



Value For Money Audit Report of the Auditor-General

VFM 2024:02

Management of Revenue Generating Properties by Local Authorities under the Ministry of Local Government and Public Works



Presented to Parliament of Zimbabwe 2024



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The Hon. Minister W. Chitando
Ministry of Local Government and Public Works
Makombe Building
Leopold Takawira Street
Harare

Dear Sir

I hereby submit my Value for Money Audit Report on Management of revenue generating properties by Local Authorities under the Ministry of Local Government and Public Works in terms of Section 11 of the Audit Office Act [*Chapter 22:18*].

Yours faithfully,

R. KUJINGA

ACTING AUDITOR-GENERAL

March 20, 2024



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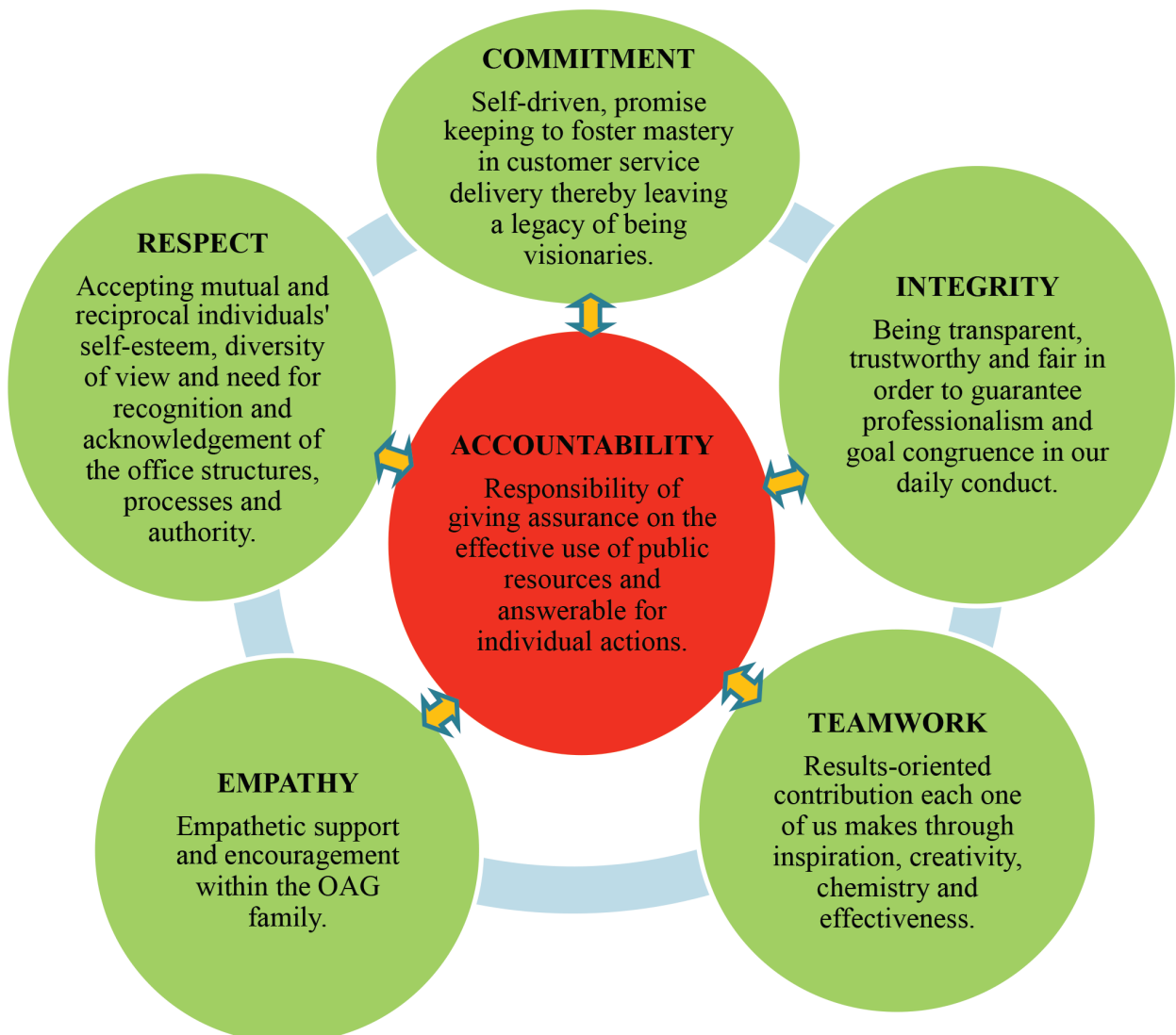


