion, I draw attention to the fact that the Commission incurred a loss of $400 000 on the acquisition of its Mt Pleasant office building due to fraud.

However, below are other material issues noted during the audit.

1. **GOVERNANCE ISSUES**

1.1 **Accounting records**

**Finding**

The Commission did not maintain proper books of accounts. I noted variances between amounts in the Commission’s ledgers and financial statements. Management could not reconcile the variances between the ledgers and financial statements. As a result, the statement of financial position had an imbalance of $693 611 and the cash flow statement had an imbalance of $40 908. The table below contains items with significant variances:

<table>
<thead>
<tr>
<th>Account</th>
<th>Financial statements ($)</th>
<th>Ledger ($)</th>
<th>Variance ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred income</td>
<td>4 305 111</td>
<td>-</td>
<td>4 305 111</td>
</tr>
<tr>
<td>Trade payables</td>
<td>325 000</td>
<td>-</td>
<td>325 000</td>
</tr>
<tr>
<td>Account</td>
<td>Financial statements ($)</td>
<td>Ledger ($)</td>
<td>Variance ($)</td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>---------------------------</td>
<td>------------</td>
<td>--------------</td>
</tr>
<tr>
<td>Property plant and equipment</td>
<td>4 756 767</td>
<td>-</td>
<td>4 756 767</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>416 300</td>
<td>-</td>
<td>416 300</td>
</tr>
<tr>
<td>Rates and water expense</td>
<td>103 998</td>
<td>109 472</td>
<td>(5 474)</td>
</tr>
<tr>
<td>Staff benefits expense</td>
<td>130 462</td>
<td>166 295</td>
<td>(35 833)</td>
</tr>
<tr>
<td>Exhibitions and shows expense</td>
<td>4 343</td>
<td>8 373</td>
<td>(4 030)</td>
</tr>
<tr>
<td>Foreign travel</td>
<td>40 474</td>
<td>42 214</td>
<td>(1 740)</td>
</tr>
</tbody>
</table>

**Risk/Implication**

Misstatement of financial statements.

Financial loss due to manipulation of accounting records.

**Recommendation**

The imbalances should be investigated and resolved.

The Commission should maintain proper books of accounts and consider using a computerised accounting package.

**Management response**

The observations made are true, however we are pleased to advise that the Commission has introduced a computerised accounting system. Efforts are being made to come up with an adjusted trial balance to address the variances. We are hindered as the responsible accounting officers have since left the organisation on allegations of criminal abuse of office. The Commission is now connected to the PFMS system since May 2016.

**1.2 Trade payables**

**Finding**

Trade payables amounting to $42 717 were not supported by documentary evidence in the form of supplier invoices or statements. The Commission also failed to avail the individual supplier ledgers to support the trade payables.

The table below contains details;
### Details

<table>
<thead>
<tr>
<th>Details</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Harare</td>
<td>11 900</td>
</tr>
<tr>
<td>ZESA</td>
<td>2 993</td>
</tr>
<tr>
<td>Tel*One</td>
<td>27 824</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42 717</strong></td>
</tr>
</tbody>
</table>

### Risk/Implication

Misstatement of financial statements.

Payments may be done for services not rendered

### Recommendation

Amounts disclosed in the financial statements should be adequately supported.

Individual supplier ledgers should be maintained and reconciled.

### Management response

The Commission has since verified some accounts and stopped payments to accounts that do not belong to the Anti-Corruption Commission. Updates will be done once the information is available.

### 1.3 Fuel expenditure

### Finding

The Commission recognized fuel expenditure amounting to $112 663 during the year ended December 31, 2011. Management failed to avail a fuel register or any other documentation of how the fuel had been allocated. I was therefore unable to determine whether the fuel had been allocated in line with approved rates or whether or not the fuel had been consumed in fulfilling the Commissions’ mandate. The table below contains examples of fuel purchases made during the year:

<table>
<thead>
<tr>
<th>Date</th>
<th>Diesel (litres)</th>
<th>Petrol (litres)</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/01/2011</td>
<td>3 225</td>
<td>2 600</td>
<td>7 328</td>
</tr>
<tr>
<td>30/05/2011</td>
<td>2 500</td>
<td>1 870</td>
<td>5 948</td>
</tr>
<tr>
<td>13/06/2011</td>
<td>2 850</td>
<td>1 650</td>
<td>5 998</td>
</tr>
<tr>
<td>04/08/2011</td>
<td>3 040</td>
<td>2 095</td>
<td>6 999</td>
</tr>
<tr>
<td>23/09/2011</td>
<td>10 505</td>
<td>3 720</td>
<td>20 000</td>
</tr>
<tr>
<td>15/12/2011</td>
<td>10 640</td>
<td>8 550</td>
<td>25 846</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32 760</strong></td>
<td><strong>20 485</strong></td>
<td><strong>72 120</strong></td>
</tr>
</tbody>
</table>
Risk/Implication

Misappropriation of fuel if its allocation is not adequately documented.

Recommendation

The Commission should document fuel allocations in a fuel register.

Management response

The matter was investigated and a member of staff who was the officer responsible is under investigations by the Zimbabwe Republic Police Harare Central under Crime Register reference number 520/10/15 and C.I.D Docket Register Reference number 43/10/15. The Commission now has a fuel register since 2013. The Commission has since separated roles of officers involved in the procurement and distribution of fuel.

1.4 Acquisition of Mt Pleasant Building

Finding

As previously reported, the Commission made an irregular payment of $1 680 000 to an estate agent for the acquisition of the Mt Pleasant office building in 2010. The estate agent refunded $80 000 of the amount in the year ended December 31, 2011. Further investigations into the transaction revealed that the building had been acquired for $1 200 000 and that the Commission had been prejudiced of $400 000.

Risk/Implication

Financial loss emanating from irregular transactions.

Recommendation

Efforts should be made to recover the outstanding amount.

Management response

The case was reported to the Zimbabwe Republic Police for further investigations. The perpetrator was arrested, taken to court for trial where he was convicted for the offence.

1.5 Title deeds

Finding

Included in the Commission’s asset register are three houses with an aggregate value of $2 417 374 acquired under an agreement with a financier for capacity enhancement and
retention of skills. The Commission had no title deeds for the houses or any other documentary evidence that proved ownership. The houses were directly allocated to the Commission’s employees. Upon enquiry, I was advised that the matter was under police investigation and as a result I was not able to verify the ownership of these houses.

Risk / Implication

The Commission may have no legal recourse in the event of a legal dispute over the ownership of the houses.

Recommendation

The Commission should obtain title deeds for the houses.

Management response

The Commission is in the process of locating the Title Deeds for its properties. Some are believed to be still with the financier while some are believed to be in the possession of individuals and the matter is still pending investigations.

1.6 Monthly fuel allocations

Finding

The Commission increased management fuel allocation from September 1, 2011 and I was not availed with approvals supporting the increase. Total approved monthly allocation was 575 litres and the total increase without approvals was 725 litres giving a grand total of 1300 litres.

Risk / Implication

Financial loss due to allocation of unauthorised fuel.

Recommendation

Fuel allocations should be based on approved quantities.

Management response

The Commission has resolved to revert to Government recommended limits in terms of fuel entitlements. Commission resolution was passed on the 12th of April 2016.
1.7 Decentralisation of operations

Finding

The Commission operated centrally from its Harare offices which may have impacted on its mandate delivery. Regions like Bulawayo, Gweru, Masvingo and Mutare had no reasonable access to the Commission. During the year under review, the Commission received a total of 220 complaints/reports relating to suspected corruption activities. Harare region had 76 percent of those reported cases followed by Mashonaland regions with 12 percent indicating that the proximity of the Commission’s offices to the people has a bearing on its ability to be effective.

Complaints/reports from outside Harare region had to be made by phone. In some cases, investigators have to travel to those regions to do their work.

On enquiry with the management, it was indicated that the Commission had made presentations to the parent ministry to have regional offices but lack of funds had been cited as an inhibiting factor.

Risk/Implication

Without regional offices where people can make reports/complaints, the Commission may fail to effectively deliver on its mandate.

Recommendation

The Commission should consider to decentralize its operations and set up offices across the country.

Management response

The Commission prioritized decentralization to provinces in its strategic Plan 2016-2021. The 2017 Budget proposal has taken the issue of decentralization to consideration with a substantial amount being proposed for this purpose. This will be fully implemented when financial resources have been availed by Treasury.

2. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that the Commission made some progress and there was room for improvement in respect of the following recommendations;
2.1 Adequacy of funding

Recommendation

The Commission should ensure that it is in a position to carry out its mandate.

Progress made

The Commission will continue engaging Treasury through the parent Ministry of Home Affairs for funding.

2.2 Employment contracts

Recommendation

The Commissioners should comply with the relevant provisions of the enabling Act and set out the terms and conditions of service of the secretariat which may diffuse potential conflicts and lack of clarity of roles and responsibilities.

Progress made

The Commission has since drafted Conditions of Service for approval through the parent Ministry. It is the approved condition of service that can enable the Commission to draft contract for the employees. The Commission as an independent Commission envisages having its own approved conditions of service enshrined in the employees’ contracts.

2.3 Performance appraisal system

Recommendation

The Commission should consider putting a performance appraisal system in place.

Progress made

No progress made.
Background information

Zimbabwe Electoral Commission was established in terms of section 238 of the Constitution of Zimbabwe. The objects of the Commission are to prepare for, conduct and supervise elections to the office of the President and to Parliament; elections to the governing bodies of local authorities; and referendums and to ensure that those elections and referendums are conducted efficiently, freely, fairly, transparently and in accordance with the law.

I have audited the financial statements of the Zimbabwe Electoral Commission, for the years ended December 31, 2014 and 2015 and I issued an unmodified/clean opinion.

Opinion 2014

In my opinion, the financial statements present fairly, in all material respects the financial position of the Zimbabwe Electoral Commission as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion 2015

In my opinion, the financial statements present fairly, in all material respects the financial position of the Zimbabwe Electoral Commission as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below is a material issue noted during the audit.

1. GOVERNANCE ISSUE

1.1 Assets loaned to staff members and third parties

Finding

The Commission did not have a policy governing lending of assets to its staff members and other third parties. Ten (10) AMEC electricity generators were given to staff members for personal use whilst three (3) personal computer monitors were given to their legal advisors without Board of Commissioners’ approval.

<table>
<thead>
<tr>
<th>Date</th>
<th>Type of asset</th>
<th>Asset control number</th>
</tr>
</thead>
<tbody>
<tr>
<td>13/8/10</td>
<td>Generator</td>
<td>GN292</td>
</tr>
<tr>
<td>18/3/10</td>
<td>Generator</td>
<td>GN349</td>
</tr>
<tr>
<td>20/7/10</td>
<td>Generator</td>
<td>GN392</td>
</tr>
<tr>
<td>28/01/11</td>
<td>Generator</td>
<td>GN350</td>
</tr>
<tr>
<td>17/12/08</td>
<td>Generator</td>
<td>GN357</td>
</tr>
</tbody>
</table>
Risk/Implication

Misappropriation of assets may occur.

Service delivery may be compromised as the Commission’s assets are being utilized for personal benefit.

Recommendation

Public assets should not be used for personal benefit without approval of the Commission.

Management Response

The audit observation is noted. The loaning of generators was authorized by the then late Chief Elections Officer. The reason was the load shedding that was, and still taking place throughout the country. However, as rightfully observed, we did not specify the loaning period for the temporary issues. We are now working on the instruction to withdraw the generators, and if need be, identify specific periods of loaning these assets. We are also putting in place measures for the follow ups, checks and control for loaned assets. The processes are yet to be concluded with consolidated Board of Survey.

It was a direction from the former Zimbabwe Electoral Commission Chairperson to loan assets to our legal practitioners who were the Commission’s Legal Advisors. Efforts are underway to recover the computers.

These were also observed from our asset verification and stock take exercise carried out in June 2015. We are in the process of winding up in preparation for take on to upgraded Pastel version.
PUBLIC ENTITIES UNDER THE CATEGORY OF COUNCILS
NATIONAL AIDS COUNCIL 2015

Background Information

The main business of the National Aids Council (NAC) which was set out by the National Aids Council of Zimbabwe Act [Chapter 15:14] of 1999 is that of coordinating, stimulating, monitoring and mitigating an expanded epidemic, taking into account the comparative advantages of the different actors.

I have audited the financial statements of National Aids Council for the year ended December 31, 2015 and issued an unmodified /clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Aids Council as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, the following is a material issue noted during the audit.

1. GOVERNANCE ISSUE

1.1. Staff debtors’ policy

Finding

The Council’s accounting and procedures manual had no provisions for management of receivables and as a result, no action had been taken to recover long outstanding staff receivables. The Council had not recovered amounts owed on termination of employment. The Council is owed a total of $13,349 by nine (9) employees in respect of long outstanding staff receivables some of which date back as far as 2009. There was no evidence availed to show that effort had been made to recover the outstanding amounts.

Risk/Implication

Recoverability of these receivables may be doubtful.

Recommendation

Council should have a policy on staff receivables and also recover the outstanding receivables.

Management response

The observation is noted. The Council is currently in the process of updating its accounting manual and issue of receivables will be adequately addressed.
ZIMBABWE YOUTH COUNCIL 2009-2011

Background Information

The Zimbabwe Youth Council was established in 1983 under an Act of Parliament, the Zimbabwe Youth Council Act [Chapter 25:19] to facilitate the empowerment and participation of the youth in national and international youth activities and to advise the government on the needs of the youths.

I have audited the financial statements of the Zimbabwe Youth Council for the years ended December 31, 2009 to 2011 and I issued a Disclaimer of opinion for 2009-2010 and a qualified opinion for 2011. However, at the time of my report, the financial statements had been sent for signature.

Basis for Disclaimer of Opinion 2009

Limitation of scope

No supporting documents were availed for audit. Furthermore, the Council did not prepare books of accounts such as the cash book and other relevant ledgers to support the figures in the financial statements. No work was performed by management to ensure that all receipts and payments relating to period under review were properly recorded and accounted for. As a result, I was unable to verify the completeness and accuracy of the balances disclosed in the financial statements.

Non-compliance with International Accounting Standard (IAS) 29 (Financial Reporting in Hyperinflationary Economies) and International Accounting Standard (IAS) 21 (The Effects of Changes in Foreign Exchange Rates)

The Council operated under a hyperinflationary economy in the prior period. The Council changed its functional currency to the United States Dollars with effect from January 1, 2009. All comparative information in the financial statements have not been prepared in conformity with International Financial Reporting Standards in that the requirements of IAS 29 and IAS 21 have not been complied with in converting the financial information during the period of hyperinflation into an applicable measurement base at the date of reporting for the following reasons;

The inability to reliably measure inflation because of the interaction of multiple economic factors which were pervasive to the Zimbabwean economic environment as explained in note 11. Any attempt to measure inflation was subject to various limitations because reliable and timely price data was not available.

The inability to adjust items that were recorded in Zimbabwe dollar into United States dollars at the date of change of functional currency. IAS 29 requires transactions in a hyperinflationary economy to be adjusted to a unit of measure current at the measurement
The Council was not able to adjust its Zimbabwe dollar transactions to comply with IAS 29.

Non-compliance with International Accounting Standard (IAS) 1 (Presentation of financial statements)

The Council has not presented any comparative information for the period 2008 as required by IAS 1. Due to the prevailing economic environment in the previous year as described in note 11.1, it is not possible to convert the financial statements into United States dollars in a manner consistent with IAS 21 and IAS 29 as described in notes 11.1 and 11.2.

Disclaimer of Opinion 2009

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Basis for Disclaimer of Opinion 2010

The opening balances were subject to a disclaimer of opinion in the prior year financial statements. Management did not prepare books of accounts such as relevant ledgers to support the opening balances. No further work was performed by management to ensure that all receipts and payments relating to the prior period were properly recorded and accounted for. As a result, I was not able to verify the completeness and accuracy of the opening balances disclosed in the financial statements.

For the period January 2010 to June 2010 no supporting documents were availed for audit. As a result, I was not able to verify the completeness and accuracy of the balances disclosed in the financial statements.

Disclaimer of Opinion 2010

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Basis for Qualified Opinion 2011

The opening balances were subject to a disclaimer of opinion in the prior periods financial statements. Management did not prepare books of accounts such as relevant ledgers to support the opening balances. No further work was performed by management to ensure that all receipts and payments relating to the prior period were properly recorded and accounted for. As a result, I was unable to verify the completeness and accuracy of the opening balances disclosed in the financial statements.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Zimbabwe Youth Council as at December 31, 2011, and its
financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

I draw attention to the period that has lapsed between the financial position date and the date of issue of my report. Although the Zimbabwean economy was considered to be stable, these financial statements are now prepared to meet statutory requirements hence may not be relevant to the current decision needs of users.

However, below are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Supporting documents

Finding

No supporting documents were availed for audit for the January 2009 to June 2010 period. Furthermore, the Council did not prepare books of accounts such as the cash book and other relevant ledgers to support the figures in the financial statements. No work was performed by management to ensure that all receipts and payments relating to period under review were properly recorded and accounted for. As a result, I was unable to verify the completeness and accuracy of the balances disclosed in the financial statements.

Risk/Implication

Absence of an audit trail.

Possible concealment of material errors and irregularities.

Recommendation

Management should ensure that supporting documents for all transactions are appropriately filed and are availed for audit.

Management response

Observation is noted. Zimbabwe Youth Council operated under the Ministry department of Youth Development. The physical source documentation in payment vouchers and receipts were retained by them when ZYC moved to an independent office in July 2010. But we had a detailed cash book on excel which we analysed to ascertain the balances reported for the financial year ending 31 December 2009.

1.2 Risk Management Policy

Finding

The Council was operating without a Risk Management Policy for the period under review. This was not in compliance with the requirements of the Corporate Governance framework
for State Enterprises and Parastatals which requires all Parastatals to operate with approved policies. This policy will ensure inter alia: appropriate control systems are in place, identification of material risks facing the Council, ascertainment of potential financial impact and delegation of the responsibility to control the identified risks effectively.

**Risk/Implication**

Financial losses in the event of a disaster as there are no binding rules and regulations regarding risk management within the Council.

**Recommendation**

The Council should put in place a risk management policy and have it authorized and approved to ensure effective implementation.

**Management response**

Observation is noted. Management efforts have already begun to develop the policy and we commit to have an approved policy fully operational by end of financial year 2017.

### 1.3 Audit committee

**Finding**

The Council had a board in place for the periods under review. I however, noted that it was operating without an audit committee contrary to the requirements of the Corporate Governance Framework for State Enterprises and Parastatals.

**Risk/Implication**

Oversight over financial reporting may be compromised.

**Recommendation**

Those charged with governance should ensure that the Council establishes an audit committee.

**Management response**

Observation is noted. We will ensure there is an audit committee when the next board is appointed.
1.4 Bank account

Finding
During the period under review, the Council opened an account with a local bank where registration fees were deposited by associations affiliated to it. However, for the years under review the Council did not have the requisite number of signatories as the other members had left the country. As a result, the Council had no access to the funds in the account.

Risk/Implication
The Council may fail to achieve its mandate.

Recommendation
The Council should ensure that the appropriate number of signatories are put in place.

Management response
Observation is noted. The bank account had an approved signing arrangement of 3 people comprising of 2 board members and the executive director all signing at once. One of the signatories left the country without adequate notice to be able to address the issue of signatories to the account leading to us not able to access the account for some time. The regularisation of the account has however been put as high management priority. But in the meantime, an alternative bank account was opened and communicated to stakeholders to take care of the registration fees while this matter is being rectified.

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 Donations

Finding
The financial statements disclosed donations received amounting to $362,956 whilst source documents availed for audit showed donations amounting to $162,592 resulting in a variance of $200,364.

I was unable to verify the accuracy, completeness and origin of these donations amounting to $200,364 as the Council could not avail source or underlying documents.

Risk/Implication
Financial loss through misappropriation of donations.

Recommendation
All donations should be accounted for.
Management response

Observation is noted. The amount whose source documents could not be traced relates to the period January to June 2010 which was handled through Ministry. The documents were retained at the Ministry when ZYC gained its autonomy from July 2010.

2.2 Donor funded projects

Finding

The Zimbabwe Youth Council did not maintain adequate accounting records such as Cash Books and ledgers in respect of Donor Funded Projects in violation of the Council’s Finance and Administration Procedures Manual. As a result, I was not able to ascertain how the cash donations totalling $362,956 had been utilised.

Risk/Implication

Misappropriation of donor funds.

The Council may fail to attract funding in future due to lack of accountability.

Recommendation

The Council should account for the funds and in addition an investigation should be done into how they had been utilised.

Management response

Observation is noted. The Council has installed pastel accounting package in year 2012 to ensure the integration.

3. PROCUREMENT OF GOODS AND SERVICES

3.1 Comparative Schedules

Finding

During the year 2011 the Council was supplied with goods and services whose value qualified for competitive bidding and informal tenders.

The payment vouchers availed for audit had no quotations or comparative schedules attached or informal tender documents. I was therefore, unable to determine whether the purchases were made from the most competitive suppliers as required by the procurement regulations.

Statutory Instrument 161 of 2008 effective during the period under review required purchases whose value exceed $10,000 and below $50,000 to go through informal tender procedures and purchases below $10,000 to go through competitive bidding.
The table below shows a sample of goods and services purchased without comparative schedules or informal tender documents;

<table>
<thead>
<tr>
<th>Date</th>
<th>Reference</th>
<th>Description</th>
<th>Amount ($)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.01.2011</td>
<td>PV1129</td>
<td>Office blinds</td>
<td>439</td>
<td>no comparative schedules were availed for audit</td>
</tr>
<tr>
<td>03.02.2011</td>
<td>PV1142</td>
<td>Newsletters</td>
<td>650</td>
<td>no comparative schedules were availed for audit</td>
</tr>
<tr>
<td>23.06.2011</td>
<td>PV11191</td>
<td>Meals for junior parliament</td>
<td>3 280</td>
<td>no comparative schedules were availed for audit</td>
</tr>
<tr>
<td>24.06.2011</td>
<td>PV111207</td>
<td>Note Pads &amp; Paper Flags-July 16</td>
<td>2 200</td>
<td>no source documents were availed and no comparative schedules and quotations sourced</td>
</tr>
<tr>
<td>24.06.2011</td>
<td>PV1129</td>
<td>View point documentary</td>
<td>1 500</td>
<td>no comparative schedules were availed and no quotations were sourced</td>
</tr>
<tr>
<td>06.07.2011</td>
<td>PV11229</td>
<td>Hire of buses</td>
<td>11 400</td>
<td>no informal tender procedures were followed for the hiring services provided</td>
</tr>
<tr>
<td>07.07.2011</td>
<td>PV1129</td>
<td>Shoes for junior parliament</td>
<td>1 747</td>
<td>no comparative schedules were availed and no quotations were sourced</td>
</tr>
<tr>
<td>08.07.2011</td>
<td>PV1129</td>
<td>Food for junior Parliament</td>
<td>1 800</td>
<td>no comparative schedules were availed and no quotations were sourced</td>
</tr>
<tr>
<td>08.07.2011</td>
<td>PV1129</td>
<td>Food for junior Parliament</td>
<td>9 600</td>
<td>no comparative schedules were availed and no quotations were sourced</td>
</tr>
</tbody>
</table>

**Risk/ Implication**

Financial loss due to uneconomic procurement of goods and services.

Non-compliance with laws and regulations.
Recommendation

Management should ensure that requirements of the State Procurement Board regulations are adhered to.

Management response

Observation is noted. The SPB regulations were not followed in the case of hiring of Pioneer Coaches amounting to $11,400.00 for they had become a repeat service provider and partner in the past years offering support to Junior Parliament programs at much subsidised rates. Owing to this, management were not strict on going to informal tender, but we commit to ensure SPB regulations are strictly adhered to for all future engagements.

Regarding issue of comparatives, the majority of cases cited above are for the Junior Parliament programme funded by UNICEF. ZYC considered alternative quotations, at least 3 for every purchase above $500.00 as required by our policy and supplier identification performed through a comparative schedule signed by members of the procurement committee. But for payments from UNICEF funds, as part of liquidation requirements, the donor then requested original copies of all documents used to make payments, as a result we would make photocopies of the documents and often when funds are limited, not all documents would be photocopied but invoices and receipts of contracted suppliers, hence quotations and comparatives were often missed. The Junior Parliament was always the most affected because of the volume of documents.
PUBLIC ENTITIES UNDER THE CATEGORY OF COMPANIES AND CORPORATIONS
Background information

Chemplex Corporation is the largest fertilizer and chemical manufacturing company in Zimbabwe. The company mines and beneficiates phosphate rock which is used in the manufacture of fertilizers and also manufactures sulphuric acid which is then converted to other industrial chemicals. The Corporation has six companies namely ZimPhos, Dorowa, Chemplex Marketing, Chemplex Animal & Public Health, GD Haulage and G&W Industrial Minerals.

I have audited the financial statements of Chemplex Corporation and its subsidiaries for the year ended December 31, 2016 and I issued an unmodified/clean opinion. However, at the time of my report, the financial statements had been sent for signature.

Opinion

In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Chemplex Corporation Limited and its subsidiaries as at December 31, 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Statutory payments

Finding

NSSA, PAYE and VAT amounting to $14 million was not remitted during the year ended December 31, 2016.

Risk/Implication

The entity may face hefty penalties and interest for late payments resulting in loss of funds from the entity.

Recommendation

All statutory payments should be paid and remitted in a timely manner to avoid penalties.
Management response

The observation has been noted. Statutory payments were not remitted due to cash flow constraints. Management is however engaging the respective statutory bodies with a view of settling the debts.

1.2 Board composition

Finding

Though the Chemplex Marketing Board of Directors comprises non-executive directors, the majority are not independent. Good corporate governance practice recommends that the Board of Directors should comprise a balance of power, with a majority of nonexecutive independent directors.

Risk/Implication

Oversight may be compromised due to lack of independence and diversity in the governing of the entity.

Recommendation

Consideration should be given to align the composition of the Board of Directors in line with best practice.

Management response

Observation is noted.

1.3 Statutory payments

Finding

National Social Security Authority (NSSA) contributions for Dorowa Minerals were not being remitted on time. NSSA placed a garnish order on Dorowa Minerals bank account to recover statutory payments that were defaulted.

Risk/Implication

Cash management is negatively affected by garnish orders.

Financial loss due to penalties and late payment interests.
Recommendation

Statutory contributions should be remitted in the period they are due and where this is not possible the company should negotiate payment plans with the Authority.

Management response

Agreed. Due to financial challenges being faced by the company, timely payments of statutory obligations has become a real challenge, but management is committed to settle the obligations as they fall due.

1.4 Special arrangements

Finding

I found that the following asset was on loan to a supplier, but there was no formal agreement in place between Chemplex Animal and Public Health and the supplier:

<table>
<thead>
<tr>
<th>ASSET NUMBER</th>
<th>ASSET DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>30317040</td>
<td>Moulding machine EQUIP-200 Mls Mould</td>
</tr>
</tbody>
</table>

Risk/Implication

Without a formal agreement in place, the Company is not protected in the event that disputes arise with the supplier.

Financial loss as revenues from irregular leasing of assets may not be channeled to the Company.

Recommendation

An agreement must be signed between CAPH and the supplier for the use of the moulding machine.

Management response

Noted, issue being resolved. Formal Agreements will be put in place in order to protect the organisation.
2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 Sale of phosphate

Finding

Revenue from sale of phosphate to Zimbabwe Phosphate Industries was recorded based on the acknowledgement of receipt from Zimbabwe Phosphate Industries in the form of a goods received voucher from Zimbabwe Phosphate Industries, as opposed to recording the sale based on the quantities despatched.

The following sales were recorded based on the goods received voucher from Zimphos instead of the quantities weighed at the weighbridge as recorded in the weighbridge book:

1110 - Phosphate Sales Phosrock to ZPI on 31/01/16 amounting to $5 749
1110 - Phosphate Sales ROCK SALES TO ZPI on 30/11/2016 amounting to $94 730
1110 - Phosphate Sales Rock sales to ZPI on 31/12/16 amounting to $147 066

Risk/Implication

Financial loss due to fraud.

Loss to the entity as sales recorded do not take into account the transportation losses involved.

Recommendation

Sequential tally cards should be generated for Zimbabwe Phosphate Industries sales based on measurements obtained from the weighbridge at Dorowa Premises, the tally cards should be referenced to the invoices and used as the source document for recording in the ledger.

Management response

The point of delivery is Nyazura and therefore revenue should be recognised when the rock has been loaded on to the wagons en route to ZimPhos. However, this has not been practical of late as there was no working weighbridge at Nyazura hence the reason why ZimPhos GRVs were used. Furthermore, the inventory at Nyazura remains Dorowa’s property until loaded to go to ZimPhos. Efforts are underway to resuscitate the weighbridge at Nyazura.

To mitigate the risk of loss and sales misstatement, sequentially pre-numbered delivery books have been put in place already, one for export and the other for local dispatches.
2.2 Credit policy

Finding

I noted that whilst a Credit Policy (2011) was available, there were no credit limits set at each level of management. The credit limits could be approved by the Chief Executive Officer, Finance Director, Financial Controller, General Manager – ZIMPHOS and the Management Accountant. Whilst there is a basis for calculating the credit limit, some of the considerations in calculating the credit limit such as acceptable credit risk was subjective.

Risk/Implication

The Company is exposed to high credit risk.

Recommendation

The Company should review the current credit policy.

Management response

The observation has been noted. The credit policy will be reviewed.
CMED (PRIVATE) LIMITED 2015

Background information

CMED (Private) Limited is a commercialized enterprise as provided for by the Central Mechanical Equipment Department (Commercialisation) Act of 2000. It is wholly owned by the State and its mandate is to provide transport and equipment hire services to the market. It also provides ancillary services in the form of vehicle procurement, fuel, training and the administration of the Government Transport Purchase Fund.

I have audited the financial statements of CMED (Private) Limited for the year ended December 31, 2015 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of CMED (Private) Limited as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Statutory Deductions

Finding

The company did not remit statutory deductions to the respective Authorities. The total amount outstanding to these Authorities for the year under review was $5 321 239. The following is a list of deductions not remitted to the respective Authorities:

<table>
<thead>
<tr>
<th>Details</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension</td>
<td>$1 852 307</td>
</tr>
<tr>
<td>ZIMRA</td>
<td>$1 300 098</td>
</tr>
<tr>
<td>Aids levy</td>
<td>$341 911</td>
</tr>
<tr>
<td>Manpower levy</td>
<td>$206 346</td>
</tr>
<tr>
<td>NSSA</td>
<td>$439 169</td>
</tr>
<tr>
<td>PSMAS</td>
<td>$1 015 780</td>
</tr>
<tr>
<td>NEC</td>
<td>$165 628</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5 321 239</strong></td>
</tr>
</tbody>
</table>

Risk/Implication

Financial loss due to fines and penalties charged by the relevant authorities.
The company’s employees may fail to access services or benefits when required.

**Recommendation**

Statutory obligations should be remitted on due dates.

Relevant Authorities should be engaged to agree on payment plans to clear outstanding balances and avoid penalties and interest being charged.

**Management response**

We have cash flow challenges and have resorted to paying ZIMRA and Pension through treasury set offs for which requests are with Ministry of Finance. We are struggling to pay for NSSA, PSMAS, ZIMDEF AND NEC where treasury does not allow to make set offs. We always engage the authorities and are paying small amounts at times to avoid litigation.

2. **PROCUREMENT OF GOODS AND SERVICES**

2.1 **Fuel tenders**

**Finding**

According to the State Procurement Board regulations, the procuring entity acquiring goods or services above $10 000 but not exceeding $500 000 shall follow procedures of an informal tender. However, audit noted that the company bought 1 090 000 litres of fuel worth $997 800 without going through the tender process during the year under review.

**Risk/Implication**

Non-compliance with State Procurement Board regulations may lead to uneconomic purchases.

**Recommendation**

Management should comply with State Procurement Board regulations.

**Management response**

The Acting Managing Director had authorized the transactions to go ahead as per memo dated 16 September 2015.
2.2 Fuel bids

Finding

According to the State Procurement Board regulations, the procuring entity is expected to award the tender to the lowest bidder or the most economically advantageous tender. The procurement committee recommended that 300 000 litres of diesel and 298 000 litres of petrol be purchased from a petroleum supplier for $400 560, however, the fuel was purchased from a supplier who quoted $499 200 which was more expensive giving a price variance of $98 640. The table below shows the price variances on the orders supplied.

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Order No</th>
<th>Quantity</th>
<th>Bidder 1 $</th>
<th>Bidder 2 $</th>
<th>Variance $</th>
</tr>
</thead>
<tbody>
<tr>
<td>21/8/15</td>
<td>Diesel</td>
<td>LPO 0574</td>
<td>300 000</td>
<td>231 000</td>
<td>186 000</td>
<td>45 000</td>
</tr>
<tr>
<td>21/8/15</td>
<td>Petrol</td>
<td>LPO 0574</td>
<td>298 000</td>
<td>268 200</td>
<td>214 560</td>
<td>53 640</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$499 200</td>
<td>$400 560</td>
</tr>
</tbody>
</table>

Risk/Implication

Non-compliance with State Procurement Board regulations.

Financial prejudice to the company.

Recommendation

Management should ensure that all tenders are awarded to the lowest bidder in order to take advantage of cheaper fuel supplies and if there are reasons for not awarding they should be documented by the procurement committee.

Management response

In the aftermath of the First Oil transaction that eroded the company of working capital, the Board explored various options for raising funding to finance fuel procurement. However, the Board finally settled on the option of negotiating credit facilities with suppliers. The gazetting of SI 184 of 2014 that designated CMED as the sole importer of fuel for Government consumption also meant that CMED had to gear itself for the new responsibility.

Through Board resolution MBR 02/02/15 the Board authorised management to establish credit facilities with MAPS Petroleum and Total Zimbabwe, hence the purchases referred to by External Audit. The credit facility was therefore a strategy...
the Board adopted to revive the fuel business and place the company in a position to fulfil the mandate bestowed on it through SI 184 of 2014.
JENA MINE (PRIVATE) LIMITED 2014

Background information

Jena Mines (Private) Limited is involved in the mining and selling of gold. Jena Mines (Private) Limited is a 100% owned subsidiary of Zimbabwe Mining Development Corporation (ZMDC). The Company conducts its mining activities in the Silobela area under a mining lease issued to ZMDC by the Ministry of Mines and Mining Development. The company is a limited liability company incorporated and domiciled in Zimbabwe.

I have audited the financial statements of Jena Mines (Private) Limited for the year ended December 31, 2014 and I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Jena Mines (Private) Limited as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying my opinion, I draw your attention to the fact that the company incurred a loss before tax of $4 792 850 (2013; $7 340 389) for the year ended 31 December 2014 and, as at that date, the company’s current liabilities exceeded current assets by $17 631 940 (2013; $13 576 924). These conditions, along with other matters, indicate the existence of a material uncertainly which may cast significant doubt on the company’s ability to continue as a going concern.

However, below are material issues noted during the audit.

2. GOVERNANCE ISSUES

1.1. Capital projects

Finding

The company is currently engaged in capital commitments through capital projects.

I noted that some of these capital projects were being suspended before completion resulting in significant amounts being tied up in uncompleted projects.

The table below shows projects that have been initiated but have not been completed to date:
<table>
<thead>
<tr>
<th>Description</th>
<th>Period</th>
<th>Percentage of completion</th>
<th>Amount invested to date $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Project</td>
<td>May-14</td>
<td>10%</td>
<td>130 128</td>
</tr>
<tr>
<td>Lioness shaft</td>
<td>Dec-13</td>
<td>60%</td>
<td>253 565</td>
</tr>
</tbody>
</table>

**Risk/Implication**

Financial loss due to cash invested in unproductive assets.

**Recommendation**

Management should consider addressing the needs of their contracts and determine a more effective approach to complete their projects.

Management should ensure that projects initiated are completed as budgeted to ensure that capital is not tied up in unproductive assets.

**Management response**

This was mainly due to inconsistent injection of external funding which is beyond my control.

1.2. **Bank covenants**

**Finding**

In July 2012 the Company was given an overdraft facility with a maximum limit of $600 000 and lease hire facility of $468 000 by a local bank.

The intended purpose for the overdraft facility was to finance the Company’s working capital requirements and the lease hire facility was intended to purchase two dump trucks.

The Company then made a transfer of $543 726 to Bell equipment of South Africa for the purchase of dump trucks which was then confiscated by American department of treasury, the Office of Foreign Asset Control due to existence of sanctions imposed on ZMDC.

Minutes of the meeting held between Jena Mines and the local bank in December 2012 revealed that the lease hire facility was converted into a loan facility of $468 000 expiring on March 31, 2016 as the obligation still remained with Jena Mines.

The company is not adhering to the bank covenants and significant penalties have been charged on the loan facility as a result of non-payment of scheduled amounts and the overdraft facility maximum limit has been exceed by $18 514 at year end.

A significant value of security has been pledged on the two facilities.

The table below shows the value of the security pledged:
<table>
<thead>
<tr>
<th>Type of facility</th>
<th>Security pledged</th>
<th>Value of security $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan facility</td>
<td>Notarial general covering bond over movable assets</td>
<td>350 000</td>
</tr>
<tr>
<td>Overdraft facility</td>
<td>Notarial general covering bond over movable assets</td>
<td>600 000</td>
</tr>
<tr>
<td><strong>Total Security pledged</strong></td>
<td></td>
<td><strong>950 000</strong></td>
</tr>
</tbody>
</table>

**Risk/Implication**

Punitive interest may be charged on amounts withdrawn above the maximum limit of $600 000.

Reputational risk for failure to service debt obligations.

Increased risk of going concern.

Overstatement of accounts receivables.

**Recommendation**

Management should ensure that they comply with the bank covenants to avoid punitive interest being charged on amounts withdrawn above the maximum limit.

Management should consider repaying the scheduled amounts to avoid seizure of pledged assets.

**Management response**

Expect to regularise payments towards this commitment by March 2015 when production improves.

**1.3. Penalties and interests**

**Finding**

Jena Mines has been charged an amount totalling $123 790 in respect of the penalties, fines and interests on statutory and other liabilities.

**Risk/Implication**

Financial losses due to fines, penalties and potential litigation.

**Recommendation**

In future, management should consider engaging the creditors in discussing a payment plan to avoid unnecessary penalties and interests.
Management response

Expect the cash flows to improve after the water project and tertiary crusher.

1.4. Prepayments

Finding

Whilst performing a review of the prepayments schedule, I noted that a total of $44,692 worth of pre-paid goods were either not delivered or services had not been rendered to the company at year end.

Furthermore, a review of the bad debt expense revealed that bad debts amounting to $73,063 were written off against a prepayment that related to cyanide that was purchased from Sira in March 2012.

I noted that some of the amounts have been outstanding from December 2012.

The following table is a list of prepaid transactions that are long outstanding as at year end:

<table>
<thead>
<tr>
<th>Date of payment</th>
<th>Description of supplies</th>
<th>Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.05.14</td>
<td>Power correction factors</td>
<td>22,705</td>
</tr>
<tr>
<td>17.05.13</td>
<td>Repair of excavator</td>
<td>17,085</td>
</tr>
<tr>
<td>06.12.12</td>
<td>Slip ring motor reconditioned</td>
<td>4,902</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>44,692</strong></td>
</tr>
</tbody>
</table>

Risk/Implication

Financial losses due to misappropriation of funds being perpetrated through vendor payments and collusion by employees and suppliers.

Recommendation

Management should ensure that goods paid for in advance are received timely.

A rigorous assessment of suppliers should be made to ensure good service delivery.

Management response

Goldenmillion projects require more funds to be paid so that they can finish the project and Jupiter mine have engaged the lawyers to recover the funds.
1.5. ZIMRA garnishes

Finding

An inspection of the letters between Jena Mines and refineries revealed that subsequent to year end, ZIMRA had imposed a garnish order on Jena Mines as a result of a significant outstanding obligation for PAYE.

The following table shows a breakdown of amounts charged to Jena Mines as a result of delays in remittance of PAYE obligations.

<table>
<thead>
<tr>
<th>Description</th>
<th>Carrying Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAYE principal amount</td>
<td>418 487</td>
</tr>
<tr>
<td>PAYE penalty</td>
<td>626 580</td>
</tr>
<tr>
<td>PAYE interest</td>
<td>30 937</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1 076 004</strong></td>
</tr>
</tbody>
</table>

Risk/Implication

Financial loss due to non-compliance with Income Tax Act [Chapter 23.06].

Recommendation

Management should adhere to the requirements of the Income Tax Act [Chapter 23.06].

Management response

Noted and will improve owing to improved cash flows which originates from low output.
MINERALS MARKETING CORPORATION OF ZIMBABWE (MMCZ) 2015

Background information

The Minerals Marketing Corporation of Zimbabwe (MMCZ) was established by statute in 1982 to act as the sole marketing and selling agent for all minerals, except gold and silver and to provide for the control and regulation of stock piling of minerals. The Minerals Marketing Corporation of Zimbabwe owns 100% of Mellofieldde Chemical (Private) Limited which was incorporated on April 17, 2012. The main objectives of the Company are to pursue mining and mining related investment opportunities and projects and to provide specialist management services to the Corporation.

I have audited the consolidated financial statements of Minerals Marketing Corporation of Zimbabwe for the year ended December 31, 2015 and I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion on the Corporation’s financial statements

In my opinion, the Corporation’s financial statements present fairly, in all material respects, the financial position of Minerals Marketing Corporation of Zimbabwe as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion on the consolidated financial statements

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Minerals Marketing Corporation of Zimbabwe and its subsidiary Mellofieldde Chemicals (Private) Limited as at December 31, 2015, and the consolidated financial performance and the consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter on the consolidated financial statements

Without qualifying my opinion, I draw your attention to the fact Mellofieldde Chemicals (Pvt) Limited, a subsidiary of MMCZ has not been trading for the past three years. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the subsidiary’s ability to continue as a going concern.

However, below are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Board fees payment

Finding

The Corporation paid board expenses amounting to $25,228 during the period December 2013 to December 2015, but there was no board.
**Risk/Implication**

Board and sitting allowances may be paid for services not rendered.

In the absence of declaration of interests, objectivity may be compromised when decisions are made on issues that management and Board members have an interest in are made.

**Recommendation**

The Corporation should maintain attendance registers for Board of Directors which should be signed as evidence of attendance to Board meetings.

The Corporation should ensure that Board members declare interests, if any before discussions of matter which they may have conflict and this should be evidenced by way of documented declarations.

**Management response**

Observation noted.

Management will ensure attendance register is signed at all board meetings. However, board fees and sitting allowances were paid based on meetings actually held and the dates of the meetings were shown on the payment schedule availed for audit.

1.2 **Appointment of Board of Directors**

**Finding**

MMCZ Act [Chapter 21:04] Section 5 requires that the Board should consist of not fewer than six and not more than ten members. However, the Corporation was operating without a Board of Directors since the expiry of the previous board in 2013.

**Risk/Implication**

There may be lack of effective strategy, policy formulation and management supervision in the absence of a Board.

**Recommendation**

A Board of Directors should be appointed for the Corporation.

**Management response**

Observation noted.

Management will implore the parent ministry to put a substantive board in place.
2 EMPLOYMENT COSTS

2.1 Contracts of employment

Finding
The Corporation adjusted the salaries and allowances for the employees in 2014 following the directive of the cabinet on Corporate Governance and Remuneration Policy Framework for CEOs of State Enterprises and Parastatals in 2014. The employees contested the Government directive and the salary adjustments with the courts and an award was made in 2015 to reinstate the salaries.

The Interim Board then approved the write off / setoff of all employees’ outstanding loans balances (medium term loans, housing loans and car loans) regardless of the amount owed. The loans written off amounted to $3,907,794 and the loans setoff was grossed up to cover the tax liability of $1,448,830. The Interim board also approved that there will be no increment of salaries for the next six years. Employees signed new contracts incorporating these changes. However, I noted that the new contracts signed did not include a clause or the action that would be taken by the Corporation in the event that an employee had terminated contract of employment with the Corporation. Subsequently, five senior employees were dismissed in 2016 before the contractual six years had lapsed and nothing was recovered for the loans written off.

Risk/Implication
Financial loss in the event that termination of contract occurs before the lapse of six years.

Recommendation
The Corporation should review the contracts of employment with regard to terminations before the lapse of six years.

Management response

Observation noted.

The contracts were drafted in such a way that one would maintain the cut salary for a period of six years regardless of him/her having paid up the loan earlier. This had a multiplier effect which resulted in the reduction of employee pension benefits in the long term thereby benefiting the Corporation since these are salary based. The salary cuts are likely to be maintained even after the lapse of the six years and any review will not likely result in the Corporation reverting back to the old salaries before salary cuts. The Corporation has also realised some savings in the form of reduced employer’s pension contributions which are salary based.
2.2 Holiday allowances

Finding
The Corporation paid holiday allowances to senior management amounting $339,999. The senior management contracts of employment stated that the employees would be paid two tickets for holiday in a regional destination or an amount equivalent. The contract of employment did not include any additional allowances apart from the tickets. I was not availed with an approved justification or basis of the holiday allowance that was paid and there were no corresponding quotations filed supporting the amount that was paid.

Risk/Implication
Unauthorized expenditure.

Recommendation
Holiday allowance should be paid as per the signed contract of employment and if there are amendments or adjustments, they should be approved and filed.

Management response
Observation noted.
The holiday allowances were paid in terms of the contracts of employment and management will ensure adherence to the same.

Auditor’s comment
I acknowledge the management response. However, audit was not availed with supporting quotations as basis for the amounts paid.

2.3 Performance bonus

Finding
The Corporation paid performance bonuses to its employees amounting to $277,365 for the year 2015, this was in addition to the annual bonus payment. The non-managerial employees were paid 10%, managerial Grade D1 to D4 received 15%, Grade D5 to E lower received 20% and Grade E upper to F received 25% of their monthly basic salaries. Audit was not availed with performance parameters which should have been achieved for the Corporation to award performance bonuses. Employees’ performance appraisals were not done for the year under review making it difficult to establish the basis for issuing performance bonus.
Risk/Implication

Employee costs may be over stated as performance bonus may have been paid before the Corporation achieved set performance targets.

Recommendation

Payment of performance bonus should be linked to the achievement of performance targets.

Management response

Observation noted.

Management intends to implement an appraisal system (RBM) effective 2017.