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Executive Summary

The objective of the audit was to assess how Local Authorities were managing revenue generating properties (farms, buildings and houses held for income generation). Local Authorities are responsible for the management of properties in their areas of jurisdiction. Revenue collection is essential for effective service delivery by Local Authorities.

The Local Authorities are under the Ministry of Local Government and Public Works. They are governed by the Urban Councils Act [Chapter 29:15] and the Rural District Councils Act [Chapter 29:13]. There are thirty-two (32) Urban Local Authorities and sixty (60) Rural District Councils in Zimbabwe. The Local Authorities have been accorded different status according to their level of development which are Local Boards, Town Councils, Municipal Councils and City Councils.

The audit was motivated by the findings reported in my 2017 annual report on Local Authorities which highlighted shortcomings in the management of revenue generating properties. The report highlighted that a number of Local Authorities tenants had expired lease agreements and some were even sub-letting the properties. Local Authorities were said to be owed large sums of money by tenants whose rental arrears had accumulated to unsustainable levels.

Media reports also highlighted that some Local Authorities had properties which had been lying idle for the past ten (10) years. The properties had become uninhabitable due to dilapidation as a result of poor maintenance. Thus, Local Authorities were said to be losing millions of dollars due to poor management, which, among others included inadequate enforcement of lease agreements.

Data collection methods used were documentary reviews, interviews and inspections. The audit covered the period January 2016 to December 31, 2021 and nine (9) Local Authorities were audited.

Summary of findings

My audit revealed weaknesses in the management of revenue generating properties in Local Authorities. The weaknesses were as follows;

1. Revenue Collection

A review of the debtors' schedule for the period January 2016 to December 31, 2021 for nine (9) Local Authorities audited revealed that they were owed close to ZWL\$ 400 million due from tenants occupying various properties. Only one (1) out of the nine (9) Local Authorities audited was effectively collecting revenue from properties as shown in Table two (2) of the main report.

Furthermore, in all the nine (9) Local Authorities audited, billboards were not well managed as there were no registers in place and there was poor monitoring of the erection of

billboards. This resulted in residents and companies setting up billboards without payment leading to loss of potential revenue.

Non collection of rentals from tenants will impact on the operations of the councils since they will not have enough resources for funding. Local Authorities were not maintaining houses and completing other projects that were under construction. Inspections of rented houses and interviews with management revealed that most houses for Local Authorities were not being maintained. This was evidenced by the dilapidation of the houses which had broken windows, leaking roofs, absence of water meters and walls which needed repainting. Some of the houses are old and regular maintenance is required.

Non-collection of rentals was attributed to, among others, non-renewal of leases.

My audit revealed that some tenants had no valid lease agreements especially those occupying flats and houses. However, in Chinhoyi and Marondera tenants occupying shops and beerhalls had valid lease agreements. Without lease agreements, the terms and conditions of occupancy and rent payments will not be known.

Chitungwiza Municipality had cancelled all lease agreements with tenants occupying commercial properties in January 2020. Review of tenant files revealed that the tenants were given offer letters only and none of them had a signed lease agreement as at December 31, 2021. My inspection of municipal markets at Zengeza 3 revealed that eleven tenants had no lease agreements and could not also apply for permits to operate. The Municipality had no leases for residential properties.

Interviews with Zvimba and Makonde RDCs management revealed that the councils did not have valid lease agreements for residential tenants although they had lease agreements for beerhall tenants.

Harare city council's lease agreement forms were open ended without specific period for renewal whereas Ruwa Local Board leases had lease agreements with specific period for renewal, consequently, Ruwa Local Board was renewing all its lease agreements annually.

Local authorities might be losing potential revenue due to non-renewal of lease agreements as they might not be able to collect rentals and this may result in them failing to provide efficient service to residents due to low revenue inflows.

2. Rental Review

A review of budgets and tariff schedules from the nine (9) Local Authorities revealed that rentals were reviewed on a yearly basis and tenants were advised through letters. The rentals proposed every year were then approved by the Ministry of Local Government and Public Works. However, for Chitungwiza Municipality, I could not ascertain whether rentals were reviewed annually as budgets and tariff schedules were not availed for audit.

3. By-laws on Fine Collection from illegal Operators

All the nine (9) Local Authorities audited had by-laws in place stipulating fines to be paid if one was found operating on undesignated council property. In addition, the Local Authorities were reviewing fines to be paid by unauthorised operators on a yearly basis. However, for Chitungwiza Municipality, I could not ascertain whether there were mechanisms in place as no documents were availed for audit.

4. Non-Inspection of Revenue Generating Properties

Audit inspections done in the nine (9) Local Authorities audited, revealed that no inspections were done on properties for the period January 2016 to December 31, 2021 except for Chinhoyi and Marondera Municipalities that managed to do inspections for shops in 2019 only. This was evidenced by the absence of inspection reports. Inspections help the Local Authorities to assess the conditions of the houses and commercial properties and validate that those using/living in the properties are authorized tenants.

Failure to do the inspections was partly attributed to absence of inspection schedules/plans for the period January 2016 to December 31, 2021. Without the plans, the exercise will not get priority for execution.

5. Engagement into Commercial or Industrial Activities

I noted that only Harare, Marondera and Epworth were engaging in commercial, industrial, and agricultural or other activities for the purpose of raising revenue. However, Harare had no approval by the Minister for the formation of the income generating projects. Out of these three (3) Local Authorities, Marondera and Epworth were realizing profits.

Chinhoyi, Karoi, Ruwa, Zvimba and Makonde did not engage in any commercial, industrial, agricultural or other activities for the period January 2016 to December 31, 2021. Chitungwiza Municipality was in a process of establishing a Business Development and Investment Promotion Unit whose core mandate will be to administer the council's strategic business units as well as managing its investments. Lack of creating or initiating other revenue sources may result in Local Authorities relying on rates only which are not enough to ensure effective service delivery.

Recommendations

1. Local Authorities should renew leases with tenants, review rental charges to match prevailing market rates, collect rentals on time, have a systematic way of rental collection,

continue engaging tenants and enforce honouring of rental payments. This will ensure that unfinished structures are completed and the projects will contribute towards revenue generation.

In addition, Local Authorities should make sure they maintain a billboard register and that all bill boards erected on council land have lease agreements as a basis for rental collection. Furthermore, the terms and conditions of agreements should be enforced in case of default. Local Authorities are strongly encouraged to maintain records at all times such that information is up to date and obtained whenever it is needed.

2. While by-laws were in place, Local Authorities should enforce the by-laws in order to reduce or remove operators at undesignated places.

3. Inspection plans/schedules should be put in place and implemented so that Local Authorities assess the conditions of the income generating properties. Inspections will help to reduce continued dilapidation of properties as they will be attended to in time. In addition, risks associated with health and safety to users will be reduced. Furthermore, Local Authorities should maintain registers to make sure that those living in or using the properties are authorized tenants.

4. Local Authorities should put plans in place to engage in commercial, industrial, agricultural or other activities for the purpose of raising revenue for the Local Authorities. In addition, Local Authorities should seek approval from the Ministry whenever they want to engage into profit making investments. This exercise will enable evaluation of the project's viability before it is implemented.

Chapter 1 Introduction

This chapter outlines the background, motivation, organisational structure, funding and audit design.