2.4 Fuel allowances

Finding

Senior management received fuel amounting to 51,120 litres during the year under review. The fuel allowances were not processed through the payroll system and were not taxed. However, the fuel allocations were not prescribed in their contracts and I was not availed with approved documents supporting or a Board resolution for the fuel allocations. The following are the employees that received the fuel allowances:

<table>
<thead>
<tr>
<th>Employee Number</th>
<th>Litres issued/month</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002709</td>
<td>480</td>
</tr>
<tr>
<td>2002738</td>
<td>420</td>
</tr>
<tr>
<td>2002736</td>
<td>420</td>
</tr>
<tr>
<td>2000969</td>
<td>420</td>
</tr>
<tr>
<td>2002705</td>
<td>420</td>
</tr>
<tr>
<td>2000942</td>
<td>420</td>
</tr>
<tr>
<td>2002740</td>
<td>420</td>
</tr>
<tr>
<td>2002700</td>
<td>420</td>
</tr>
<tr>
<td>2001485</td>
<td>420</td>
</tr>
<tr>
<td>2002722</td>
<td>420</td>
</tr>
</tbody>
</table>
Risk/Implication
Penalties and interests may be charged to the Corporation by the Tax Authority.

Recommendation
All staff benefits should be supported by appropriate approvals and be subjected to tax as per Income Tax Act.

Management response
Observation noted.

Board approval was granted for the fuel. Management considered that fuel allocated was part of the motor vehicle benefit that is already being taxed.

Auditor’s comment
_I acknowledge management response. However, fuel allowance is a separate benefit that is meant to be taxed separately from motor vehicle benefit._

2.5 Donations

Finding
The Minerals and Marketing Corporation Act [Chapter 21:04] section 21, provides that the Corporation shall provide financial assistance to any institution or person whose activities or part of whose activities are such as to be, in the opinion of the Board, of benefit to the Corporation or to the mining industry or any part of that industry. However, I noted that the Corporation incurred expenditure on donations amounting to $2,989,913 that exceeded the approved budget of $250,000.

Risk / Implication
Financial loss due to unbudgeted expenditure.

Recommendation
Expenditure should be made in line with budget approvals.

Management response
Observation noted. The Corporation donated funds based on the directives from the parent Ministry. The Corporation will ensure that the expenditure is limited to the budgeted funds.

5 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that the Corporation made some progress and there was some room for improvement in respect of the following recommendations:
5.1 Disaster recovery plan and IT policy

Recommendation
The DRP and the IT policy should be finalised and endorsed by management.

Progress made
Still as observed. A draft ICT DRP is in place awaiting board approval.

5.2 Staff benefits

Recommendation
The Corporation should ensure that employee benefits and allowances are taxed in line with the provisions of the Income Tax Act [Chapter 23:06].

Progress made
Board approval was granted for the fuel. Management considered that fuel allocated was part of the motor vehicle benefit that is already being taxed.

5.3 Board of Directors

Recommendation
The appointment of the Board of directors should be done as soon as the current Board’s term expires so that policy and governance issues are addressed timely.

Progress made
A Board of directors is yet to be appointed.

5.4 Corporate social responsibility and donations

Recommendation
Management should ensure that a corporate social responsibility/donation policy and related budgets are in place. Dividends should be paid to Treasury.

Progress made
A corporate social responsibility and donation policy was adopted and now awaits approval by the Board Chairman.
5.5  Roasting plant inventory

Recommendation
The Corporation should ensure that a mechanism is in place to govern the relationship with prospective investors.

Progress made
The prospecting of potential investors for the Roasting Plant is being handled by the Ministry of Mines and Mining Development.

5.6  Risk management policy

Recommendation
A risk management policy should be put in place to cover the process of identifying, analysing and mitigating risks.

Progress made
Observation noted. A risk management policy will be developed and put in place by end of year 2017.

5.7  Segregation of duties

Recommendation
Sufficient segregation of duties should be considered in the salaries office.

Progress made
No progress made.
Background information

Motira (Private) Limited is a private limited company incorporated and domiciled in Zimbabwe whose shares are not publicly traded. The principal activities of the company are the sale and distribution of tractors, implements, spare parts and the servicing of tractors

I have audited the financial statements of Motira (Private) Limited for the year ended December 31, 2016 and I issued a qualified opinion.

Basis for Qualified Opinion

Revenue for tractors sold on credit over more than 12 months was not recognized at a discounted value which contravenes with the requirement of International Accounting Standard (IAS) 18. This resulted in overstatement of revenue and understatement of revenue received in advance. Furthermore, the trade receivables for long term credit sales were all classified as non-current assets instead of reporting separately the long-term trade receivables which are receivable within 12 months into current assets and those receivable after 12 months as non-current assets as required by International Accounting Standard (IAS) 1.

Opinion

In my opinion, except for the matters highlighted in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Motira (Private) Limited as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1. Board composition

Finding

The board constitutes of only two members. This made it difficult for the board to effectively execute board duties. The number also made it difficult for the board to form functional board committees (Human Resources Committee, Finance and Audit Committee and Business Development Committee). None of the board committees conducted meetings during the year.
**Risk/Implication**

Good corporate governance may be compromised.

**Recommendation**

The shareholder should revisit the issue of the board composition.

**Management response**

Clause 55 of the Articles of Association prescribes at least two directors for the company. However, management will liaise with the shareholder on the need to increase the number of directors for the purposes of enabling formulation of board committees in line with good corporate governance.

2. **REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY**

2.1. **Revenue recognition**

**Finding**

Revenue from credit sales was not being recognized at a discounted value since the majority of the credit customers pay over a significant financing period. This is in contradiction with the requirements of International Accounting Standard 18.

**Risk/Implication**

Financial statements are misstated.

**Recommendation**

Revenue from credit sales should be recognized at a discounted value if the payment will be made over a significant financing period (a period of more than one year).

**Management response**

Noted.
2.2. **Cash receipts and payments**

**Finding**

I noted that the company was utilizing cash receipts before banking. Furthermore, cash was not being banked on time.

**Risk/Implication**

Financial loss through theft and misuse.

**Recommendation**

All cash received should be banked immediately.

**Management response**

The cash crunch obtaining in the economy has made it very difficult for companies to access their cash from the banks. Cash once deposited, is hardly accessible, thereby disrupting business transactions that are run on cash basis. To this end, the directors of Motira, in their board meeting of 13 December 2016, permitted management, as prevailing in other companies, given the circumstances, to use cash receipts for the day-to-day operations of the company, provided the amounts do not exceed the prescribed petty cash float of US$3 500. A clear audit trail of the use of such funds is therefore maintained. Should the economic situation improve, especially in the banking sector, Motira will revert to the ordinary receipting and banking as previously practiced.
Background information

The National Oil Infrastructure Company of Zimbabwe (NOIC) (Private) Limited was incorporated in Zimbabwe in terms of the Companies Act [Chapter 24.03] and it is wholly owned by the Government of Zimbabwe. The company is responsible for the transportation, storage and handling of petroleum products for oil companies. It operates fuel depots in Harare, Mutare, Beitbridge and Bulawayo.

I have audited the financial statements of National Oil Infrastructure Company of Zimbabwe (Private) Limited for the year ended December 31, 2015 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Oil Infrastructure Company of Zimbabwe (Private) Limited as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1. Taxation of board allowances

Finding

Board members were entitled to a monthly allocation of diesel and petrol coupons. The members received 2 700 litres of diesel and 1 700 litres of petrol during the year under review and these were not taxed in terms of the Income Tax Act [Chapter 23:06].

Risk/Implication

Financial loss due to fines and penalties from tax authorities.

Recommendation

Monthly fuel allowances for board members should be taxed in terms of Income Tax Act [Chapter 23:06].

Management response

Observation noted. The Company shall process fuel allocations to Board members through the payroll system.
Background information

The National Railways of Zimbabwe (NRZ) is a designated corporate body operating in terms of the Railways Act [Chapter13:09]. NRZ is the prime mover of local, import/export and transit traffic carrying freight and passengers by rail.

I have audited the financial statements of National Railways of Zimbabwe for the year ended December 31, 2016 and I issued an unqualified/clean opinion with an emphasis of matter paragraph.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Railways of Zimbabwe as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

I draw your attention to the fact that National Railways of Zimbabwe is in a net current liability position of $219 573 666 (2015: $170 912 721). The Railways also incurred a net loss of $59 768 613 (2015: $ 40 887 993) contributing to a cumulative loss of $ 336 200 901. This cumulative loss and net current liability position, along with other matters indicate the existence of a material uncertainty that may cast significant doubt over the NRZ’s ability to continue as a going concern.

However, below are other material issues noted during the audit.

1. **REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY**

1.1. **Purchase orders**

**Finding**

The Purchasing module in the SAP system requires that an order is raised before a purchase is made. The purchase order should generally be cleared when the supplier delivers the product or service.

The following table shows some of the purchase orders not yet cleared.
<table>
<thead>
<tr>
<th>Document Date</th>
<th>Description</th>
<th>Quantity ordered</th>
<th>Unit price</th>
<th>Value</th>
<th>Outstanding order</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-May-12</td>
<td>Boots safety gaiter 'miner' brown</td>
<td>280</td>
<td>31</td>
<td>8 540</td>
<td>280</td>
<td>8 540</td>
</tr>
<tr>
<td>07-Dec-12</td>
<td>Block ,lower ,complete fuel level gauge</td>
<td>8</td>
<td>1 727</td>
<td>13 812</td>
<td>8</td>
<td>13 812</td>
</tr>
<tr>
<td>19-Jun-13</td>
<td>Oil fuel diesel locomotives</td>
<td>50 000</td>
<td>1</td>
<td>65 000</td>
<td>50 000</td>
<td>65 000</td>
</tr>
<tr>
<td>21-Nov-13</td>
<td>Oil fuel diesel locomotives</td>
<td>150 000</td>
<td>1</td>
<td>198 000</td>
<td>150 000</td>
<td>198 000</td>
</tr>
<tr>
<td>06-Dec-13</td>
<td>Gear ring planetary OVR clutch TC DE</td>
<td>9</td>
<td>1 177</td>
<td>10 591</td>
<td>9</td>
<td>10 591</td>
</tr>
<tr>
<td>16-Apr-14</td>
<td>Composite brake block</td>
<td>1 000</td>
<td>142</td>
<td>142 130</td>
<td>1 000</td>
<td>142 130</td>
</tr>
<tr>
<td>17-Jun-14</td>
<td>FC 10 concrete sleeper</td>
<td>14 960</td>
<td>45</td>
<td>669 909</td>
<td>14 960</td>
<td>669 909</td>
</tr>
<tr>
<td>16-Dec-14</td>
<td>Beam Brake 1st Ride</td>
<td>540</td>
<td>10 750</td>
<td>5 805 146</td>
<td>500</td>
<td>5 375 135</td>
</tr>
<tr>
<td>16-Dec-14</td>
<td>Key Security Block</td>
<td>8 800</td>
<td>313</td>
<td>2 753 080</td>
<td>8 800</td>
<td>2 753 080</td>
</tr>
<tr>
<td>16-Dec-14</td>
<td>Knuckle</td>
<td>180</td>
<td>6 251</td>
<td>1 125 099</td>
<td>180</td>
<td>1 125 099</td>
</tr>
</tbody>
</table>

**Risk/Implication**

Fraud and error may go undetected.

Financial loss as the entity may pay for goods not received.

**Recommendation**

The long outstanding purchase orders should be investigated and resolved.

Purchase orders raised should be cleared within a reasonable time frame.
Management response

Reviewing of all long outstanding orders in progress. Long outstanding orders for material no longer required will be cancelled.

2. PROCUREMENT OF GOODS AND SERVICES

2.1 Prepayments

Finding

The entity had long outstanding prepayments made to suppliers amounting to $1 444 093. The prepayments were outstanding to both local and foreign suppliers and date back to 2011. I observed that the stock prepaid was not yet delivered at the time of the audit.

The table below details long outstanding prepayments.

<table>
<thead>
<tr>
<th>DESCRIPTION OF GOODS</th>
<th>AMOUNT $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LOCAL SUPPLIERS</strong></td>
<td></td>
</tr>
<tr>
<td>1. BALLAST SCREENING PLANT</td>
<td>366 160</td>
</tr>
<tr>
<td>2. HDPE BASE PLATES, FIST CLIPS AND PINS</td>
<td>350 650</td>
</tr>
<tr>
<td>3. BOLTS AND NUTS</td>
<td>50 187</td>
</tr>
<tr>
<td>4. BOLTS AND NUTS</td>
<td>33 405</td>
</tr>
<tr>
<td>5. GESTETNER COPLIER</td>
<td>28 540</td>
</tr>
<tr>
<td>6. BOLTS AND NUTS</td>
<td>17 802</td>
</tr>
<tr>
<td>7. SAFETY BOOTS AND ELASTIC SIDED SHOES</td>
<td>16 915</td>
</tr>
<tr>
<td>8. BACK UP SPARES</td>
<td>16 001</td>
</tr>
<tr>
<td>9. ENGINE ZD30 NISSAN DIESEL TURBO CHARGED</td>
<td>16 000</td>
</tr>
<tr>
<td>10. BULK LOADING AND OFFLOADING PUMP</td>
<td>14 325</td>
</tr>
<tr>
<td>11. FLUORESCENT TUBES, BREAKERS AND SODIUM LAMPS</td>
<td>13 607</td>
</tr>
<tr>
<td>12. TUBELESS TYRES</td>
<td>12 800</td>
</tr>
<tr>
<td><strong>FOREIGN SUPPLIERS</strong></td>
<td></td>
</tr>
<tr>
<td>13. MICROWAVE RADIOS</td>
<td>156 978</td>
</tr>
<tr>
<td>14. TELEPHONE EQUIPMENT &amp; SPARE PARTS</td>
<td>40 874</td>
</tr>
<tr>
<td>15. BEARING INSERTS</td>
<td>22 815</td>
</tr>
<tr>
<td>16. STATIONERY</td>
<td>20 379</td>
</tr>
<tr>
<td>17. HARDWOOD SLEEPERS</td>
<td>240 055</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>1 417 493</strong></td>
</tr>
</tbody>
</table>
Risk/Implication

Financial loss as a result of paying for materials which may never be delivered.

Recommendation

Management should follow up on all prepayments made and ensure that all goods are received.

Management response

Internal controls on prepaid transactions will be reviewed to include timely follow ups, request for bank guaranties securing credit facilities among others.

3. EMPLOYMENT COSTS

3.1 NSSA registration

Finding

Our review of the payroll master file revealed that some of NRZ’s employees do not have NSSA numbers. The employees who had no numbers were contributing towards the Authority as shown by their payslips. Management did not avail evidence of application, follow up and registration of these employees.

The table below shows examples of employees without NSSA numbers:

<table>
<thead>
<tr>
<th>Employee number</th>
<th>National registration (ID)number</th>
<th>Service entry date</th>
</tr>
</thead>
<tbody>
<tr>
<td>474694</td>
<td>0868895T56</td>
<td>5-Sep-07</td>
</tr>
<tr>
<td>480390</td>
<td>08836109Q07</td>
<td>2-Mar-12</td>
</tr>
<tr>
<td>483067</td>
<td>08746758V53</td>
<td>19-Dec-07</td>
</tr>
<tr>
<td>483753</td>
<td>222008584C77</td>
<td>8-Jul-08</td>
</tr>
<tr>
<td>485052</td>
<td>50089157K50</td>
<td>29-Oct-08</td>
</tr>
<tr>
<td>485285</td>
<td>42201015S03</td>
<td>1-Dec-08</td>
</tr>
<tr>
<td>487018</td>
<td>28109987H28</td>
<td>20-May-08</td>
</tr>
<tr>
<td>487636</td>
<td>63-679746P66</td>
<td>9-Jun-08</td>
</tr>
</tbody>
</table>

Risk/Implication

Employees may fail to obtain pension benefits on retirement as they may not be registered with NSSA.
Recommendation

Management should consider engaging NSSA to ensure that employees without NSSA numbers are appropriately registered and have NSSA numbers assigned to them.

Management response

Management is engaged with NSSA on the issue and NSSA is in the process of verifying and issuing numbers.

4. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that the entity made some progress and there was some room for improvement in respect of the following recommendations:

4.1 Customer accounts in SAP

Recommendation

Management should ensure that accounts in SAP are opened for all tenants for effective credit control.
A module compatible with SAP should be acquired for management of real estate records as improved controls over management of NRZ properties may help boost income from lease of properties.

Progress made

Currently implementing SAP Real Estate module.

Challenges anticipated to be addressed at full implementation.

4.2 Bank reconciliation statements

Recommendation

Management should ensure that bank reconciliation statements are prepared and reviewed timely.
Progress made

Work in progress

The organisation experienced some SAP teething problems which resulted in delays in preparing some bank and cash reconciliations timely during the SAP introductory stages.

Bank reconciliation statements are being prepared timely and on a monthly basis.

4.3 NRZ locomotives

Recommendation

Management should consider developing a plan to economically refurbish the non-operational fleet of locomotives and wagons.

Progress made

Work in progress

Plans exist to refresh and maintain the organisations locomotive and rolling stock including infrastructure, plant and equipment. However, financial constraints have been the limiting factor. Management is currently engaging various financiers to raise finance to recapitalise the organisation.

4.4 Insurance of assets

Recommendation

Management should consider insuring all essential operational assets to cover themselves from the effects of unforeseen events.

Progress made

Work in progress

Generally, the decision to insure resources is based on the risk appetite for the organisation as well as the cost benefit analysis considering the rate of risks incidences. Management has already initiated the process of insuring the locomotives and other rolling stock.
4.5  Long outstanding loans

Recommendation

Management should consider engaging financers to agree debt restructuring arrangements.

Progress made

The external/foreign loans were legislated for takeover by Government in 1997 but the Act has not been operationalized. IDBZ loans represent government PSIP allocations and Government has been engaged for their write off.
NET*ONE CELLULAR (PRIVATE) LIMITED 2015

Background information

Net*One Cellular is a limited liability Company incorporated under the Companies Act [Chapter 24:03] and domiciled in Zimbabwe. It is involved in the provision of connection to the network for airtime services.

I have audited the financial statements of Net*One Cellular (Private) Limited for the year ended December 31, 2015 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Net*One Cellular (Private) Limited as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Going concern

Finding

The company had a negative working capital position of $6 685 956 (2014: $61 151 419) for the year ended December 31, 2015. The company recorded a loss of $3 446 949 (2014: $13 381 847) for the year ended December 31, 2015.

Risk/Implication

Services delivery may be compromised.

Recommendation

Management should come up with strategies to address the recurrent losses and negative working capital.

Management response

Agreed. Revenue enhancement measures have been undertaken by reviewing current products, and re-organising the sales team to deliver more revenue. Costs are being interrogated and reduced at every level.
The ongoing Mobile Broad Band project has increased capacity on the network and this is expected to result in incremental revenue.

1.2 Segregation of duties over generation and activation of recharge pin.

Finding

The OMVIA system administrator performs incompatible functions as the officer was responsible for the generation and activation of recharge pins and could also view active recharge pin numbers on the system. The company did not have a documented policy for generation and activation of recharge pin numbers. There was no evidence of system activity logs review for the generation and activation of recharge pin numbers. OMVIA system activity logs were not stored permanently for future reference.

Risk/ Implication

Financial loss due to fraud and material irregularities may not be detected.

Without a documented policy, employees are not properly guided on procedure.

Loss of audit trail since activity logs are not stored permanently.

Recommendation

The generation and activation of recharge pin numbers should be done by independent officials and these should not be able to view active recharge cards.

Activity logs for the generation and activation of recharge pin numbers should be reviewed regularly and should be filed for future reference.

Management response

Noted. Pin generation process is already under review.

1.3 Banking

Finding

The company did not have a policy on under-banking, as a result, a total of $159,472 under-bankings were expensed. There was no evidence to support that investigations had been done to determine the cause of the under-bankings before write-off.

Risk/ Implication

Material errors and fraud may not be detected.
Recommendation

The under-bankings should be investigated and a policy be developed.

Management response

Agreed.

1.4 One wallet cash count variance

Finding

The company issued out $181 591 for One Wallet transactions, of this amount only $90 748 was accounted for during cash count leaving a variance of $90 843.

Risk/Implication

Financial losses due to misappropriation of cash.

Recommendation

Management should investigate the $90 843 variance.

Management response

Agreed.

1.5 Contract with BOPELA group

Finding

The contract with BOPELA Group, a company engaged to construct mobile telecommunications base stations was not availed for audit verification. There were outstanding works in respect of fencing of completed base stations as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total advance payments made</td>
<td>3 405 314</td>
</tr>
<tr>
<td>Completed works to date</td>
<td>(2 932 338)</td>
</tr>
<tr>
<td>Credit notes issued</td>
<td>51 464</td>
</tr>
<tr>
<td><strong>Total value of outstanding works</strong></td>
<td><strong>524 440</strong></td>
</tr>
</tbody>
</table>
Risk/ Implication

Financial loss.

Asset loss as equipment is exposed to vandalism given that some of the base stations were not fenced.

Recommendation

Management should keep on file all contracts with service providers.

Management should follow up on outstanding works to ensure that the sites are fenced.

Management response

Noted. Contracts with service providers are being filed. Project monitoring and tracking is also being implemented.

1.6 Lease register for mobile base station sites

Finding

The lease register for mobile base station sites was not availed for audit verification.

Risk/ Implication

Financial loss due to fraud.

Recommendation

Management should maintain a lease register for leased base station sites.

Management response

The lease register was still being prepared in 2016. Information and Technology section has been requested to come up with an automated register.

1.7 Related party balance

Finding

Trade receivables balance included an amount of $11 413 991 which was due from Firstel Cellular (Private) Limited, a company in which some senior executives of Net*One had interests in (Shareholders). Firstel was no longer operating and there was no evidence of efforts to recover this outstanding amount.
Risk/ Implication

Financial loss as the recoverability of this amount was doubtful.

Recommendation

The outstanding amount should be recovered.

Management response

Efforts on debt collection will be renewed.
Background information

The Company is incorporated in Zimbabwe and engages in the importation, distribution and retail of petroleum products in Zimbabwe.

I have audited the financial statements of Petrotrade (Private) Limited for the year ended December 31, 2015 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Petrotrade (Private) Limited as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below is a material issue noted during the audit;

1. GOVERNANCE ISSUES

1.1 Staff vacancies

Finding

The company was operating without substantive incumbents in the following top management positions:

<table>
<thead>
<tr>
<th>Position</th>
<th>Time period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer (“CEO”)</td>
<td>22 months</td>
</tr>
<tr>
<td>Finance Manager</td>
<td>7 months</td>
</tr>
<tr>
<td>Retail Manager</td>
<td>8 months</td>
</tr>
<tr>
<td>Commercial Manager</td>
<td>8 months</td>
</tr>
<tr>
<td>Human Resources and Administration Manager</td>
<td>12 months</td>
</tr>
</tbody>
</table>

These positions are currently filled in by junior staff in acting capacities.

Risk/Implication

The Company’s operations may be compromised as the staff acting may not be prepared to make certain critical strategic decisions.

Recommendation

All vacant management positions should be filled.
Management response

Noted. The new Board will deal with the matter.
POWERTEL COMMUNICATIONS (PRIVATE) LIMITED 2015

Background information

Powertel Communications (Private) Limited is a wholly owned subsidiary of ZESA Holdings. The core business of the company is to provide world class ICT connectivity services in Zimbabwe and globally.

I have audited the financial statements of Powertel Communications (Private) Limited for the year ended December 31, 2015 and I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Powertel Communications (Private) Limited as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

The Company incurred an operating loss for the year ended December 31, 2015 of $549 417 and a net loss for the year of $497 380 (2014: $1 157 186) during the year ended December 31, 2015, and as at that date, the Company’s current liabilities exceeded its current assets by $1 664 208 (2014: $9 121 211). These conditions indicate the existence of material uncertainty that may cast significant doubt about the company’s ability to continue as a going concern.

However, below is a material issue noted during the audit.

1. GOVERNANCE ISSUE

1.1 Going concern

Finding

The Company incurred an operating loss for the year ended 31 December 2015 of $549 417 and a loss for the year of $497 380 (2014: $1 157 186). This was attributable to a reduction in the revenues from data and internet services on the backdrop of high fixed costs associated with the Company's operations.

The Company’s current liabilities exceeded its current assets by $1 664 208 (2014: $9 121 211). The net liability position was as a result of the liquidity constraints to the economy affecting the recoverability of receivables and payment of creditors.
Risk/Implication

Sustainable service delivery may be compromised.

Recommendation

The company should come up with sustainable revenue growth strategies that ensure profitability.

Management response

The company has engaged certain vendors in order to obtain medium term vendor assisted financing totaling USD 7.7 million. The funding discussions have reached an advanced stage and this would enable the company to expand its network and grow its revenue base.

Measures are being put in place to improve the company's working capital. The company is in the process of negotiating with financial institutions for loans and the Directors are confident that the company will be able to secure medium term financing from local financial institutions. Management is also working on further restructuring of the balance sheet by renegotiating further the repayment of loans for assets that are of a long-term nature.

Management has put in place strategies to grow the business through Voice over Internet Protocol growth, new product development and mobile data growth. The business will continue to implement cost containment measures to improve profitability.

As a consequence, the Directors believe that the Company will continue to operate as a going concern and that the realisation of assets and the settlement of liabilities will occur in the ordinary course of business.
SUNWAY CITY (PRIVATE) LIMITED 2016

Background information

Sunway City (Private) Limited is a subsidiary of the Industrial Development Corporation of Zimbabwe Limited (IDC) mandated to develop world class integrated residential, commercial, industrial, institutional and recreational parks so as to provide relevant infrastructural development to facilitate industrialization and economic growth of Zimbabwe as well as Regional Integration and Trade.

Sunway City was established to provide specialised industrial clusters for cost effective infrastructure and/or common service centres. The main focus was on the construction of factory shells for beneficiation of local resources like cotton and minerals for both the local and export markets.

I have audited the financial statements of Sunway City (Private) Limited for the year ended December 31, 2016 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Sunway City (Private) Limited as at December 31, 201, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below is a material issue noted during the audit.

3. GOVERNANCE ISSUE

1.1 Going concern

Finding

It was noted that the Company has reported a loss position of over $3.3 million. This was primarily attributable to rates charges of over $2.7 million which the Company had not previously accrued for as they had anticipated relief from the City of Harare through set-off of the water infrastructure they constructed and a waiver of the rates on undeveloped land. These rates have not been settled and to date interest charges of over $1.02 million has been levied against Sunway City by the latter.

In addition, the entity encountered revenue cancellations of $1.02 million as a direct consequence of customer default in response to the prevailing harsh economic conditions that have impaired the clients’ ability to service their debts.
Risk/Implication

The Company’s going concern may come into question given the fact that its cash position is generally low compared to its immediate obligations that need to be settled in cash.

Recommendation

Management needs to strategise on these matters so as to guarantee the Company’s viability in the long term.

Management response

Cancellation of sales is a function of the harsh economic environment and therefore management will continue to do all within its power to minimise such cancellations. However, management takes comfort from the fact that when the inevitable cancellation happens usually the property is sold at much higher price and also that refunds to clients are effected upon selling the same stand in question to avoid strain on the cash resources.

Management are seized with the City of Harare rates issue having noted its impact on the company’s profitability and survival. Management engaged City of Harare and has also sought support from Government for a rates waiver as a critical incentive for a Special Economic Zone developer. The Statutory Instrument for scrapping of rates for developers like Sunway City is expected to be instituted soon.

Open spaces and pieces of land have been identified as part of the rates settlement plan which will significantly reduce the City of Harare debt and future interest. Furthermore, Sunway City is vigorously pursuing its claim for compensation for the water infrastructure to the tune of $2 835 885.53.
TEL●ONE (PRIVATE) LIMITED 2016

Background information

Tel●One (Private) Ltd was incorporated in Zimbabwe in 2000 in terms of the Postal and Telecommunications Act [Chapter 12:05]. The Company’s main business is that of provision of telecommunication services and products.

I have audited the Financial Statements of Tel●One (Private) Limited for the year ended December 31, 2016 and I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion

In my opinion the financial statements present fairly, in all material respects, the financial position of Tel●One (Private) Limited as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying my opinion, I draw your attention to the fact that the Company had a net liability position of $111 927 596 (2015: $98 961 201) as at December 31, 2016. Fixed-term borrowings approached maturity without realistic prospects of renewal or repayment. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

However, below are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Sustainability of service

Finding

An analysis of the financial statements for the year ended December 31, 2016 revealed that the Company had a net liability position of $111 927 596. I also noted that the Company did not comply with the repayment terms of its long term loan agreements and as a result, these borrowings approached maturity without realistic prospects of renewal or repayment.

An analysis of the current liabilities indicated that the Company had foreign legacy loans which it inherited from the Postal and Telecommunications Company (PTC) which amounted to $364 175 674 as at December 31, 2016 which has made the Company to be technically insolvent. Some of these loans had reached maturity while others approached maturity without realistic prospects of renewal or repayment. Due to non-payment, the accumulated overdue charges on these loans as at December 31, 2016 amounted to $93 872 946.
**Risk/Implication**

Service delivery may be compromised.

Financial loss as a result of overdue charges.

**Recommendation**

Sustainable revenue growth strategies that ensure profitability and capacity to service the loans should be promoted.

**Management response**

Noted. Foreign legacy loans have been the major contributory factor to the net liability position that the company is currently locked in. The loans are weighing down performance through accumulation of interest, overdue penalty charges and exchange losses. The legacy loans present the greatest threat to the survival of the business if they remain unresolved.

Fundraising efforts to finance critical projects have been frustrated by the existence of these loans on our balance sheet, thereby presenting major risks to the acceleration of the growth potential ushered by NBB project.

TelOne had presented a proposal which had been accepted by the Government of Zimbabwe for the warehousing of the legacy loans over a five year period to allow the company to raise further funding for its transformational projects that will bring financial stability and long-term sustainability. This was the basis upon which the $98 million funding was secured from China-Exim Bank. However, implementation of this warehousing is still outstanding. Efforts have been made to get this warehousing effected.

The impact of legacy loans on our financial performance is as shown below;

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Without legacy loans</td>
<td>With legacy loans</td>
</tr>
<tr>
<td>Operating (loss) / profit</td>
<td>(11,627,365)</td>
<td>(11,627,365)</td>
</tr>
<tr>
<td>Finance costs on current loans</td>
<td>(1,807,460)</td>
<td>(1,807,460)</td>
</tr>
<tr>
<td>Finance costs on legacy loans</td>
<td>-</td>
<td>(17,838,856)</td>
</tr>
</tbody>
</table>
As shown above the company’s profitability, liquidity and solvency position will improve once the legacy loans are converted to equity.

Furthermore, the harsh economic environment has resulted in liquidity challenges that have made it difficult to collect the post-paid services resulting in a mismatch in the company’s working capital. The company has also witnessed revenue decline due to consumer preference for mobile and Over the Top (OTT) services to traditional fixed voice services. While the trend is consistent with global trends the company continues to deploy strategies to reverse these trends. A progressive upturn of revenues and cash flows starting in 2018 is expected as a result of the full implementation of the National Broadband Project (NBB) project.

Our 2017 to 2021 strategic plan demonstrates an increase in our revenue performance of above 75% over the five year period. Going forward, the efforts to transform the business and the NBB project shall:

- strengthen TelOne’s cash flow capacity and in turn its ability to service its loans,
- enhance its competitiveness and visibility in the market
- result in incremental broadband revenues and
- witness a reduction in operational costs that will propel the company onto the profitability path.

1.2 Local loans

Finding

Loan facilities amounting to $23 613 332 as at December 31, 2016 which had financed the Harare-Mutare and the Harare-Bulawayo optic fiber projects were not being serviced. Repayments were scheduled to commence on October 31, 2010 and February 2012. As a result, late repayment charges amounting to $1 390 768 had been incurred during the year ended December 31, 2016.

<table>
<thead>
<tr>
<th></th>
<th>2016 Without legacy loans</th>
<th>2016 With legacy loans</th>
<th>2015 Without legacy loans</th>
<th>2015 With legacy loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange (losses) / gains from legacy loans</td>
<td>-</td>
<td>(1,435,228)</td>
<td>-</td>
<td>12,092,786</td>
</tr>
<tr>
<td>(Loss) / profit before tax</td>
<td>(13,434,827)</td>
<td>(32,708,911)</td>
<td>6,257,893</td>
<td>9,921,104</td>
</tr>
<tr>
<td>Net asset / (liability) position</td>
<td>252,980,813</td>
<td>(111,194,861)</td>
<td>248,801,105</td>
<td>(98,961,201)</td>
</tr>
<tr>
<td>Working capital position</td>
<td>4,731,375</td>
<td>(319,092,852)</td>
<td>2,235,114</td>
<td>(297,693,089)</td>
</tr>
</tbody>
</table>
Risk/ Implication

Financial loss as a result of late payment charges.

Recommendation

Efforts should be made to repay the loans in compliance with the loan agreements.

Management response

The company has managed to pay $2.3 million to date. Unfortunately there are challenges arising from slow and non-payment by debtors amounting to $206 million which have made it difficult to service the loans consistently. Management is pursuing a three way set-off arrangement to pay off the loan against $43 million owed by the Government.

However, it is hoped that the Ministry of Finance will expedite the signing off of the outstanding loan agreement as this is potentially a factor that may hinder the tripartite set-off agreement. The company has managed to clear local loans of $2.5 million from the Communications and Allied Industries Pension Fund and will be clearing a $6 million loan from FBC in July 2017 indicating that once the agreement is in place the company has capacity to have the loan cleared as proposed.

2. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that the Company made some progress and there was room for improvement in respect of the following recommendations;

2.1 Chinhoyi exchange property

Recommendation

The company should follow-up on the sharing of properties previously under PTC.

The company should ensure that title deeds of the property are in place and all the required supporting documents are kept together with the assessment documents to have a complete audit trail.

Progress made

Engagements with ZIMPOST to resolve issue is ongoing. The issue is targeted to be addressed before the end of quarter 2 in 2017.
2.2 Loan agreement

Recommendation

Loans should be formally agreed upon in writing between the borrower and the lender.

Progress made

A letter requesting the Accountant General’s office to facilitate the signing of the loan agreement was submitted in March 2016. To date, there has been no response on this issue. Management will continue to appeal to the Ministry of Finance so that the IDBZ loan agreement is eventually regularized.

2.3 Long outstanding receivables

Recommendation

I recommended that measures be put in place to monitor and control the credit period to below 120 days.

Progress made

The company is pursuing several initiatives to ensure debtors honour their obligations. For Parastatals, collection efforts have been escalated to the company’s lawyers, who have since dispatched letters of demand. This has yielded positive results with some Parastatals like NRZ now coming forward to pay. The lawyers will proceed to litigation in cases where there is no response. Set-off arrangements are also being utilised and have been an effective alternative given the liquidity and cash crisis. Significant set-off arrangements have been effected for specific companies while for Econet and ZIMRA tripartite arrangements are in force with the Government of Zimbabwe. Land swaps are also being considered to off-set Local Authority debts to the company.
UNIVERSAL SERVICES FUND (USF) 2015

Background information

The Universal Services Fund was established in terms of the Postal and Telecommunications Act [Chapter 12:05]. The Fund is vested in the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) as trustee.

I have audited the financial statements of the Universal Services Fund for the year ended December 31, 2015 and I issued a qualified opinion.

Basis for Qualified Opinion

Understatement of revenue and trade receivables

The Fund did not comply with the requirements of International Financial Reporting Standards-IAS 18 and the accounting policy in that it did not accrue all its revenue. Licence fees were recognized at $4,828,397 and no trade receivables were recognised. The Authority’s records indicate that had management recognized revenue on accrual basis, the total licence fees should have been $4,900,168 and trade receivables would have been $12,791,183. Management has not made adjustments to that effect.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Universal Services Fund as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

However, below is a material issue noted during the audit.

1. GOVERNANCE ISSUE

1.1 Revenue and trade receivables

Finding

The Fund recognized licence fees revenue on receipt/cash basis which constitutes a departure from International Financial Reporting Standards. IAS 18 requires revenue to be accounted for on accrual basis. Licence fees were recognized at $4,828,397 and no trade receivables had been recognised. The Fund’s records indicate that had management recognized revenue on accrual basis, the total licence fees would have been $4,900,168 and trade receivables would have been $12,791,183. Management has not made adjustment to that effect.
**Risk / Implication**

The financial statements may be misleading.

Non-compliance with the regulatory reporting framework.

**Recommendation**

The Fund should apply the accrual basis of accounting in order to comply with International Financial Reporting Standards (IFRS).

**Management response**

The board is currently considering the issue with a view to implement the recommendation in 2016 after consultations with the parent Ministry and the Ministry of Finance and Economic Development.
ZESA ENTERPRISES (PRIVATE) LIMITED (ZENT) 2015

Background information

ZESA Enterprises (Private) Limited is incorporated under the Companies Act [Chapter 24:03] and the Electricity Act [Chapter 13:19] and is 100% owned by ZESA Holdings. It is mainly involved in the manufacture and repair of power and distribution transformers and line material; design, construction and commissioning of high voltage substations, power lines, civil and mechanical works; provision of transport logistics; supply and distribution of high quality hardware, domestic and industrial electrical equipment; provision of information technology and support services.

I have audited the financial statements of ZESA Enterprises (Private) Limited for the year ended December 31, 2015 and I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of ZESA Enterprises (Private) Limited as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

The Company incurred a loss for the year ended December 31, 2015 of $9 046 855 (2014: $ 7 086 452) and as at that date, the company’s current liabilities exceeded its current assets by $ 11 736 440 (2014: $3 525 114). For the year ended December 31, 2015, the company had a negative working capital position of $10 437 565 (2014: $3 525 115). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the ability of the company to continue operating as a going concern.

However, below are other material issues noted during the audit.

1 GOVERNANCE ISSUES

1.1 Going concern

Finding

The Company incurred a loss for the year ended December 31, 2015 of $9 046 855 (2014: $ 7 086 452) and as at that date, the company’s current liabilities exceeded its current assets by $ 11 736 440 (2014: $3 525 114). For the year ended December 31, 2015, the company had a negative working capital position of $10 437 565 (2014: $3 525 115). The company did not pay some of its statutory obligations for the period under review. The total unpaid obligations to statutory bodies amount to $ 12 107 932.
In addition, a review of the Manufacturing division order book revealed that there were orders amounting to $15,628,413 that had not been delivered as at December 31, 2015. Enquiries with management revealed that this was a result of funding constraints as suppliers required down payment for them to supply raw materials required to fulfil the orders. The table below shows examples of orders that ZENT has not been able to execute:

<table>
<thead>
<tr>
<th>Date</th>
<th>Purchase Number</th>
<th>Order Description of item</th>
<th>Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>04.07.2014</td>
<td>4500069761</td>
<td>Transformer</td>
<td>13,510,530</td>
</tr>
<tr>
<td>21.08.2015</td>
<td>4500095054</td>
<td>Transformer</td>
<td>756,240</td>
</tr>
<tr>
<td>18.03.2015</td>
<td>30858</td>
<td>Transformer</td>
<td>785,899</td>
</tr>
<tr>
<td>13.01.2015</td>
<td>30646</td>
<td>Transformer</td>
<td>602,744</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>15,655,413</strong></td>
</tr>
</tbody>
</table>

Furthermore, my review of the ZENT strategic plan document revealed that the company has been unable to meet the targets set.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>868,460</td>
<td>(536,513)</td>
<td>1,404,973</td>
<td>1,283,626</td>
<td>(1,076,077)</td>
<td>1,989,703</td>
</tr>
<tr>
<td>Projects</td>
<td>2,401,022</td>
<td>(1,067,007)</td>
<td>3,468,029</td>
<td>2,116,385</td>
<td>(1,293,120)</td>
<td>3,409,506</td>
</tr>
<tr>
<td>Transport</td>
<td>32,214</td>
<td>(480,454)</td>
<td>512,668</td>
<td>(580,306)</td>
<td>(848,912)</td>
<td>268,606</td>
</tr>
<tr>
<td>Retail</td>
<td>85,909</td>
<td>(34,265)</td>
<td>120,174</td>
<td>117,021</td>
<td>(289,277)</td>
<td>406,299</td>
</tr>
</tbody>
</table>

**Risk/Implication**

The company may not be able to meet its short term financial obligations as they fall due leading to both commercial and technical insolvency.

Financial loss as production targets are not met due to raw material constraints.

**Recommendation**

Management should consider turnaround strategies for the company.

Management should review the achievement of the strategic plan on a periodic basis, for example every year and assess whether targets are still realistic or there is need for it to be revised. Furthermore, an assessment of the reasons of failure should be identified and documented and determine how they can be rectified going forward.
Management response

ZENT still has maintained on average an order book with over $20m internal orders from subsidiary companies. Conversion of these to sales still remains a challenge since this is based upon the subsidiary companies’ propensity to pay. Until the last quarter of 2015, ZENT was owed over $14m from subsidiary companies which inhibits ZENT’s ability to get sustainable business growth from its working capital. After much negotiation, a tranche of $15m was paid, though having little impact in 2015 given the late timing of the payment. The subsidiaries have committed to remit dues on time. Discussions on payments have been escalated to board chairman level. Timely payments are important to ensure business viability.

Productivity and Sales

The solution as earlier indicated is to diversify orders with a target 60:40 split (2014: 85:15) (2015: 84:16) of internal and external business. The banks have expressed keenness to fund orders for third party clients. Growing revenues will then be done through the regional markets.
To avert the challenges of competitive pricing, ZENT has resolved to bring goods and services alongside financing for the client. This brings flexibility to pricing.

Costing remains an integral part of operations in order for ZENT to remain competitive and this is closely monitored by a tender committee. Supply chains are being enhanced and this has led to over 10% production cost decreases. It is estimated that a further 15% can be saved once economies of scale allow procurement from manufacturers.

New Product Offerings and Markets

A Business Development structure is now in place with a substantive Business Development and Commercial Executive. This is complemented by the recruitment of a Research and Development Engineer in order to get new products on the market and to be more customer sensitive. The switchgear approvals should be fast-tracked with the advent of the new Joint Venture Bill. This will remove dependency on transformers and projects. ZENT has been tasked to take part in the Group’s demand-side management in order for the nation to curb the national demand, with the manufacturing of solar geysers among the new product offerings. Procurement of equipment is underway.

Business Structure

A significant part of losses still arise because of outdated processes, manpower and business structures. The ZESA Holdings Board has agreed to planned restructuring measures. Upon the completion of restructuring initiatives, this should leave the company more agile and adaptive to business cycles.
New capital investment to enhance automation and efficiencies will play a major role in cost containment. ZESA Holdings agreed to fund the switchgear project upon authorizations being sourced.
Shareholder support
ZESA HOLDINGS will in the meantime continue to support ZENT given its strategic nature in supporting the antiquated Electricity Grid Expansion. More than just the supply of a product, it is beneficial for the Nation to have technical knowhow and patents of the equipment on the Grid as this affords the ability to modify or repair such equipment, most of which is no longer supported elsewhere.

ZENT also tests most transformers before installation on the Grid and is therefore a necessary gatekeeper to minimize loss of power due to sub-standard / inefficient equipment being installed.

ZESA Holdings has instructed Group Companies to ensure Group synergies are adhered to thereby guaranteeing business.

With increased business, ZENT should have the ability to settle its trade and statutory obligations.
Background information

ZESA Holdings (Private) Limited is incorporated under the Companies Act [Chapter 24:03]. The Company manages its 100% owned subsidiaries that is Zimbabwe Power Company (Private) Limited, Zimbabwe Electricity Transmission and Distribution Company (Private) Limited, Powertel Communications (Private) Limited and ZESA Enterprises (Private) Limited. The Company is governed by the Electricity Act [Chapter 13:19].

I have audited the financial statements of ZESA Holdings (Private) Limited for the year ended December 31, 2015 and I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of ZESA Holdings (Private) Limited as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying my opinion, I draw your attention to the fact that the company’s current liabilities exceeded its current assets by $66 178 819 as at December 31, 2015 (2014: $65 321 490). This condition indicates the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

However, below is a material issue noted during the audit.

1. GOVERNANCE ISSUE

1.1 Groups’ donations policy

Finding

The Group’s donations policy stipulates that all donations should be as per the company’s budget and qualification criteria. The policy also has approval thresholds which have to be followed.

During the year under review, donations amounting to $1 113 093 were made to entities that did not meet the qualification criteria.

I also noted the following non adherences to the donations policy:
The company exceeded the budgeted donations by $934,241 without Board approval. In addition, I was not availed with evidence of approval by the Minister of Energy and Power Development for the company’s donations that had exceeded the $300,000 threshold as per policy.

**Risk/Implication**

Financial loss may occur due to material irregularities arising from non-compliance with the donations policy.

**Recommendation**

Management should comply with the donations policy in all cases.

**Management response**

The donations were done with the approval of the board in consultation with the relevant authorities.
Background information

The Zimbabwe Electricity Transmission and Distribution Company is incorporated under the Companies Act [Chapter 24:03]. It is a subsidiary of ZESA holdings. Its business is the distribution and retail of electricity to the final end user. Their business operations cover the following aspects, distribution asset management, which includes network planning, development, operation and maintenance.

I have audited the financial statements of the Zimbabwe Electricity Transmission and Distribution Company (Private) Limited for the year ended December 31, 2015 and I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Zimbabwe Electricity Transmission and Distribution Company (Private) Limited as at December 31, 2015, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying my audit opinion, I draw your attention to the fact that the company incurred a loss before tax of $111 474 084 (2014: $118 312 961) for the year ended December 31, 2015, and as of that date its current liabilities exceeded its current assets by $771 383 372 (2014: $958 567 146). The company also had an accumulated loss of $516 649 272 (2014: $438 326 775). These conditions along with other matters indicate the existence of a material uncertainty that may cast significant doubt about the ability of the company to continue operating as a going concern.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Distribution of prepayment electricity

Finding

The company sells all its prepaid electricity through Powertel. Powertel in turn distributes electricity to 10 wholesalers (super vendors) who also distribute the electricity to sub vendors. The economic rationale of selling through Powertel is not clear as the company has capacity to sell directly to wholesalers. This eliminates commission paid to Powertel and also improves efficiency of the network. Total commission paid to Powertel during the year was $9 646 318.
Risk/Implication

Financial loss through unnecessary commission costs.

Inefficiency of the prepaid metering system network as a result of increased layers of vendors.

Recommendation

The company should consider selling electricity direct to wholesalers in order to reduce costs and to improve network efficiency.

Management response

The audit observation and recommendation are acknowledged. The preferred model is one with multiple Aggregators (Wholesalers) connecting directly to the ZETDC prepaid platform as recommended by the auditors. However, ZETDC adopted a model that was in line with the aspirations enshrined in the ZIMASSET blueprint with Powertel as the sole Aggregator and eight (8) State Owned Enterprises (SOEs) as Super Vendors. The company is currently involved in a process of reviewing the third party vending model to make it more efficient.

1.2 Meter readings

Finding

The company’s policy requires that all meters should have actual readings taken at least once in three months. Some customers however had actual meter readings last recorded some years back, for example in 1984, 1991 and 2005. Other clients’ readings took up to 982 days before they were taken. A sample of this is shown below:

<table>
<thead>
<tr>
<th>Tariff</th>
<th>Billing Date</th>
<th>Bill Amount</th>
<th>Bill Number</th>
<th>Account Number</th>
<th>Energy</th>
<th>Last Actual Billing Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>110</td>
<td>8/28/2012</td>
<td>(1,352.63)</td>
<td>423228780</td>
<td>1246798</td>
<td>-1276.07</td>
<td>10/3/1984</td>
</tr>
<tr>
<td>110</td>
<td>1/2/2015</td>
<td>11.72</td>
<td>382065377</td>
<td>1128363</td>
<td>11.06</td>
<td>1/25/1991</td>
</tr>
<tr>
<td>410</td>
<td>1/12/2015</td>
<td>332.64</td>
<td>385402116</td>
<td>1334914</td>
<td>267.38</td>
<td>2/21/2005</td>
</tr>
<tr>
<td>110</td>
<td>12/23/2015</td>
<td>0.43</td>
<td>424897766</td>
<td>5113527</td>
<td>0.00</td>
<td>12/31/2008</td>
</tr>
</tbody>
</table>

The table below shows the number of clients and the number of years their meters have not been read:
<table>
<thead>
<tr>
<th>Period</th>
<th>Number of clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>191 162</td>
</tr>
<tr>
<td>2 years</td>
<td>15 782</td>
</tr>
<tr>
<td>3 years</td>
<td>7 372</td>
</tr>
<tr>
<td>4 years</td>
<td>2 795</td>
</tr>
<tr>
<td>5 years</td>
<td>531</td>
</tr>
<tr>
<td>Over 5 years</td>
<td>1 861</td>
</tr>
</tbody>
</table>

**Risk/Implication**

Financial loss due to under billing.

Loss of reputation as customers are disgruntled with excessive bills which are based on estimates.

**Recommendation**

Actual meter readings should be taken within a period of three months in accordance with company policy.

**Management response**

The audit observation is noted. However, the company is in the process of replacing post-paid meters with prepaid meters. Approximately 130 000 customers are still to be placed on the pre-paid platform and these installations are expected to be completed by year end. With only farmers left with post-paid meters, resources will be channeled to ensuring that meters are read consistently.

1.3 Estimate bills

**Finding**

Some domestic customers had negative bills. A domestic customer, for instance, had a “VALID” negative bill of $3 043 140.16 with real electricity usage of over 19 million units. The last actual meter reading was done on the meter installation date in 2012. The customer’s bills were estimated for three years and were migrated to the 3E prepayment system. Total negative bills amounted to $60 million for the year. A sample of negative bills accepted as valid by the system is shown below:

<table>
<thead>
<tr>
<th>Tariff</th>
<th>Billing Date</th>
<th>Bill Consumption</th>
<th>Bill Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>110</td>
<td>5/23/2012</td>
<td>(19 139 327)</td>
<td>(3 043 140)</td>
</tr>
<tr>
<td>410</td>
<td>2/18/2015</td>
<td>(406 586)</td>
<td>(56 712)</td>
</tr>
<tr>
<td>410</td>
<td>6/5/2015</td>
<td>(209 476)</td>
<td>(29 276)</td>
</tr>
<tr>
<td>510</td>
<td>1/20/2015</td>
<td>(167 113)</td>
<td>(23 438)</td>
</tr>
<tr>
<td>410</td>
<td>4/23/2015</td>
<td>(166 223)</td>
<td>(23 331)</td>
</tr>
</tbody>
</table>
I also noted that some ZESA employees had negative energy and bill amounts. The expectation is that all bills are based on actual meter readings as employees can read their meters on a periodic basis, once every three months. Total negative bills amounted to $ 27 289 for the year. A sample of these is shown below:

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Bill Number</th>
<th>Tariff</th>
<th>Bill Amount</th>
<th>Bill Date</th>
<th>Energy Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>5077481</td>
<td>396897220</td>
<td>140</td>
<td>(3 166)</td>
<td>1/20/2015</td>
<td>(52 780)</td>
</tr>
<tr>
<td>5077139</td>
<td>423547635</td>
<td>140</td>
<td>(2 794)</td>
<td>10/22/2015</td>
<td>(46 570)</td>
</tr>
<tr>
<td>5077139</td>
<td>396897250</td>
<td>140</td>
<td>(2 704)</td>
<td>1/20/2015</td>
<td>(45 070)</td>
</tr>
</tbody>
</table>

Total ZESA employees with negative bills were 333.

**Risk/Implication**

Misstatement of debtors and revenue.

Loss of revenue through fraud.

**Recommendation**

Customers’ accounts with negative bills should be investigated and adjustments done where necessary.

**Management response**

A negative bill arises as a result of negative consumption caused by estimated readings which will be higher than the actual meter readings. When actual reading was provided the system detected the over charge and gave the customer a credit. The huge credit bill is as a result of the long period the meter was being overestimated. Management will ensure that all meters have actual readings taken at least once in three months to avoid estimated readings higher than actual meter readings. When the prepayment project is completed by year-end, this issue will be eliminated completely.

1.4 Client service charter

**Finding**

Some faults were taking longer periods than stipulated in the Client Service Charter to be attended to. There were several cases where faults took longer to be attended to throughout the regions. The Client Charter requires the company to take not more than 30 working days to connect customers who would have paid their connection fees. The company was taking more than 30 working days in violation of the Client Charter. Eastern region alone had about 360 customers who paid their connection fees before the beginning of the year under review but they were not yet connected as at year end.
Risk/Implication

Loss of revenue from prospective customers unconnected for a period of time.

Reputational risk due to poor service delivery.

Recommendation

Faults to be timeously attended to in line with the ZETDC Client Charter. New connections need to be done as per the client charter.

Management response

Faults were taking long to be attended to because of shortages of vehicles at the centres. However, Head Office purchased some motor vehicles but they are still below the ideal numbers. Delays in connecting customers who have paid connection fees was a result of the shortage of energy meters and other connection materials which obtained for the greater part of the year 2015. However, this is going to be a thing of the past in 2016 as the company is procuring 130 000 meters which should clear all those customers who paid but were not connected.
Background information

Zimbabwe Mining Development Corporation is wholly owned by the Government of Zimbabwe. The main business of the Corporation and its subsidiaries, which are incorporated in Zimbabwe, is that of minerals extraction and sales.

I have audited the Group financial statements for the Zimbabwe Mining Development Corporation for the year ended December 31, 2014 and I issued an adverse opinion with an emphasis of matter paragraph.

Basis for Adverse Opinion


IFRS 11 and IAS 28 require a parent to recognize its interests in joint ventures and associates in its separate financial statements at cost or at fair value. Zimbabwe Mining Development Corporation did not recognize its shareholding in Todal Mining (Private) Limited, Gye Nyame (Private) Limited, Global Platinum Resources (Private) Limited and ShinZim Platinum (Private) Limited. Accordingly, I was unable to determine the extent of the financial impact of non-compliance on the financial statements.

Mining rights

International Accounting Standard 38 (IAS 38), Intangible Assets, requires an entity to recognize its intangible assets, such as mining rights at cost or fair value. The Zimbabwe Mining Development Corporation transferred its mining rights to its joint ventures in consideration for 50% shareholding in the entities, the value of which has not been included in these financial statements. The joint ventures are Mbada Diamonds (Private) Limited, Diamond Mining Corporation (Private) Limited and Jinan Mining (Private) Limited. This constitutes a departure from International Financial Reporting Standards. The effect of non-compliance has not been established.

Management and resource depletion fee income

Included in revenue is management and resource depletion fee income amounting to $1 708 186 from Anjin Investments (Private) Limited. Zimbabwe Mining Development Corporation is entitled to 3% of Anjin Investments (Private) Limited’s gross revenue from sale of diamonds as resource depletion fees. I was unable to obtain sufficient appropriate audit evidence on the completeness and accuracy of the 3% share of revenue as no audited financial information was availed from the Anjin Investments (Private) Limited.
Adverse opinion

In my opinion, because of the significance of the matters described in Basis for Adverse Opinion paragraphs above, the financial statements do not present fairly, in all material respects the financial position of Zimbabwe Mining Development Corporation as at December 31, 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without further modifying my opinion, I draw attention to the going concern uncertainty of the Corporation. The Corporation incurred a net loss of $10,081,637 during the year ended December 31, 2014 (2013: $56,586,401). The Corporation’s current liabilities exceeded its current assets by $131,614,017 as at December 31, 2014 (2013: $129,055,305). These conditions along with other matters indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Corporation to continue as a going concern.

However, below are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Board remuneration

Finding

My review of the schedule of board fees approved by the Minister of Mines and Mining Development revealed that, the Minister did not clearly state if board fees were gross or net of withholding tax.

An inspection of board minutes for 2010 revealed that the board passed a resolution that the amount was net of withholding tax, which was not ratified by the responsible Minister. The approved schedule of directors’ remuneration signed by the Minister of Mines and Mining Development, indicates that non-executive directors of the company are entitled to the following benefits:

<table>
<thead>
<tr>
<th>Description</th>
<th>Board Member</th>
<th>Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board fees</td>
<td>Board Chairperson</td>
<td>700</td>
</tr>
<tr>
<td></td>
<td>Deputy Chairperson</td>
<td>675</td>
</tr>
<tr>
<td></td>
<td>Ordinary Member</td>
<td>650</td>
</tr>
<tr>
<td>Sitting allowance</td>
<td>Board Chairperson</td>
<td>345</td>
</tr>
<tr>
<td></td>
<td>Deputy Chairperson</td>
<td>330</td>
</tr>
<tr>
<td></td>
<td>Ordinary Member</td>
<td>316</td>
</tr>
<tr>
<td>Sitting allowance (sub committees)</td>
<td>Board Chairperson</td>
<td>331</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-------------------</td>
<td>-----</td>
</tr>
<tr>
<td></td>
<td>Ordinary Member</td>
<td>285</td>
</tr>
</tbody>
</table>

In addition to the approved board fees, I noted that the Corporation incurred cell phone charges totalling $1,622 in respect of non-executive directors. I also noted that there were two board members who continued to receive cell phone allowances after they had resigned from the board.

**Risk/Implication**

Non-compliance with the requirements of the Corporate Governance Framework for State Enterprises and Parastatals.
Financial losses due to payment of unapproved directors’ expenses.

**Recommendation**

The Corporation should ensure that the process of determining remuneration for the board members shall be transparent, disclosed and approved by the responsible Minister in line with the principles of affordability, sustainability, competitiveness and reasonableness.

**Management response**

A letter has been written to the Minister of Mines and Mining Development to seek clarification on the grossed up of withholding tax.

1.2 **Board composition of subsidiaries**

**Finding**

I noted that the Corporation’s subsidiaries had inadequate board compositions. This was contrary to the corporate governance best practice (National code of conduct) which requires the board of directors to comprise the majority of non-executive directors and at least two executive directors in order to achieve balance of power between executives and non-executives.

The table below shows a list of directors for the corporation’s subsidiaries:

<table>
<thead>
<tr>
<th>Name of subsidiary</th>
<th>Number of directors on board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marange Resources (Private) Limited</td>
<td>One board member</td>
</tr>
<tr>
<td>Sandawana Mines (Private) Limited</td>
<td>No board member</td>
</tr>
</tbody>
</table>

**Risk/Implication**

Ineffective oversight by the subsidiaries’ board of directors over the entities’ operations, financial reporting and internal control over financial reporting.
Non-compliance with corporate governance best practice.

**Recommendation**

The Corporation should ensure that its subsidiaries comply with corporate governance best practice considering the fact that the Corporation’s subsidiaries have a going concern threat.

**Management response**

The issue about Marange Resources board has been brought to the attention of the Ministry of Mines and Mining Development by the current mining development board. The current board has since appointed board for Sandawana.

### 1.3 Financial performance

**Finding**

The Corporation incurred a net loss of $10 081 637 during the year ended December 31, 2014 (2013: $56 586 401). The Corporation`s current liabilities exceeded its current assets by $131 614 017 as at December 31, 2014 (2013: $129 055 305). These conditions along with other matters as set forth under Note 35 to the financial statements indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Corporation to continue as a going concern.

**Risk/Implication**

The Corporation may not be able to continue as a going concern in the near foreseeable future.

Failure to service short-term financial obligations as they fall due.

**Recommendation**

Management should consider employing working capital management strategies that involve managing inventories, accounts receivables, accounts payables and cash.

Management should consider cost cutting strategies to improve the profitability of the Corporation.

**Management response**

The reasons for profitability and liquidity challenges are attributed to low production for gold and diamonds during the period under review. Production was affected by low machinery availability and lack of working capital. Sabi Gold Mine operations
were closed during the period. Cost of production was high compared to continued fall in mineral prices. The board and management has adopted the following strategies to arrest the liquidity and profitability challenges.

Labour costs has been reduced by 44% at head office and by 22% at operations. Redundant labour has been identified and retrenchment proposals has been done. The board has approved a new structure which is lean and costs effective. Bank facilities have been restructured at all our operations into long term loans with effect from Aug 2015. CBZ overdraft of $5.6m has been on converted into a long term loan earning 10% interest from 38% interest.

Inventory management has been improved by disposing off all redundant stores and maintaining of good stock levels for critical spares. Working capital management has been centralised with Head Office authorising all payments at gold operations.

Investor engagement has been stepped up to secure investment for operations such as Sabi and Kamativi.

1.4 Valuation of mining rights

Finding

My review of the ZMDC’s investments in joint venture agreements revealed that ZMDC contributes mining titles/mining rights to the joint ventures whereas the other parties to the joint venture contribute equipment, machinery or money which is evaluated to ascertain the shareholders’ overall contribution.

My enquiries with management revealed that mining titles/rights have not been valued for ZMDC to ascertain the value of their investments in joint ventures. However, investments in joint ventures have been accounted for by recognising 50% of the other party’s contribution as other income in ZMDC’s financial records resulting in recognising a cumulative of $185 045 258 in retain earnings.

In view of this accounting treatment, ZIMRA charged ZMDC VAT on part of the $185 045 258. ZIMRA deemed the amount as a supply of goods in terms of the VAT Act resulting in ZMDC owing ZIMRA VAT of $13 134 836 and a penalty of $13 134 836.

In 2014 ZMDC management made a decision to reverse the $185 045 258 initially recognized as other income in the statement of comprehensive income.
Risk/Implication

Non-compliance with the finance policies and procedures manual which requires parties’ contributions to the joint venture to be valued prior to the determination of shareholding in joint venture.

Misstatement of financial statements.

Recommendation

Management should recognize the corresponding entry for investments in joint ventures as a reserve so to avoid overstatement of profits.

Management should engage ZIMRA to provide further clarity.

Management response

Prior accounting treatment of mining rights were based on deemed values derived from contributions by the other Joint Venture Partners.

Proper valuation has not been carried out. The financial statements have been adjusted accordingly.

We have engaged ZIMRA to seek exemption on the VAT since transactions did not result in cash flows to ZMDC. Response form ZIMRA is still pending.

1.5 Share certificates

Finding

My review of the Corporation’s investments revealed that some of these investments had no share certificates.

The Corporation’s investments in Rio Tinto Limited and Bougainville Copper Limited were recognised at fair value. The Corporation had no share certificates for these two investments which resulted in fair value adjustments not being made at year end.

I also noted that Rio Tinto Limited declared an interim dividend of $0.96 per share in 2014 and a final dividend of $1.08 per share in 2013 which were not accounted for.

The table below shows a list of investments made by the company that had no share certificates:

<table>
<thead>
<tr>
<th>Company</th>
<th>Nature of relationship</th>
<th>% Shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kusena Diamonds (Private) Limited</td>
<td>Joint venture company</td>
<td>50</td>
</tr>
<tr>
<td>Gye Nyame (Private) Limited</td>
<td>Joint venture company</td>
<td>50</td>
</tr>
<tr>
<td>Todal Mining (Private) Limited</td>
<td>Joint venture company</td>
<td>40</td>
</tr>
<tr>
<td>Shin Zim Platinum (Private) Limited</td>
<td>Joint venture company</td>
<td>50</td>
</tr>
<tr>
<td>Ruschrome Mining (Private) Limited</td>
<td>Joint venture company</td>
<td>20</td>
</tr>
<tr>
<td>Afri Sino Resources (Private) Limited</td>
<td>Joint venture company</td>
<td>30</td>
</tr>
</tbody>
</table>

**Risk/Implication**

Difficulties in ascertaining fair value movements of the Corporation's investment in Rio Tinto Limited and Bougainville Copper Limited.

Difficulties in resolving possible disputes that could arise from disagreements with other parties in joint ventures and associate companies.

Misstatement of financial statements.

**Recommendation**

Management should ensure all its subsidiaries, joint ventures, associates and property companies have certificates of ownership on file.

Management should take responsibility over their available for sale investments by ensuring dividends declared are recognised in the financial statements.

**Management response**

The Legal Department continues to search for the missing share certificates. If need be replacement certificates will be sought.

New Joint Ventures has been requested to issue new share certificates.

Dividend received from Investments listed on the stock exchange has failed to be processed due to OFAC regulations.

1.6 Shareholders’ agreements

**Finding**

My review of the Corporation’s joint arrangements agreements revealed that the agreements refer to the shareholders’ agreements which details the relevant activities of the parties in the joint arrangement which then distinguishes a joint venture and joint operation.

I was not availed with the shareholders' agreements for the following joint venture companies:
<table>
<thead>
<tr>
<th>Name of joint venture company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Diamond Mining Corporation (Private) Limited (DMC)</td>
</tr>
<tr>
<td>2 Rera Diamonds (Private) Limited</td>
</tr>
<tr>
<td>3 Shin Zim Platinum (Private) Limited</td>
</tr>
<tr>
<td>4 Gye Nyame (Private) Limited</td>
</tr>
</tbody>
</table>

Risk/Implication

Difficulties in distinguishing whether the companies are joint venture or joint operation companies.

Misstatements of financial statements.

Recommendation

Management should ensure that all joint venture companies have shareholder agreements as required by the joint venture agreements.

Management response

Shareholders Agreement for ShinZim Platinum (Pvt) Ltd is now in place. Gye-Nyame is now under judicial management. Legal Department has now put in motion the process to come up with draft shareholders’ agreements. For DMC and Rera for eventual signing by parties.

2. EMPLOYMENT COSTS

2.1 Group life assurance cover contributions

Finding

The Corporation appointed a life assurance company to cover all employees on personal accidents, deaths and permanent disability. I noted that no contributions have been remitted during the period under review and that the last contribution was made in October 2013.

Enquiries with some of the members of management revealed that employees who passed away during the period under review were not paid by the assurance company due to non-remittance of the contributions.

Risk/Implication

Undue hardships for employees or beneficiaries in the event of calamities.
Recommendation

Management should also consider settling the outstanding obligation with the assurance company to avoid losing out on contributions made in the prior years.

Management response

Non remittance of company contributions was due to cash flow challenges the Corporation is facing. The Group Life Assurance cover will be revived when cash flow position improves.

2.2 Statutory obligations

Finding

I noted that ZMDC had long outstanding statutory and other obligations to the relevant authorities such as ZIMRA, MIPF, NSSA, ZIMDEF, ZMDC Pension Fund, Ministry of Industry and Commerce and Ministry of Mines and Mining Development.

The table below shows the obligations that the company has to the relevant authorities at the close of the 2014 accounting period:

<table>
<thead>
<tr>
<th>Statutory deductions</th>
<th>Amount USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zimdef</td>
<td>128 723</td>
</tr>
<tr>
<td>NSSA</td>
<td>48 237</td>
</tr>
<tr>
<td>PAYE (Zimra)</td>
<td>6 919 306</td>
</tr>
<tr>
<td>MIPF</td>
<td>1 329 939</td>
</tr>
<tr>
<td>ZMDC pension fund</td>
<td>487 365</td>
</tr>
<tr>
<td>Standard Levy</td>
<td>195 095</td>
</tr>
<tr>
<td>Special depletion fees</td>
<td>1 049 062</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10 157 727</strong></td>
</tr>
</tbody>
</table>

Risk/Implication

Possible fines and penalties arising from failure to remit statutory deductions.

Employees may fail to receive compensation from Workers Compensation Insurance Fund due to non-remittances of contributions by the company.

Recommendation

Management should consider coming up with a payment plan to meet the Corporation’s obligations with the statutory authorities.
Management response

The Corporation is facing cash flow challenges making it increasingly impossible to settle its obligations on time. However, the Corporation has gone into payment plans until the obligations are fully settled.

2.3 Employee benefits

Finding

My review of the Corporation’s expenses revealed that some allowances are being processed outside the payroll.

According to the Income Tax Act [Chapter 23:06], gross income is the total amount received by or accrued to or in favour of a person or deemed to have been received by or to have accrued to or in favour of a person in any year of assessment from a source within or deemed to be within Zimbabwe.

An inspection of the group human resources policy and procedures manual to executive staff will have membership to one club paid for by ZMDC. My review of the conditions of service for the General Manager also noted that he was entitled to a housing allowance of 9.5% of monthly salary unless he was provided with free residence by the Corporation.

However, my review noted that the General Manager was being provided a rent free residence by the corporation whilst his was also entitled to a housing allowance of 9.5% of monthly salary.

In 2007 the board passed a resolution entitling all employees to a 100% subsidy for traditional lunch payable directly to the approved canteen operator.

The following expenses were not being processed through the payroll and consequently, no PAYE is being recognised to this effect:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff meals</td>
<td>113 324</td>
</tr>
<tr>
<td>Subscriptions for gym and internet</td>
<td>4 470</td>
</tr>
<tr>
<td>Security for General Manager</td>
<td>13 488</td>
</tr>
<tr>
<td>Rental for General Manager</td>
<td>23 840</td>
</tr>
<tr>
<td></td>
<td>155 122</td>
</tr>
</tbody>
</table>

My review of the payroll also noted that deductions on rentals are being made for some employees, however I noted that the corporation provides housing accommodation to some staff at subsidized rentals at flats owned by its wholly owned property company Protea Court (Private) Limited at below market rentals.

The difference between the market rentals and the rental charges paid by employees was not being recognised for PAYE purposes hence no tax was charged.
**Risk/Implication**

Financial loss due to fines and penalties for non-compliance with section 8(1)(f) of the Income Tax Act [Chapter 23:06] which requires all benefits, allowances and advantages to be taxed.

**Recommendation**

The rental benefit should be taxed in accordance with the Income Tax Act [*Chapter 23:06*]

**Management response**

Market rates rentals are now being charged on employees staying at Protea Court with effect from January 2015.

Staff Meals: Employees are being charged for meals and deductions are being made from payroll with effect from January 2015.

GYM Subscriptions: This facility has been stopped.

Security for General Manager: Tax to be levied as from September 2015. Rental for General Manager: Tax to be levied from September 2015.
ZIMBABWE POWER COMPANY (PRIVATE) LIMITED AND ITS SUSIDIARY 2015

Background information

Zimbabwe Power Company (Private) Limited is a subsidiary of ZESA Holdings (Private) Limited and is incorporated under the Companies Act [Chapter 24:03] and the Electricity Act [Chapter 13:19]. The Group’s core business is the generation of electricity.

Zimbabwe Power Company (Private) Limited (ZPC) formed a subsidiary, Kariba Hydro Power Company (Private) Limited (KHPC) on 1 August 2014 for the purpose of generating electricity and implementing the project for the addition of units 7 and 8 at Kariba South Power Station. The subsidiary is 100% owned.

I have audited the financial statements of Zimbabwe Power Company (Private) Limited and its subsidiary for the year ended December 31, 2015 and I issued an unmodified/clean opinion with an emphasis of matter paragraph

Opinion

In my opinion, the financial statements present fairly, in all material respects, the consolidated financial position of Zimbabwe Power Company (Private) Limited and its subsidiary as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying my opinion, I draw attention to the fact that the company did not service its foreign long term loans. $271 202 793 of the long term loans is now overdue. The company's major customer, Zimbabwe Electricity Transmission and Distribution Company was also failing to recover amounts owed to it by their customer which was affecting its ability to pay amounts it owes the company. This resulted in the company failing to meet its obligations as they fall due. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue operating as a going concern.

However, below are other material issues noted during the audit;
1. GOVERNANCE ISSUES

1.1 Production costs of coal

Finding

Cost of coal consumed at Hwange power station increased by $4,690,215 to $56,294,221 (2014: $51,604,007). This represents a 9% increase yet actual energy sent out declined by 3%.

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 ($)</th>
<th>2014 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost of coal</td>
<td>56,294,221</td>
<td>51,476,436</td>
</tr>
<tr>
<td>Total quantity of coal consumed for the year (tonnes)</td>
<td>2,076,537</td>
<td>1,944,207</td>
</tr>
<tr>
<td>Computed average cost consumed per tonne</td>
<td>27</td>
<td>26</td>
</tr>
<tr>
<td>Actual energy sent out (GWh)</td>
<td>3,720</td>
<td>3,821</td>
</tr>
<tr>
<td>Specific coal consumption (Kg/kWh)</td>
<td>Actual</td>
<td>Actual</td>
</tr>
</tbody>
</table>

Specific coal consumption also increased from 0.45kg/kwh to 0.50kg/kwh despite the decrease in energy sent out. This has been attributed to poor quality coal received from suppliers.

Risk/Implication

Financial loss due to reduced profitability arising from increasing costs.

Recommendation

The station should constantly monitor its cost structure and consider cost saving initiatives like more frequent coal quality checks before loading coal in the plant or penalizing suppliers who provide poor quality coal.

The station should consider a purchase arrangement where the price of coal is linked to the quality.

Management response

The stations are increasing monitoring and pre-certification visits for coal being delivered and stops the trucks with coal out of specification. The average cost is as a result of more coal being procured from Makomo and HCCL whose prices are higher than the smaller suppliers (CoalZim and Coal Brick). In 2014 the small suppliers supplied 9.6% of the total coal and the in 2015 they only supplied 6.4% hence the blended price increased.
1.2 Evacuation of generated power

Finding

The power station at times fails to transmit power generated as their only customer ZETDC may not have the capacity to evacuate the generated power.

Risk/Implication

Financial loss due to failure to meet consumer demand for electricity resulting in increased load shedding.

Financial loss due to failure to recover fixed overheads.

Recommendation

The entity should engage ZETDC and come up with ways of making sure all the generated electricity finds its way to the final consumers, thus fully utilizing the available capacity.

Management response

As of December 2015 the evacuation capacity was improved to 42MW following the repairing of cables by ZETDC. Currently, the main feeder to the grid (Steeldale1) is under repair and can only be loaded to 5MW. For the embedded feeders, loading reduces during off-peak periods and weekends, hence limiting the station’s capacity to evacuate power.

ZETDC has plans to improve evacuation during the repowering project.

1.3 Standing agreements

Finding

ESCROW agreement with various stakeholders

Paragraph 3.2.2.1 of the agreement submits that all proceeds from the power purchase agreement(s) shall be paid into the Power Purchase Agreement proceeds account (PPA Proceeds account) as defined in the agreement. The company sells electricity to the Zimbabwe Electricity Transmission and Distribution Company (ZETDC) and the Zimbabwe Power Company (ZPC). Contrary to the terms set out in the ESCROW agreement, ZPC Power purchase agreement proceeds have not been paid into the said account by ZPC. ZPC confirmed a netted intercompany balance implying that the power proceeds payable to KHPC are being set-off against intercompany receivables from KHPC. This constitutes non-compliance with the agreement in question. However, ZETDC proceeds are being paid through the PPA proceeds account.
Operations and Maintenance Agreement (O & M) with ZPC
The said agreement states that the O & M fees payable to ZPC by KHPC shall be $45.2 million per annum. The company accrued $34.3 million in respect of these costs in the year under review as it was indicated that the costs were reviewed downwards in the current year. However, the O & M agreement was not amended to effect these changes in the fees payable to ZPC.

Risk/Implication

Financial loss as a result of the financiers withdrawing financial support thereby putting risk on the completion of the project.

Financial loss as dispute resolution might be difficult on agreements not amended and aligned to circumstances agreed in practice.

Recommendation

The company should amend the O & M agreement and be signed by both parties, ZPC and KHPC.

ZPC PPA proceeds should be paid through the PPA proceeds account as required by the Escrow agreement.

Management response

The company and ZPC will amend and sign the O & M agreement accordingly. ZPC sales proceeds will be paid through the PPA proceeds account as required by the Escrow agreement once ZPC starts paying.
ZIMBABWE UNITED PASSENGER COMPANY LIMITED (ZUPCO) 2015

Background information

Zimbabwe United Passenger Company Limited is a road transport company incorporated and registered in Zimbabwe in terms of the Companies Act [Chapter 23:06] with the mandate to provide rural, urban and regional passenger travel services. The company runs its activities through two main divisions, namely the Northern Region based in Harare and the Southern Region based in Bulawayo.

I have audited the financial statements of Zimbabwe United Passenger Company Limited for the year ended December 31, 2015 and I issued a qualified opinion.

Basis for Qualified Opinion

Staff shortages account

The staff shortages debit balances amounted to $17,011 for Northern Division and $88,559 for Southern Division of ZUPCO. The liability of the company to the ZUPCO Pension Fund was stated at $2,884,722 in the financial statements.

Qualified Opinion

In my opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Zimbabwe United Passenger Company Limited as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

However, below are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 System change over

Finding

I noted that the system change to SAP from Pastel was not done, as a result some of the figures taken on into SAP had errors. The company failed to reconcile the Northern Region trial balance in the new system to that in pastel.

Risk/Implication

The financial statements may be materially misstated by unreconciled variances.
Recommendation

Management should reconcile the Pastel and SAP system balances.

Management response

This is acknowledged.

2. **PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS**

I reviewed the progress made towards the implementation of prior year recommendations and found that the Company made some progress and there was some room for improvement in respect of the following recommendation:

2.1 **Property Registration**

**Recommendation**

The company should register all its properties in its name.

**Progress made**

This is being followed up through our estates department to ascertain and apply for title deeds on property that is not up-to-date.

2.2 **Value Added Tax remittance**

**Recommendation**

VAT should be remitted on time in compliance to the VAT Act [Chapter 23:11]. Where the company is facing financial challenges, it is advisable that it engages the tax authorities to arrange a payment plan to avoid penalties and interest charges.

**Progress made**

A payment plan will be proposed to ZIMRA to clear the old VAT debt for Southern region.

2.3 **Approval for discounts**

**Recommendation**

Management must ensure that there is a written documentation to support all discounts.
Progress made

The formalization of discounts will be done through the Divisional operations managers’ office in liaison with the Chief Executive Officer. We now have substantive Divisional Operations Managers in place.
PUBLIC ENTITIES UNDER THE CATEGORY OF FINANCIAL INSTITUTIONS
Background information

Agricultural Bank of Zimbabwe (Agribank) is a registered commercial bank in terms of the Banking Act of Zimbabwe [Chapter 24:20] and is subject to the supervision of the Reserve Bank of Zimbabwe. The Bank is a loan granting and deposit taking agricultural development financial institution.

Its main business is the provision of agricultural loans, retail banking services, treasury services, bridging finance, corporate banking and advisory services. The bank is the government’s important and primary vehicle for channelling financial resources to the agricultural sector.

I have audited the financial statements of the Agricultural Bank of Zimbabwe Limited for the year ended December 31, 2016 and I issued an unqualified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Agricultural Bank of Zimbabwe Limited as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Policies and procedures

Finding

Lack of clarity in internal policies and procedures on responsibilities for and frequencies of certain internal controls. Matters identified include:

The credit policy and procedures manual was silent on the review of the impairment assessment for financial reporting by the finance department and the head of risk. It was also silent on the involvement of the credit manager or credit department in the grading process for impairment. Although it states that grading was an ongoing process, it was not clear on whether this applies to the other reviewers, other than the branch managers.

The credit policy was silent on the involvement of the Head of Retail and the Debt Recovery and Inspectorate department in monitoring loans.

The credit policy and risk policy are silent on who was responsible for reviewing daily excess reports.
Accounting manual does not define who was responsible for particular tasks, the reporting lines and the frequency with which the control was performed.

The credit policy and debt and inspectorate policies are silent on the preparation and review of the non-performing loans report as well as the individuals responsible for doing so.

**Risk/Implication**

Lack of isolation of responsibility and segregation of duties may expose the business to financial losses.

**Recommendation**

Internal policies need to be updated to incorporate changes in certain procedures and/or responsibilities.

**Management response**

Noted, I will incorporate the suggestions in the accounting policy and the credit and risk policy will be updated accordingly.
INFRASTRUCTURE DEVELOPMENT BANK OF ZIMBABWE (IDBZ) 2016

Background information

The Infrastructure Development Bank of Zimbabwe (IDBZ) is a development financial institution which is incorporated and domiciled in Zimbabwe under the IDBZ Act [Chapter 24:14]. IDBZ and its subsidiaries, (together the “Group”) are primarily involved in mobilizing and providing finance for infrastructure development activities and management of infrastructure development projects.

I have audited the financial statements of the Infrastructure Development Bank of Zimbabwe (IDBZ) for the year ended December 31, 2016 and I issued an unqualified/clean opinion with an emphasis of matter paragraph.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14).

Emphasis of Matter

Without qualifying my opinion, I draw your attention to the valuation of capitalisation treasury bills and contingencies within the Group respectively:

Classification and valuation of capitalisation treasury bills

The Bank received capitalisation treasury bills following a rights issue. The capitalisation treasury bills have face values of $18 707 797 and $2 858 826 and mature on 27 May 2021 and 24 March 2022, respectively. The two treasury bills have coupon rates of 3% and 5%, respectively which are payable biannually.

For financial reporting purposes, valuation intricacies ensued with respect to the initial recognition and the subsequent measurement of the capitalization treasury bills owing to the significant subjective judgment required in the valuation process due to the following:

- lack of an active market to use as a reference point from which to draw a market value or a market discount rate for such an instrument; and
- High level of sensitivity to interest parameters which one could possibly apply in a valuation model, resulting in a wide dispersion in the possible fair values.

Contingent liabilities

As disclosed in the notes, the Group was involved in a litigation case involving a company in the petroleum industry which contended that the Group should honour a purported guarantee of $847 848 issued in favour of a third party. On conclusion of trial at the High
Court of Zimbabwe, judgment was entered against Infrastructure Development Bank of Zimbabwe on 15 April 2016. The Group has filed an appeal to the Supreme Court, which has resulted in a staying of execution of the High Court Judgment.

However, below are other material issues to report.

1. **GOVERNANCE ISSUES**

1.1 **Non-compliance with the Corporate Governance Framework**

Areas were noted where the Bank was not in compliance with governance requirements as prescribed by the IDBZ Act (Chapter 24:14). The areas of non-compliance have been documented in the table below.

<table>
<thead>
<tr>
<th>Governance framework requirement</th>
<th>Non-compliance noted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board appointments must be in line with the enabling Act and upon expiry of the term of office, a third of the Board is to be retained.</td>
<td>The Board of Directors currently consists of 8 directors against the minimum 12 directors stipulated in the Act.</td>
</tr>
<tr>
<td>No Board member shall serve two successive terms on the Board unless there are exceptional circumstances.</td>
<td>All current non-executive Directors have served continuously for more than six years each.</td>
</tr>
<tr>
<td>The individuals nominated for appointment to a Board of a State Enterprise or Parastatal should not be serving on Boards of more than one State Enterprise or Parastatal at a given time.</td>
<td>From declarations filed by Directors with the Bank Secretary, some of the serving Directors sit on one or more other Parastatal board(s).</td>
</tr>
</tbody>
</table>

**Risk/Implication**

Non-compliance with governance requirements may pose a reputational risk for the Bank which may result in loss of business and censure by the entity’s regulatory authorities.

**Recommendation**

Management should adhere to statutory requirements to avoid reputational risk implications.

**Management response**

Matters 1 and 2 confirmed. The matters are being looked into by the Corporate Governance Committee. A communique has been drafted to escalate all non-
compliance issues to the principal shareholder. The roadmap towards resolution of the matter is being guided by the Board.

1.2 Audit committee meetings

Finding

During the course of the year, the Audit Committee met on 22 March 2016 and on 5 October 2016. The number of meetings held falls below the mandated minimum number for the Audit Committee, i.e. four as required by the IDBZ Act [Chapter 24:14].

Risk/Implication

Decision making by the main board may be compromised due to inadequate contribution from the audit committee.

Recommendation

Management should adhere to statutory requirements to avoid reputational risk implications.

Management response

Issues of quorum impeded convening of the full quota of meetings. Going forward, the Bank will ensure that Audit Committee meets quarterly as prescribed by the IDBZ Act [Chapter 24:14].

1.3 Under-secured exposures

Finding

I observed some facilities issued to companies and individuals for which securities pledged were undervalued and did not match the value of the issued loan. This might have been a result of inadequate risk assessment and know-your-client procedures as the value of loan issued to clients should be fully covered by a security whose fair value equates to at least the value of the facility. In addition to this, there has been no subsequent value assessment of security pledged against loans from the time that the loans were issued.

Risk/Implication

Continued exposure of this nature may result in material financial losses to the Bank through irrecoverable capital amounts should debtors default on payments. The lack of such subsequent assessment of fair values of pledged securities may result in unreliable recoverability assessments.
Recommendation

Management should ensure that subsequent assessments of securities pledged as collateral is performed annually to minimize the risk of misstatement of the loans and advances balances and to provide a meaningful and accurate recoverability assessment.

Management response

These are existing loan accounts which are all under litigation and relations are now sour to engage in valuations. All new loans are compliant with valuations being carried out as per policy.
PEOPLE’S OWN SAVINGS BANK (POSB) 2016

Background information

The People’s Own Savings Bank is a corporate body established in terms of the People’s Own Savings Bank of Zimbabwe Act, [Chapter 24:22] of 1999, to provide savings, banking and financial services in Zimbabwe. The bank accepts deposits that will accumulate interest for the benefit of the depositors and all deposits are government guaranteed.

I have audited the financial statements of the People’s Own Savings Bank for the year ended December 31, 2016 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the People’s Own Savings Bank as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1. Client overdrafts

Finding

A cumulative total of $38,524 and $2,629 for Bindura and Chinhoyi respectively of unauthorised overdraft transactions were not handed over to the risk department for recovery within the required 30-day period as per procedures manual. A sample of unauthorized overdraft transactions from the two branches is tabulated below. Some of the accounts took over 365 days before they were handed over to the risk department for investigation and recovery.

<table>
<thead>
<tr>
<th>Account number</th>
<th>Balance ($)</th>
<th>Days in overdraft</th>
</tr>
</thead>
<tbody>
<tr>
<td>117310006095</td>
<td>10,265</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>500001444271</td>
<td>2,930</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>117530002867</td>
<td>310</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>117310009846</td>
<td>191</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>500001554665</td>
<td>216</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>117310007764</td>
<td>181</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>117310002452</td>
<td>172</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>103310006749</td>
<td>163</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>117310004305</td>
<td>112</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>Account number</td>
<td>Balance ($)</td>
<td>Days in overdraft</td>
</tr>
<tr>
<td>----------------------</td>
<td>-------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>117310009371</td>
<td>112</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>500000169408</td>
<td>868</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>103310005031</td>
<td>210</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>500000907591</td>
<td>139</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>500001670891</td>
<td>108</td>
<td>Over 365 days</td>
</tr>
<tr>
<td>500000266162</td>
<td>80</td>
<td>Over 365 days</td>
</tr>
</tbody>
</table>

**Risk/Implication**

Financial loss due to non-recovery of the overdrafts timely.

**Recommendation**

All unauthorized overdrafts should be investigated as soon as they are detected.

Accounts that remain overdrawn for 30 days should be referred to the risk department as per policy.

**Management response**

Banking Operations will monitor unauthorized overdrafts to ensure the recovery process is complied with and all timelines are adhered to. Follow ups on the overdrawn accounts is being actively pursued through both retail and risk departments.

1.2. **Foreign travel and subsistence expenditure**

**Finding**

Foreign travel expenditure incurred by the Bank in 2016 was not supported by copies of stamped passports in violation of clause 1.8 of the Bank’s travel and subsistence policy and clause 11 of Treasury circular number 8 of 2016.

Furthermore, I noted that the Bank incurred airport transfer fees as part of the foreign travel expenditure amounting to $1 400. However, these transfer fees were not supported by any documentation as proof of proper charge against the Bank.

**Risk/Implication**

Financial loss from processing claims which are not adequately supported or fraudulently presented.

**Recommendation**

Travel expenses should be supported by relevant documentation in line with the policy and circulars issued from time to time.
Management response

We will ensure in future that for all travels, copies of passports and/or tickets are brought in as proof of travel. The bank will also ensure acquittal of all taxis and airport transfers.

2. PROGRESS IN IMPLEMENTATION OF PRIOR YEARS RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that the Bank made some progress and there was room for improvement in respect of the following recommendations;

2.1. Overdrawn electricity sub-vendor accounts

Recommendation

The bank should expedite the recovery processes to ensure the overdrawn balances are cleared.

Progress made

Recovery efforts are still being made for the defaulting customers.

2.2. Related party loans

Recommendation

The Bank is encouraged to pursue the recovery of related party loans.

Progress made

Both members are no longer on the Board. Current members are not indebted to the Bank.
SMALL AND MEDIUM ENTERPRISES DEVELOPMENT CORPORATION (SMEDCO) 2015

Background information

The Small and Medium Enterprises Development Corporation is incorporated in Zimbabwe in terms of the Small and Medium Enterprises Development Corporation Act [Chapter 24:12] as amended. The Corporation provides loan finance to upcoming and existing small to medium scale enterprises and that of property letting and investment activities. Its subsidiary, Litefold Engineering (Private) Limited, is incorporated in Zimbabwe in terms of the Companies Act [Chapter 23.04]. The nature of business of the Company is that of providing metal engineering and carpentry services.

I have audited the consolidated financial statements for Small and Medium Enterprises Development Corporation (SMEDCO) for the year ended December 31, 2015 and I issued a qualified opinion with an emphasis of matter paragraph.

Basis for Qualified Opinion on the Consolidated Financial Statements

Incomplete records Litefold Engineering (Private) Limited

Litefold Engineering (Private) Limited was not maintaining proper books of accounts. There was no system of control over receipts and payments made during the year ended December 31, 2015. As a result, I was unable to determine whether any adjustments were necessary in respect of the figures disclosed in the financial statements.

Qualified Opinion on the consolidated financial statements

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Small and Medium Enterprises Development Corporation and its subsidiary as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion on the Corporation’s financial statements

In my opinion, the Corporation’s financial statements present fairly, in all material respects, the financial position of Small and Medium Enterprises Development Corporation as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without further qualifying my opinion, I draw your attention to the fact that the Group incurred a loss of $1 449 739, resulting in a cumulative loss of $7 116 884 and its current liabilities exceed its current assets by $1 136 791. These circumstances indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue operating without financial assistance.
Litefold Engineering (Private) Limited

Basis for Disclaimer of Opinion

Limitation of Scope

Litefold Engineering (Private) Limited was not maintaining proper books of accounts. There was no system of control over receipts and payments made during the year ended December 31, 2015. As a result, I was unable to determine whether any adjustments were necessary in respect of the figures disclosed in the financial statements.

Disclaimer of Opinion

Because of the significance of the matter described in the basis for Disclaimer of Opinion paragraph, I was not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

However, below are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Incomplete records

Finding

Litefold Engineering (Private) Limited was not maintaining proper books of accounts. There was no system of control over receipts and payments made during the year ended December 31, 2015. As a result, I was unable to determine whether any adjustments were necessary in respect of the figures disclosed in the financial statements.

Risk/Implication

The financial statements of Litefold may be materially misstated.

Recommendation

Proper books of accounts should be maintained by the company and reviewed regularly by a senior personnel.

Management response

Noted, for Chitungwiza Municipality and ZEDTC, there were no statements showing the monthly billings, however only movement from the opening to the closing balance was considered on for the expenses and creditors respectively. The omissions and misstatements have been adjusted after the audit.
1.2 Financial performance and sustainability of services

Finding
The Corporation had a negative capital as at December 31, 2015 of $1,024,263 and its retained losses amounted to $7,119,510. The Corporation’s current liabilities of $1,894,504 exceeded current assets of $757,138 by $1,137,366 as at December 31, 2015.

The Group incurred a deficit of $1,452,365 (2014: $2,579,895) and the Corporation also incurred a deficit of $1,405,164 (2014: $2,517,621). Its net cash generated from operating activities decreased from $41,676 to $18,328 for the Group and decreased from $40,460 to $18,280 for the Corporation.

Risk/Implication
These financial indicators may cast significant doubt over the Corporation’s ability to continue as a going concern.

Recommendation
Management should explore ways of improving the Corporation’s working capital position.

Management response
Management has engaged the Shareholder for recapitalization to the tune of US$20 million dollars. The recapitalization proposal has received attention from both the Ministry of Small and Medium Enterprises and Cooperatives Development and the Ministry of Finance. The Corporation has since been issued with US$15 million Treasury bills. The injection of these will result in an improvement in the performance of the Corporation.

1.3 Information Technology governance

Finding
The Corporation had no Information Technology (IT) Steering Committee which oversees the functions and operations of the IT department.

All the databases and backups were kept in the computer room. SMEDCO depends on computer based information for its operations and the ability of computer systems to store and process data into useful information is crucial.

In addition, there were no fire suppression systems or fire extinguishers in the computer room for use in the event of a disaster.

Risk/Implication
IT systems and decisions may not be in line with current ICT trends.

Permanent loss of data in the event of a disaster.
Recommendation

The Corporation should consider coming up with an IT Steering Committee

Databases and backups should be kept off site.

Fire suppression system should be put in place.

Management response

The Corporation is still to set up a steering committee. Back up files are being stored on cloud back-ups and on discs which are kept in a safe. Quotations for the redesigning of the ICT office were sourced and approved. The funds are yet to be availed to fund the project.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1 Loan disbursements

Finding

I noted that the Corporation’s disbursements from 2013 were declining over the years. The disbursements decreased from $1,828,417 to $571,209 and $155,557 in 2014 and 2015 respectively. The Corporation’s mandate is to disburse funds to small and medium enterprises so as to promote the SMEs. The table below shows the changes over the years.

<table>
<thead>
<tr>
<th>Branch</th>
<th>2013 ($)</th>
<th>2014 ($)</th>
<th>2015 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bindura</td>
<td>268,120</td>
<td>150,080</td>
<td>47,230</td>
</tr>
<tr>
<td>Bulawayo</td>
<td>279,480</td>
<td>97,714</td>
<td>63,119</td>
</tr>
<tr>
<td>Gweru</td>
<td>232,349</td>
<td>47,325</td>
<td>3,558</td>
</tr>
<tr>
<td>Harare</td>
<td>529,348</td>
<td>126,540</td>
<td>37,150</td>
</tr>
<tr>
<td>Masvingo</td>
<td>256,670</td>
<td>81,100</td>
<td>4,500</td>
</tr>
<tr>
<td>Mutare</td>
<td>262,450</td>
<td>68,450</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>1,828,417</td>
<td>571,209</td>
<td>155,557</td>
</tr>
</tbody>
</table>

Risk/Implication

Service delivery and the mandate of the Corporation may be compromised.

Recommendation

Management should ensure that the Corporation is adequately capitalized so as to meet its mandate.
Management response

The Corporation has not been availed with funds allocated to it on the PSIP budget. This resulted in the Corporation operating below its capacity and failing to meet its mandate.

2.2 Working capital requirements

Finding

The Corporation did not have sufficient working capital and this resulted in funds earmarked for disbursements being used to meet administrative expenses. On August 31, 2015 Treasury released funds amounting to $150 000 for lending purposes, however this amount was used for administrative expenses other than lending activities as shown by the table below:

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries-Half July and Half August(50% remaining)</td>
<td>43 054</td>
</tr>
<tr>
<td>Statutory payments (April, May, June and July)</td>
<td>62 329</td>
</tr>
<tr>
<td>NSSA Interest-Cleared</td>
<td>10 694</td>
</tr>
<tr>
<td>Audit Fees</td>
<td>8 000</td>
</tr>
<tr>
<td>Board Fees</td>
<td>3 168</td>
</tr>
<tr>
<td>SADC-DFRC</td>
<td>1 500</td>
</tr>
<tr>
<td>Waterfalls Incubation Centre</td>
<td>4 234</td>
</tr>
<tr>
<td>Part NSSA Instalment</td>
<td>17 019</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>150 000</strong></td>
</tr>
</tbody>
</table>

Risk/Implication

Service delivery is compromised due to lack of adequate resources.

Recommendation

Management should ensure that funds are utilised for their intended purposes.

Management response

Observation noted, the Corporation was under financial distress and had immediate legal and operational obligations that needed to be settled. It was therefore necessary to make part payments to some of the pressing outstanding obligations. Had it been that the Corporation was adequately capitalized, it would have been able to generate enough revenue to fund its operations. Management had to make such a decision because of the situation that the Corporation was operating under.

The Corporation is ensuring that proper change of use of funds is done.
3. EMPLOYMENT COSTS

3.1 Key vacant positions

Finding

The Corporation had five (5) key vacant posts during the year under review.

<table>
<thead>
<tr>
<th>Post</th>
<th>Vacant since</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Director</td>
<td>01 January 15 to 31/12/15 and 01 November 16 to date</td>
</tr>
<tr>
<td>Chief Internal Audit</td>
<td>31 January 2013</td>
</tr>
<tr>
<td>Harare Branch Manager</td>
<td>16 August 2013</td>
</tr>
<tr>
<td>Risk Manager</td>
<td>04 April 2016</td>
</tr>
<tr>
<td>IT Manager</td>
<td>15 January 2016</td>
</tr>
<tr>
<td>HR and Admin Manager</td>
<td>31 October 2016</td>
</tr>
</tbody>
</table>

Risk/Implication

Decision making capacity of officers in acting capacities may be limited to short term decisions and this may compromise service delivery.

Recommendation

The Corporation should consider filling the above mentioned positions.

Management response

The Company did not fill in the above positions because there were no finances to do so. We could not attract competent employees as we could not pay salaries and had a huge bill of salary arrears. We hope to be filling in these positions substantively in the near future.

4. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that the Corporation made some progress and there was room for improvement in respect of the following recommendations;

4.1 Land development

Recommendation

The Corporation should develop this stand to prevent its repossession.
Progress made

No progress made

4.2. Post disbursement monitoring

Recommendation

All financed projects must be visited by the Business Analyst at least once every quarter. The Business Analyst must produce a monitoring report of projects visited.

Progress made

No progress made.
PUBLIC ENTITIES UNDER THE CATEGORY OF STATE HOSPITALS
MPIO CENTRAL HOSPITAL 2013 AND 2014

Background information

Mpilo Central Hospital is a body corporate as defined in section 18 read together with the first schedule of the Health Service Act [Chapter15:16]. It was incorporated in August 1958 in Zimbabwe, and is involved in the provision of hospitalization and medical services to the Southern region of Zimbabwe. The Hospital is required by law to provide its services to certain categories of patients notably children under five (5) years old and elderly members of society above sixty-five (65) years of age free of charge.

I have audited the financial statements of Mpilo Central Hospital for the years ended December 31, 2013 and 2014 and I issued a disclaimer of opinion.

Basis for Disclaimer of Opinion

Inventories

I noted some significant weakness in the inventories management system. I could not therefore obtain audit evidence to ascertain the accuracy of the inventories’ unit costs used to compile the stock valuation report as at December 31, 2013.

I did not observe the counting of inventories at December 31, 2014. I could not verify the existence of inventories on hand as at that date through alternative procedures. As such, I was unable to satisfy myself as to the existence of inventories on hand as at that date.

I could not also obtain audit evidence to ascertain the unit costs used to compile the stock valuation report as at 31 December 2014. As such, I could not confirm whether the cost of sales and the carrying amount of inventories recognised in the financial statements were not materially misstated. In addition, I also noted significant weaknesses in internal control in the inventories management system.

Non-compliance with IAS 1 Presentation of financial statements

The Hospital has not presented any comparative financial information in the financial statements as is required by International Accounting Standard 1.

Statement of cash flows

The Hospital has not presented a statement of cash flows as is required by IAS 1 and IAS 7, due to the absence of information.

Opening balances

Prior period financial statements were not audited. I was not able to ascertain if opening balances for 2013 were not materially misstated through alternative procedures.
Work in progress

I could not verify several payments amounting to $391,061 and $57,356 made during the years 2013 and 2014 respectively. These payments were classified as capital work in progress on the Radio therapy unit due to the lack of supporting documents.

Procurement of goods

I could not also verify several transactions relating to goods purchased during the year 2014 amounting to $130,228, due to lack of supporting documents.

Revenue and debtors

I noted some significant weaknesses in the Hospital’s billing system and I could not satisfy myself as to the accuracy, valuation and completeness of revenues and trade receivables. As such, revenues and trade receivables may be materially misstated in the financial statements.

Donations received

Non-monetary donations received by the Hospital were not being quantified and recognised in the financial statements in line with International Financial Reporting Standards requirements. Accordingly, donations received, inventories and equipment recognised in the financial statements at year end may be materially misstated.

Disclaimer of opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs above, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matter

I draw your attention to the Hospital’s going concern status. The Hospital has been experiencing significant operational and liquidity challenges due to the prevailing macro-economic environment in Zimbabwe and has incurred an operating deficit of $2,243,351 (2013: $13,332,228) in the current year. In addition, the Hospital’s current liabilities exceeded its current assets by $513,993 as at December 31, 2013.

These matters cast doubt on the Hospital’s ability to continue operating as a going concern for the foreseeable future.
Report on other legal and regulatory requirements

Because of the matters described in the basis of Disclaimer of Opinion paragraphs above and the non-compliance referred to in note 17, I was not able to satisfy myself as to whether the financial statements were properly drawn up so as to comply, in all material respects, with requirements of section 22 of the Health Services Act [Chapter 15:16].

However, below are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Inventories

Finding

I noted some significant weakness in the inventories management system. I could not therefore obtain audit evidence to ascertain the accuracy of the inventories’ unit costs used to compile the stock valuation report as at December 31, 2013.

Risk/Implication

Material errors and irregularities may go undetected.

Misstatement of inventories balances in financial reports.

Recommendation

Inventory counts should be conducted regularly, preferably at least once on a monthly basis at all stock locations. The results of these inventory counts should be compared to the theoretical inventories balances recorded in the accounting system. Any variances arising therefrom should be investigated and resolved timeously.

Management response

Considering the amount of work involved in the inventory counts the Hospital shall undertake them on a quarterly basis, starting end of June 2016.

Currently, where we are using the manual system, it is difficult to come up with the inventory report. However, it is hoped that the situation should improve with the introduction of Pastel.

1.2 Withholding taxes

Finding
Withholding tax was not being withheld on allowances paid to members of the Hospital Management Board. Furthermore, there was no evidence that the Hospital was deducting withholding tax on payments made to suppliers without valid tax clearance certificates.

**Risk/Implication**

Penalties and interest may be levied on the Hospital for non-compliance with tax statutes.

**Recommendation**

Management should ensure that withholding tax is deducted from allowances paid to members of the Hospital Management Board and remitted to ZIMRA on time.

In addition, withholding tax should be deducted on payments to suppliers without valid tax clearance certificate.

**Management response**

Modalities are being put in place to facilitate deduction of withholding taxes from allowances paid to members of the Hospital Management Board (“HMB”). All payments to suppliers are now accompanied by valid tax clearance certificates, failure of which withholding taxes are deducted at the rate of 10% and remitted to ZIMRA timeously.

### 1.3 Insurance and ownership of assets

**Finding**

I noted that the Hospital’s property, plant and equipment is not insured and motor vehicles are not registered in the Hospital’s name.

**Risk/Implication**

Significant losses may be incurred by the Hospital in the event of insurable disasters occurring.

Financial loss in case of ownership dispute.

**Recommendation**

Management should ensure that all or some of the Hospital’s assets including motor vehicles based on some systematic risk assessment process are insured.

Motor vehicles should be registered in the name of the Hospital.
Management response

Admittedly most Government assets are not insured as it has not been a standard practice before. However, there is no harm in adopting the recommended position, funds permitting.

In addition to the above, efforts are underway to ensure that all vehicles are registered in the Hospital’s name.

1.4 Declaration of interests

Finding

I noted that there were no formal registers maintained to record declaration of interests by the Board and Committee Members, as well as by senior members of staff. In addition, there was no evidence in the various meetings held to indicate that Board and committee members were ever requested to formally declare their interests during the meetings.

Risk/ Implication

The Hospital may suffer financial losses where decisions are made by Board and Committee members and/or management who have personal interests in transactions and contracts.

Recommendation

Board, committee and senior members of staff should be requested to formally declare their interests at the beginning of every meeting. These declarations should be recorded in registers maintained by the Hospital.

Management response

Board members are aware that they should declare any interests that may result in any conflict as they perform their duties. Nonetheless, a declaration register will be introduced soon.

1.5 Shortage of drugs

Finding

The Hospital has not been able to procure adequate drugs such as anesthetics and antibiotics since 2014, mainly due to funding constraints as well as, the unavailability of drugs on the local market.
Risk / Implication

Service delivery may be compromised.

Recommendation

Management should ensure that there is a sustainable supply of critical medications for patients at the Hospital at all the times.

Management response

It is noted and acknowledged that there has been erratic supply of some critical medicines largely due to limited funding. The Hospital continues to engage all relevant stakeholders including the donor community to assist in the procurement of drugs.

1.6 Medical and laundry equipment

Finding

The Hospital’s Voss laundry machine was broken down and had not been repaired for a number of years due to lack of service specialists in the country as well as cash flow constraints.

The Hospital had inadequate anesthetic equipment and theatre mounting lights and the Hospital had not invested in technologically advanced laparoscopy equipment due to funding constraints.

Risk/Implication

Service delivery may be compromised.

Negative public perception of the Hospital.

Recommendation

Management should consider other sources of funding for its operations and capital expenditures.

Management response

It is acknowledged that the Hospital is facing challenges with the VOSS laundry machine. The machine is no longer economically beneficial to repair as the spares are hard to come by. With regards to anesthetic machines, the Hospital is at an advanced stage to procure two additional anesthetic machines.
2. PROCUREMENT OF GOODS AND SERVICES

2.1 Security contract

Finding

I was not availed with a copy of the signed contract between the Hospital and a major security provider during the year ended December 31, 2013.

Risk/Implication

The Hospital may not have recourse in the event of disputes with the service provider.

Recommendation

Management should ensure that agreements with service providers are documented, signed off and retained on file.

Management response

Management acknowledges that the Hospital has no contract with the major security provider. However, the contract issue is before the courts and the Hospital awaits the outcome.

2.2 Procurement of goods and services

Finding

I noted that management were at times not sourcing the required three quotations for purchases below $10 000 as is required by the State Procurement Board regulations. The following are examples of procurement transactions where three quotations were not sourced:

<table>
<thead>
<tr>
<th>Date</th>
<th>Voucher number</th>
<th>Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>8/01/13</td>
<td>15/13</td>
<td>6 175</td>
</tr>
<tr>
<td>6/02/13</td>
<td>60/13</td>
<td>6 079</td>
</tr>
<tr>
<td>30/10/13</td>
<td>360/13</td>
<td>8 400</td>
</tr>
</tbody>
</table>

Risk/Implication

Procurement may not be done to the best advantage of the Hospital.

Recommendation

Management should ensure that the procurement of goods and services is done in accordance with procurement regulations.
Management response

It is acknowledged that in some instances less than three required quotations were used. Management has put in place measures to ensure that this is rectified.

2.3 Advance payments

Finding

The Hospital paid $1 800 to a certain company in October 2013 for the supply of computers. However, at the time of audit (2016), the computers had not yet been delivered. In addition, another company was contracted to improve the radio therapy unit at a cost of $206 000, of which $35 000 was paid out as a down payment during 2013. However, the company had not provided any services to the Hospital by the time the audit was completed.

Risk/Implication

Financial loss to the Hospital as the services may not be rendered.

Recommendation

Payments should be made to suppliers after goods and services have been received. However, should this be unavoidable, bank guarantees should be obtained before payment is done.

Management should engage these two suppliers to recover the Hospital’s funds.

Management response

The Hospital takes note of the issue of advance payments and will take heed of the audit recommendations. However, the cases of advance payments for purchase of computers and for the improvement of the radio therapy unit are disciplinary issues being handled by the Health Service Board. The Hospital shall follow the audit recommendations on advance payments with immediate effect.

2.4 Service level agreements

Finding

I noted that the Hospital did not have service level agreements or procurement contracts with key service providers, such as National Blood Transfusion Service, CMED, Tel One and Hwange Colliery Company Limited.
Risk /Implication

There is no recourse in the event of disputes.

Recommendation

Management should ensure that Service Level Agreements are put in place.

Management response

The Hospital has engaged the said service providers with a view to have service level agreements particularly Tel-One, CMED and Hwange Colliery Company.

3. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

3.1 Management of receivables

Finding

The Hospital did not have a formalised credit management policy and this resulted in significant accounts receivables remaining outstanding from 2009.

The Hospital was not regularly reconciling and following up on amounts receivable from medical aid societies;

The Hospital was not maintaining an ageing analysis for its accounts receivables.

Risk/implication

Recoverability of these debts might be doubtful.

Errors and irregularities on the debtors’ records may not be detected and corrected on time.

Recommendation

Management should ensure that a credit management policy is put in place.

Accounts receivables should be reconciled and followed up on a regular basis.

Accounts receivables should be appropriately aged at any point in time.

Management response

The Hospital shall make efforts to improve on the management of debtors, particularly with the introduction of Pastel accounting software.
3.2 Donations

Finding

Upon review of the donations register and minutes of the Board, I noted that the Hospital received several donations that were not quantified and recorded in the accounting records.

Risk/Implication

Inaccurate and incomplete financial information and possible misappropriation of donations received.

Recommendation

Management should ensure that all donations are quantified and recorded in the accounting system upon receipt.

Management response

Management shall ensure that donations are quantified and recorded in the accounting system.

3.3 Billing of patients

Finding

I noted the following shortcomings in the revenue billing processes:

Final patient bills were not being reviewed by senior officials and this resulted in some patients being over-billed (see sample below) and

The Trimed system was not being updated with the latest Association of Health Funders of Zimbabwe (AHFOZ) billing rates.

<table>
<thead>
<tr>
<th>Episode number</th>
<th>Patient type</th>
<th>Amount over billed $</th>
</tr>
</thead>
<tbody>
<tr>
<td>CH201343162:3</td>
<td>In-Patient</td>
<td>6 422</td>
</tr>
<tr>
<td>MCH201323289:1</td>
<td>In-Patient</td>
<td>4 455</td>
</tr>
<tr>
<td>MCH201319713:1</td>
<td>In-Patient</td>
<td>4 004</td>
</tr>
<tr>
<td>MCH201248318:1</td>
<td>In-Patient</td>
<td>3 970</td>
</tr>
<tr>
<td>MCH201339140:1</td>
<td>In-Patient</td>
<td>2406</td>
</tr>
</tbody>
</table>

Risk /Implication

Misstatement of revenues in the financial statements.

Non-compliance with AHFOZ which may result in censure and negative publicity.
**Recommendation**

Management should ensure that the Trimed system is timeously updated with AHFOZ approved rates and the billing process is supervised and signed off by a senior official.

Patient bills are reviewed and approved by a senior official who should sign them off as evidence of such review.

**Management response**

*A senior person is now responsible for reviewing patients’ bills before they are issued, as part of the bill finalisation process. In addition, the Trimed System is now being updated with latest AHFOZ rates.*

4. **EMPLOYMENT COSTS**

4.1 **Manpower levels**

**Finding**

I noted the following anomalies regarding the Hospital’s manpower levels:

The Hospital did not have adequate medical specialists in areas such as anesthetic, neurology, pathology and renal. This compromised its ability to effectively service its patients. Enquiries with management revealed that the optimum operating manpower level for the Hospital was last determined in 1980.

**Risk/Implication**

Increased operational costs as specialized cases are referred to Harare at the Hospital’s cost.

Loss of lives in cases of emergency.

Overworked employees may be ineffective, inefficient and have low morale.

**Recommendation**

Management should assess the total staffing requirements of the Hospital and formulate strategies to ensure that all critical posts are filled in.
Management response

The Hospital continues to make efforts to recruit specialists. The area of anesthesia now has a specialist as well as the neurology department. It has been a challenge to attract specialists hence at times the reliance on foreign cadres.
PARIRENYATWA GROUP OF HOSPITALS 2015

Background information

Parirenyatwa Group of Hospitals as a central Hospital is a body corporate established in terms of section 18 (1) read together with the first schedule of the Health Service Act, [Chapter 15:16]. The Hospital consists of Mbuya Nehanda maternity hospital, Sekuru Kaguvi eye unit, and Annex hospital for the mentally disabled and the Main hospital.

I have audited the financial statements of Parirenyatwa Group of Hospitals for the year ended December 31, 2015 and I issued an unmodified /clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Parirenyatwa Group of Hospitals as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Risk management policy

Finding

The Hospital had no risk management policy. This policy is necessary in providing a framework for the identification of risks, assessing the identified risks and setting out mitigatory measures for asset management, revenue management, expenditure management, corruption and fraud and service delivery.

Risk/Implication

The Hospital may fail to identify new and emerging risks in its business processes.

Recommendation

A risk management policy should be put in place and it should cover the process of identifying, analysing and mitigating risks.

Management Response

The risk management policy was initiated by the Ministry of Health and Child Care in 2012. Therefore, the hospital was awaiting the roll out of the Ministry wide initiative of Risk Management. The Hospital has 4 people who have been trained on
Risk Management and are spearheading the process. The Hospital will customise its risk management policy in tandem with the Ministry of Health and Child Care framework.

1.2 Banking

Finding

The Hospital was prejudiced of $277,743 through fraudulent under-bankings by staff members. The cashiers from various cash points had not been remitting all the cash receipts to the main cash office for onward banking. The amount prejudiced is cumulative from 2009 to 2015.

Risk/Implication

Financial loss due to fraudulent activities.

Recommendation

The Hospital should strengthen its internal control environment on receipting and banking by segregating the duties in the accounts section and enhancing supervision of the same.

Management Response

The Hospital has strengthened its internal control environment by implementing, among others, the following measures:

- Strict monitoring and supervision of cash collections by supervisors.
- Ensuring that manual reconciliations are checked and verified by the supervisors daily.
- IT department is also confirming on a daily basis that the amounts receipted in the Billing System (Trimed) have been banked in Pastel.
- The interfacing of Trimed and Pastel in 2016 financial year.
- Job rotation
- Segregation of duties in Accounts Department

Disciplinary action has been taken against the fraudsters and this acts as a deterrent to other employees. Two employees are facing criminal charges at the courts and have been discharged from service.
PUBLIC ENTITIES UNDER THE CATEGORY OF UNIVERSITIES AND TERTIARY INSTITUTIONS
Background Information

The Bulawayo School of Hospitality and Tourism operates on commercial basis in accordance with commercialisation letter reference B/202/135 dated 27 November 1998. The School's principal activity is provision of training in Tourism and Hospitality.

I have audited the financial statements of the Bulawayo School of Hospitality and Tourism for the year ended December 31, 2015 and I issued an unmodified/ clean opinion with an emphasis of matter paragraph. However, at the time of my report, the financial statements had been sent for signature.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bulawayo School of Hospitality and Tourism as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying my opinion, I draw your attention to the fact that during the year 2016 the Minister of Higher and Tertiary Education, Science and Technology instituted a special audit investigation covering the period 2015-2016 into the operations of the School. The results of the investigation were still pending and I was unable to determine whether there may be additional issues which require adjustments to the results of financial statements of the School for the year ended December 31, 2015.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Controls over cash withdrawals

Finding

Cash withdrawn from various banks was used to pay for unvouched expenditure amounting to twelve thousand, one hundred and thirty-five dollars ($12 135). The table below shows these withdrawals:

<table>
<thead>
<tr>
<th>Date</th>
<th>Payment Voucher No.</th>
<th>Withdrawn Amount $</th>
<th>Supported Amount $</th>
<th>Variance $</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBZ 40</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/12/2015</td>
<td>CB02.12.15</td>
<td>3 825</td>
<td>-</td>
<td>3,825</td>
</tr>
<tr>
<td>Date</td>
<td>Code</td>
<td>Amount 1</td>
<td>Amount 2</td>
<td>Amount 3</td>
</tr>
<tr>
<td>------------</td>
<td>---------------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>7/12/2015</td>
<td>CB05.12.15</td>
<td>2,003</td>
<td>1,273</td>
<td>730</td>
</tr>
<tr>
<td>15/12/15</td>
<td>CB17.12/15</td>
<td>3,586</td>
<td>1,110</td>
<td>2,476</td>
</tr>
<tr>
<td>CBZ 20</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/12/2015</td>
<td>CBZ02.12.15</td>
<td>826</td>
<td>499</td>
<td>328</td>
</tr>
<tr>
<td>3/12/2015</td>
<td>CBZ03.12.15</td>
<td>1,624</td>
<td>1,505</td>
<td>119</td>
</tr>
<tr>
<td>8/12/2015</td>
<td>CBZ06.12.15</td>
<td>1,100</td>
<td>700</td>
<td>400</td>
</tr>
<tr>
<td>7/12/2015</td>
<td>CBZ07.12.15</td>
<td>1,457</td>
<td>160</td>
<td>1,297</td>
</tr>
<tr>
<td>10/12/2015</td>
<td>CBZ09.12.15</td>
<td>3,237</td>
<td>2,655</td>
<td>582</td>
</tr>
<tr>
<td>15/12/15</td>
<td>CBZ13.12.15</td>
<td>2,337</td>
<td>604</td>
<td>1,733</td>
</tr>
<tr>
<td>19/12/15</td>
<td>CBZ16.12.15</td>
<td>903</td>
<td>885</td>
<td>18</td>
</tr>
<tr>
<td>21/12/15</td>
<td>CBZ19.12.15</td>
<td>1,662</td>
<td>1,198</td>
<td>464</td>
</tr>
<tr>
<td>30/12/15</td>
<td>CBZ38.12.15</td>
<td>2,073</td>
<td>1,910</td>
<td>163</td>
</tr>
<tr>
<td></td>
<td></td>
<td>24,633</td>
<td>12,498</td>
<td>12,135</td>
</tr>
</tbody>
</table>

**Risk/Implication**

Financial loss due to misappropriation of cash.

**Recommendation**

The School should pay its expenditure through electronic funds transfers and in addition, all expenditure incurred should be adequately supported.

The School should investigate the variances and take corrective action.

**Management response**

An investigation has already been put in place. The School invited internal auditors from the ministry and the later carried out an investigation from 1\textsuperscript{st} February to 4\textsuperscript{th} February 2017. Management is awaiting the audit report so that appropriate action can be taken. Currently the school has taken steps to minimize the use of cash and creditors are being paid through bank transfers and cheques.

1.2 Payment vouchers

**Finding**

Some payment vouchers were passed for payment without being authorized. The table below shows payments not approved:
Risk/Implication

Irregular payments resulting in financial loss.

Recommendation

The School’s Management should ensure that all payments are authorized before payments are made.

Management response

The above payment vouchers were retrieved and approved by the relevant authority. However, currently all payment vouchers are approved first before payment. Where there are exceptional cases, payments are processed before the Director has
authorized, the payment vouchers must be availed to the relevant authority for ratification together with evidence of deliberations by management.

Auditor’s comment

Whilst I appreciate the fact that management subsequently authorised the documents in retrospect the essence of my finding was to draw to your attention the importance of authorisation of documents before payments are made as a control mechanism that detects any irregular transactions.

1.3 Fuel and lubricants

Finding

I noted that some fuel and lubricants payment vouchers did not have adequate supporting documents attached. The table below is a sample of payment vouchers without adequate supporting documentation:

<table>
<thead>
<tr>
<th>Document Number</th>
<th>Date</th>
<th>Invoiced Amount $</th>
<th>Amount Paid $</th>
<th>Variance $</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>CB10.08.15</td>
<td>4/8/15</td>
<td>1 430</td>
<td>1 442</td>
<td>(12)</td>
<td>Document not approved by Director, No goods received note, amount paid by the School not agreeing to Invoice.</td>
</tr>
<tr>
<td>CB14.08.15</td>
<td>14/08/15</td>
<td>1 430</td>
<td>2 077</td>
<td>(647)</td>
<td>No goods received note and amount paid not agreeing to invoice and receipt not attached as cash payment was paid</td>
</tr>
<tr>
<td>CB23.05.15</td>
<td>12/5/15</td>
<td>1 390</td>
<td>1 390</td>
<td>-</td>
<td>No goods received note was attached and no receipt was attached as cash payment was made to purchase fuel coupons</td>
</tr>
<tr>
<td>Date</td>
<td>Date</td>
<td>Amount</td>
<td>Code</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>------------</td>
<td>--------</td>
<td>---------</td>
<td>------</td>
<td>-----------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>CB01.05.15</td>
<td>2/1515</td>
<td>1 946</td>
<td>725</td>
<td>Document not approved by Director proforma invoice does not agree to cash invoice attached on payment voucher and no goods received note attached as evidence of receiving the coupons</td>
<td></td>
</tr>
<tr>
<td>CB19.04.15</td>
<td>17/04/15</td>
<td>-</td>
<td>1 450</td>
<td>(1 450) Document not approved by the Director and no invoice was attached and cash receipt attached to payment voucher.</td>
<td></td>
</tr>
<tr>
<td>CB02.01.15</td>
<td>5/1/15</td>
<td>-</td>
<td>1 430</td>
<td>(1 430) Document not approved by the Director and no invoice was attached and no goods received note attached and amount recorded in ledger amounted to figure on the face of the payment voucher $1520.00 leading to a difference of $90</td>
<td></td>
</tr>
<tr>
<td>CB19.10.15</td>
<td>15/10/15</td>
<td>1 430</td>
<td>-</td>
<td>1 430 Document not approved by the Director and no Cash receipt was not attached and no goods received note attached and amount recorded on Payment voucher $ 2216 but on invoice amount quoted was $1430 leading to a difference of $786</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>Details</td>
<td>Receipt Number</td>
<td>Amount $</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------</td>
<td>--------------</td>
<td>----------------</td>
<td>----------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>07/05/15</td>
<td>Cash receipts</td>
<td>11169</td>
<td>200</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Risk/Implication**

Fraudulent activities may be perpetrated resulting in financial loss.

**Recommendation**

Management should investigate the variances between the invoices and amount paid by the School, in addition, ensure that adequate supporting documentation is available for these transactions.

**Management response**

An investigation has already been put in place. Currently all coupons are purchased after some original pro-forma invoice is received. All coupons are bought through bank transfer and are GRVs are raised. In addition, monthly reviews of receipts from suppliers of fuel and coupons issued are being done.

### 2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

#### 2.1 Cash receipted

**Finding**

A total of four thousand, one hundred and fifty-two dollars ($4 152) receipted from various cash points was received and never banked. These amounts appeared as reconciling items on the bank reconciliation statements.

The table below refers:

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Receipt Number</th>
<th>Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>07/05/15</td>
<td>Cash receipts</td>
<td>11169</td>
<td>200</td>
</tr>
<tr>
<td>Date</td>
<td>Amount $</td>
<td>Description/Remarks</td>
<td></td>
</tr>
<tr>
<td>-----------</td>
<td>----------</td>
<td>-------------------------</td>
<td></td>
</tr>
<tr>
<td>19/11/15</td>
<td>4,680</td>
<td>Installation of cameras</td>
<td></td>
</tr>
</tbody>
</table>

**Risk/Implication**

Financial loss as a result of under banking.

**Recommendation**

The School should investigate the under banking and take corrective action.

**Management response**

The School has since taken corrective action and an amount of $3 952 has since been recovered in 2016.

2.2 **ZIMDEF Grant**

**Finding**

I noted that ZIMDEF disbursed a grant amounting to one hundred and ninety-one thousand dollars ($191 000) for the replacement of computers, purchase of industrial stoves and e-library equipment. However, the School incurred the following non related expenditure totalling sixty thousand, seven hundred and fifty-five dollars ($60 755) using this grant:
<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>27/11/15</td>
<td>2,629</td>
<td>Purchases of towels</td>
</tr>
<tr>
<td>Not stated</td>
<td>715</td>
<td>Pressure tanks installation</td>
</tr>
<tr>
<td>11/11/2015</td>
<td>1,392</td>
<td>Tile laying</td>
</tr>
<tr>
<td>11/11/2015</td>
<td>2,320</td>
<td>Tile laying</td>
</tr>
<tr>
<td>13/11/15</td>
<td>3,906</td>
<td>Tiling material purchases</td>
</tr>
<tr>
<td>27/11/15</td>
<td>684</td>
<td>Tile laying</td>
</tr>
<tr>
<td>14/12/15</td>
<td>1,450</td>
<td>Fencing of School Harare site</td>
</tr>
<tr>
<td>27/11/15</td>
<td>1,543</td>
<td></td>
</tr>
<tr>
<td>24/12/15</td>
<td>1,436</td>
<td>Water pump fix and supply</td>
</tr>
<tr>
<td>Not stated</td>
<td>40,000</td>
<td>Training consumables</td>
</tr>
<tr>
<td>Total</td>
<td>60 755</td>
<td></td>
</tr>
</tbody>
</table>

**Risk/Implication**

Misapplication of the grant which may compromise service delivery and the School’s ability to secure grants from ZIMDEF in the future.

**Recommendation**

The grants should be utilised for their intended purposes.

**Management response**

Management has since applied to the bank to open a separate bank account for ZIMDEF funds so that future ZIMDEF disbursements are directly channelled into that account. This will enhance maintenance of a commitment register and enable usage of funds for intended purposes. Cameras were installed after all institutions running HEXCO courses were ordered to install CCTV surveillance systems in all examination areas. Other expenditure observed above were directly linked to improvements specific for Harare Site as well as amenities such as towels needed to facilitate training of students in a real business environment. Furthermore, part of the grant was used in 2016 to buy computers and training consumables.
2.3 Guest registration forms

Finding

I noted that the School did not fully complete some of the accommodation guest registration forms during the year under review. Below is a sample of such forms:

<table>
<thead>
<tr>
<th>Check-in Date</th>
<th>Name</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not provided</td>
<td>Guest 1</td>
<td>The room type, payment method, check in and out, and meals details were not filled on the form</td>
</tr>
<tr>
<td>Not provided</td>
<td>Guest 2</td>
<td>The room type, payment method, check in and out, and meals details were not filled on the form</td>
</tr>
<tr>
<td>19/07/15</td>
<td>Guest 3</td>
<td>The room type, payment method, check in and out, and meals details were not filled on the form</td>
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<td>18/07/15</td>
<td>Guest 4</td>
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<tr>
<td>10/3/2015</td>
<td>Guest 6</td>
<td>The room type, payment method and meals details were not filled on the form</td>
</tr>
<tr>
<td>Not provided</td>
<td>Guest 7</td>
<td>The room type, payment method, check in and out, and meals details were not filled on the form</td>
</tr>
<tr>
<td>Not provided</td>
<td>Guest 8</td>
<td>The room type, payment method, check in and out, and meals details were not filled on the form</td>
</tr>
</tbody>
</table>

Risk/Implication

Financial loss resulting from errors or fraud in bookings may occur.

Recommendation

Guest registration forms should be fully completed.

Management response

Agreed. The School has addressed the finding. Currently a supervisor checks all registration forms and ensures that all relevant information as required by the form has been correctly filled in. The supervisor then stamps and signs the registration forms.
2.4 Registration forms and invoices

Finding

I noted that there were some guests who checked in at the School’s Hotel, St Patricks Hotel. However, there was no documentary evidence to support that these guests had been invoiced or had made payments towards their stay at the hotel.

Below is a sample of the guests:

<table>
<thead>
<tr>
<th>Check in Date</th>
<th>Name of Guest</th>
<th>Service Type</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>26/01/15</td>
<td>Guest 1</td>
<td>Single- B/B</td>
<td>No invoice or receipt was raised</td>
</tr>
<tr>
<td>26/01/15</td>
<td>Guest 2</td>
<td>Single- B/B</td>
<td>No invoice or receipt was raised</td>
</tr>
<tr>
<td>Not given</td>
<td>Guest 3</td>
<td>Double- B</td>
<td>No invoice or receipt was raised</td>
</tr>
<tr>
<td>30/01/15</td>
<td>Guest 4</td>
<td>Single- B</td>
<td>No invoice or receipt was raised</td>
</tr>
<tr>
<td>27/06/15</td>
<td>Guest 5</td>
<td>Single- B/B</td>
<td>No invoice or receipt was raised</td>
</tr>
<tr>
<td>27/06/15</td>
<td>Guest 6</td>
<td>Not given</td>
<td>No invoice or receipt was raised</td>
</tr>
<tr>
<td>27/06/15</td>
<td>Guest 7</td>
<td>Not given</td>
<td>No invoice or receipt was raised</td>
</tr>
<tr>
<td>27/06/15</td>
<td>Guest 8</td>
<td>Not given</td>
<td>No invoice or receipt was raised</td>
</tr>
<tr>
<td>31/07/15</td>
<td>Guest 9</td>
<td>Single- B/B</td>
<td>No invoice or receipt was raised</td>
</tr>
<tr>
<td>1/8/2015</td>
<td>Guest 10</td>
<td>Double- B</td>
<td>No invoice or receipt was raised</td>
</tr>
<tr>
<td>15/05/15</td>
<td>Guest 11</td>
<td>Single- B/B</td>
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<tr>
<td>Not given</td>
<td>Guest 12</td>
<td>Single- B</td>
<td>No invoice or receipt was raised</td>
</tr>
<tr>
<td>Not given</td>
<td>Guest 13</td>
<td>Not given</td>
<td>No invoice or receipt was raised</td>
</tr>
</tbody>
</table>
Risk/Implication

Financial loss resulting from fraud in bookings and failure to invoice guests.

Recommendation

The invoices should always be raised based on the underlying registration forms of the individual guests.

Management response

Guest registration forms have now been improved and there is now a section that indicates the receipt number. Guests are expected to pay up front except guests on account. A receipt or invoice number is now being attached on the registration form with effect from 1 February 2017.

2.5 Service level agreement

Finding

A review of the Bulawayo School of Hospitality financial statements revealed that it had accrued $131 000 revenues through invoices raised to a Harare hotel. The expenditure side of the School also showed a related expenditure of $83 137. On enquiry with management the explanation proffered was that the School had an overflow arrangement with the Hotel. This entailed the Hotel taking any excess guests booked from its main hotel and housing them at the School.

I noted that the School had no contract or agreement in place to cover this arrangement. As a result, I could not validate nor confirm accuracy of the rates that had been applied by the School and the Hotel in billing or invoicing each other. Furthermore, there was no evidence through minutes or resolutions that were availed as a record of proceedings of meetings or discussions that had been held by the parties over the matter. In that regard there was no evidence to support that management of the School performed due diligence before entering into this arrangement.

Risk/Implication

Financial loss as a result of uneconomic arrangements

There may be no recourse if disputes arise.

Recommendation

The School is encouraged to perform due diligence exercises before entering into contractual arrangements.
A service level agreement should be drawn covering the contractual agreement between the Hotel and the School.

Management response

A meeting between Pandhari Hotel and school management has been scheduled for the first quarter of 2017 where service level agreements will be discussed. This is evidenced by a management representation letter submitted.

3. EMPLOYMENT COSTS

3.1 Allowances to employees

Finding

I noted that the School’s staff who were employed by the Civil Service Commission received responsibility and airtime allowances without supporting documentation or authority from the employer. There were 23 officers who received allowances that ranged between $270 and $2 400. The amounts paid totalled $37 825 and $1 500 for responsibility and airtime allowances respectively.

Risk/Implication

Unapproved expenditure may result in financial loss.

Recommendation

The School should obtain condonation from the parent ministry or the employer should rectify the anomaly.

Management response

Following the proposed commercialisation of the school in 2004 a number of managerial posts were advertised and filled. All civil servants appointed to the posts had their salaries topped up by ZIMDEF. The same members have since resigned and after their resignation, some members of staff have been appointed to carry out the duties of these members that have since resigned.

Furthermore, the school realised that the amount of work for civil servants had dramatically increased with some members having to work extratime because of the commercial thrust. The main aim of commercialisation was to reduce dependence on the fiscus. Secondary to this aim, commercialisation was designed to retain skills by improving conditions of service. The school shall seek condonation from the head of Ministry.
4. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

4.1 Regulatory framework

Recommendation
The School should lobby through its parent Ministry for a regulatory framework.

Progress made
Submissions have been made to the parent Ministry and the school awaits a response.

4.2 School’s operational policies

Recommendation
The School should put in place policies and regulations and have them approved to ensure effective implementation.

Progress made
Management has drafted some of the mentioned policies. However, the policies are yet to be approved and implemented.
Background Information

Chinhoyi University of Technology was established by an Act of Parliament, Chinhoyi University of Technology Act [Chapter 25:23]. The University’s principal activities include the advancement of knowledge, the diffusion and extension of arts, science and learning, the preservation, dissemination and enhancement of knowledge that is relevant for the development of the people of Zimbabwe through teaching and research and, so far as is consistent with those objectives, the nurturing of the intellectual, aesthetic, social and moral growth of the students at the University.

I have audited the financial statements of Chinhoyi University of Technology for the year ended December 31, 2015 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects the financial position of Chinhoyi University of Technology as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Audit Committee Meetings

Finding

The Audit Committee held two meetings held three meetings during the year under review. These meetings fall short of the minimum of four meetings as per the University policy.

Risk/Implication

The University may lack strategic guidance to achieve its objectives.

Council may fail to exercise its fiduciary duties and risk management systems may collapse.

Recommendation

Council and sub-committees should meet at least quarterly as per the approved diary of meetings.
Management response

We are going to ensure that four meetings for each Committee will be diarised and held. Currently, the University does not have a Council, making it difficult to hold four meetings in 2016.

1.2 Tax Penalties

Finding

ZIMRA carried out a tax audit of the University during the year ended 31 December 2014 and charged a penalty for non-compliance with the Income Tax Act [Chapter 23:06] as it was not taxing some of the benefits given to employees. The University incurred a total of $206 268 for the principal and penalty amount due to non-compliance with tax laws.

During the year ended December 31, 2015 the University incurred additional tax penalties amounting to $142 911, for under declaring Pay as You Earn.

Risk/Implication

Financial loss arising from penalties.

Recommendation

The University should comply with tax laws to avoid penalties.

Management Response

Tax issues change from time to time and the engagement of tax advisory experts is necessary especially when the Finance Act is amended every year. This was a learning curve and we strive to be tax compliant on all tax related issues. We will consider engaging a tax consultant to learn more on tax issues.

1.3 Construction Project

Finding

The construction of the engineering complex, teaching complex and canteen building has been stalled for more than 2 years due to lack of funding.
**Risk/Implication**

The University is expanding, hence delays in setting up key resource facilities such as the Engineering complex and Canteen building might limit the University’s capacity and service provision to its growing student population.

**Recommendation**

Resources have to be sourced so that the projects can be completed.

**Management response**

*The University has now started funding the PSIP projects and hopes the Engineering Complex Phase 1 will be through by December 31, 2016.*

1.4 **University Mandate**

**Finding**

There was an imbalance between science and technology related programmes and other non-technology related programmes. The University had a student population of around 6,865; out of this population only a third was undertaking studies in science and technology related programmes. This was despite the fact that the University was set up as a University of Technology.

**Risk/Implication**

Failure to fulfil the main mandate of the University.

**Recommendation**

The University should enrol a greater number of science and technology students to fulfil its mandate.

Introduce bridging courses for the science and technology departments so as to boost student enrolment on these subjects.

**Management response**

*Entrepreneurship is at the heart of the University mandate but the University is striving for 60:40 ratios in favor of science and technology related programmes. Science, Technology, Engineering and Mathematics (STEM) efforts by our Ministry will improve the supply side marginally as there is a small number of schools teaching sciences. There are approximately 2,500 students annually who are wanted for (STEM) courses by over 16 universities in Zimbabwe. Our science staff have*
outreach programmes where they are capacity-building science teachers and also providing tutorship to science students in secondary schools.
MIDLANDS STATE UNIVERSITY 2015

Background information

Midlands State University (MSU) is a Higher Education Institute governed by the Midlands State University Act [Chapter 25:21] and is domiciled in Zimbabwe. The University’s principal activities include the advancement of knowledge, the diffusion and extension of arts, science and learning, the preservation, dissemination and enhancement of knowledge that is relevant for the development of the people of Zimbabwe through teaching and research and, so far as consistent with those objectives, the nurturing of the intellectual, aesthetic, social and moral growth of the students at the university.

I have audited the financial statements of the Midlands State University for the year ended December 31, 2015 and I issued an unqualified/ clean opinion.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of Midlands State University as at December 31, 2015 and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Specific fund balance

Finding

The bank account which supports specific funds had an overdraft of $1 562 841. The specific fund reserve had a balance of $210 803 which was not supported by cash at bank.

Risk/ Implication

Specific funds may be used for activities other than those specified by the funder. Loss of donors if funds are not reconciled and accounted for.

Recommendation

All specific funds should be deposited in a designated specific funds bank account. Any other transactions that do not involve specific funds should be done through a separate account.
Management response

Towards the end of the year the University obtained an Overdraft Facility with CBZ Bank. Instead of opening a new account for purposes of this Facility, a decision was made to use one of the existing accounts. The bank however faced challenges in setting up the overdraft arrangement on all existing accounts except on the Specific Funds Account. To still separately maintain the identity of the Specific Funds, the balance in the Specific Funds bank account was transferred to another CBZ account (which is now identified as the new Specific Funds Account).

1.2 Vacant positions

Finding

A number of key academic and non-academic positions were either vacant or held by personnel in acting capacity. The vacancy rate for academic posts stood at 12% and 8% for non-academic staff.

Risk/ Implication

Inadequate members of staff incapacitate the operations of the University to meet its mandate.

Lack of segregation of duties as one official may end up performing incompatible duties.

Recommendation

Critical vacant posts and management posts with employees in acting capacity should be filled on a timely basis.

Management response

The vacancy rates for both teaching and non-teaching staff are as a result of the Government freeze on the filling of vacancies across all Government ministries and state aided institutions. Letter from the Ministry of Finance dated April 09, 2013 is instructive. A report about staffing issues in light of multi campus needs will be presented to Finance Committee in August 2016.
UNIVERSITY OF ZIMBABWE 2015

Background Information

The University of Zimbabwe (hereinafter referred to as UZ) is a Higher Education Institution governed by the University of Zimbabwe Act [Chapter 25:16] and is domiciled in Zimbabwe.

I have audited the financial statements of the University of Zimbabwe for the year ended December 31, 2015 and I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the University of Zimbabwe as at December 31, 2015, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying my opinion, I draw attention to the fact that the University incurred a deficit of $3 223 026 (2014: $12 437 700) during the year ended December 31, 2015 and, as at that date, the University’s current liabilities exceeded its current assets by $7 556 642 (2014: $10 674 052). These conditions, along with other matters set forth indicate the existence of a material uncertainty that may cast significant doubt about the ability of the University to continue as a going concern.

However, below are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Long outstanding unknown deposits

Finding

There were long outstanding unknown deposits with a balance of $33 916.07 as at year end date. Of this balance, $27 047 is emanating from prior years dating as far back as 2011.

Risk/Implication

Financial loss as long outstanding unknown deposits create an opportunity for fraudulent activities.
**Recommendation**

The University should continue to follow up all unknown deposits with the bank on a timely basis and where possible communications should be made with the depositors.

**Management response**

We engaged CBZ bank’s assistance in clearing this account. We requested them to provide additional details about these transactions, for example depositors’ contact details with a view to contacting them and allocating these monies to their correct accounts. It is unfortunate the responses are not coming at a faster pace but the clearing of this account is being done as and when we receive some information. Just to put things into perspective, this same account had a balance of $208,000 on 31 December 2014 but this had been reduced to $33,916.07 as at 31 December 2015.

1.2 **Composition of the Audit Committee**

**Finding**

The Vice Chancellor, who is an Executive Council member, was part of the Audit Committee.

**Risk/Implication**

Good corporate governance is compromised.

**Recommendation**

All members of the audit committee should be independent non-executive council members and the Vice Chancellor may attend by invitation.

**Management response**

The External Auditors’ recommendation with regard to the Vice-Chancellor’s membership to the Audit Committee is noted. A recommendation will be made to Council to amend the membership of the Audit Committee so that the Vice-Chancellor attends Audit Committee meetings in his capacity as management and not as a member of the Audit Committee.
## ANNEXURE A

### STATE ENTERPRISES AND PARASTATALS AUDIT OPINIONS PER ENTITY

<table>
<thead>
<tr>
<th>PUBLIC ENTITY</th>
<th>YEAR</th>
<th>OPINION ISSUED</th>
<th>YEAR</th>
<th>OPINION ISSUED</th>
<th>YEAR</th>
<th>OPINION ISSUED</th>
</tr>
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<tbody>
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<td><strong>AUTHORITIES AND AGENCIES</strong></td>
<td></td>
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<td>Agricultural and Rural Development Authority</td>
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<td>2009</td>
<td>Adverse Opinion</td>
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**COMPANIES AND CORPORATIONS**

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<th>OPINION ISSUED</th>
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ANNEXURE B

AUDITS IN PROGRESS AND BEING FINALISED

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<td>Zimbabwe Youth Council</td>
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