1.1 Background

A Local Authority means a city council, municipal council, town council, local board or rural district council. Local Authorities are under the Ministry of Local Government and Public Works and are governed by the Urban Councils Act [*Chapter 29:15*] and the Rural District Councils Act [*Chapter 29:13*]. There are thirty-two (32) Urban Local Authorities and sixty (60) Rural District Councils in Zimbabwe. An application is made to the Minister in terms of Section (14) (1) of the Urban Councils Act [*Chapter 29:15*] by a Local Authority for a change of status after a resolution is passed by a majority of votes cast in an ordinary meeting of a council. The Local Authority is accorded the status after considering the following factors;

- The size and population of the Local Authority.
- The extent to which the Local Authority provides employment opportunities to its inhabitants and the surrounding areas.
- The total valuation of property as shown in the valuation roll for the Local Authority concerned.
- The extent of use of the Local Authority as district center for commercial, industrial, agricultural, mining administrative and financial purposes.
- The extent to which the Local Authority is a center for;
 - State services such as law courts, police station etc.
 - Road, rail and air communications.
 - Postal and telecommunication services and
 - Tourism and tourist facilities.
- The standard of marketing and shopping facilities and the range of specialists, banking and other financial services provided.
- The historical associations, length of existence and geographical importance of the center.
- The armed forces stationed in or around the Local Authority area.
- The religious significance of the center.
- The growth rate of the Local Authority with reference to population, valuation of buildings, commercial and industrial facilities and other provisions.

City Councils

These are the highest in the hierarchy and are established in settlements that have the highest facilities as well as in size and populations. There are eight (8) city councils namely; Bulawayo, Gweru, Harare, Kwekwe, Kadoma, Masvingo, Mutare and Victoria Falls.

Municipal Councils

There are eight (8) municipal councils which occupy the second position in the hierarchy of Urban Local Authorities. These are Bindura, Chegutu, Chinhoyi, Chitungwiza, Gwanda, Kariba, Marondera and Redcliff.

Town Councils

The third in the hierarchy are town councils which are eleven (11) in number namely Beitbridge, Chiredzi, Chipinge, Gokwe, Karoi, Mvurwi, Norton, Plumtree, Rusape, Shurugwi and Zvishavane. These are centres that have grown from service centres in the rural areas to a size sufficient for them to stand alone.

Local Boards

These are the lowest in the hierarchy and are established in settlements that have very small populations but have a potential to grow into big urban centres. Currently there are five (5) such local boards namely Chirundu, Epworth, Hwange, Lupane and Ruwa.

1.2 Audit Motivation

The audit was motivated by the findings reported in my 2017 Annual Report on Local Authorities which highlighted shortcomings in the management of revenue generating properties. The report highlighted that from a total of four hundred and sixty-four (464) properties which were being leased out during 2015, most of them were not being billed for rent except for forty-eight (48) which were billed rentals worth ZWL\$ 296 402 covering the period July to December 2014. In addition, the report also highlighted that a number of Local Authorities tenants were operating on expired lease agreements and some were even subletting the properties, as a result there was a general outcry on shortage of funds in Local Authorities while there are these leakages that can be plugged.

In my report I further highlighted that Chinhoyi Municipality staff members were being provided with free council accommodation whilst being paid housing allowances. According to their employment conditions of service, employees can only either have free accommodation or housing allowance. There was financial loss to the Municipality due to double payment of benefits to employees.

Furthermore, the Newsday of April 28, 2017 reported that Harare City Council tenants were kicked out of council properties over rental arrears. The Local Authority was losing over ZWL\$ 30 million as a number of occupants were not paying rentals to the Local Authority.

The Herald of April 11, 2017 also reported that weaknesses in the administration of commercial property leases by Harare City Council and shortage of manpower in the Estates Management Division had prejudiced the Council close to ZWL\$ 30 million in potential revenue.

The audit was also motivated by the results of the pre-study which highlighted that Local Authorities were not collecting revenue from some of their properties and that inspections were not done to assess their condition.

1.3 Organizational Structure

City Councils and Municipal Councils are headed by Town Clerks, while Local Boards and Town Councils employ Town Secretaries to head their administration. Rural District Councils are headed by Chief Executive Officers. Different heads of departments deputise the head of administration. The Heads per each Local Authority are responsible for the implementation of council decisions and for the day to day running of council affairs.

1.4 Funding

Local Authorities are funded through government grants, rates and licenses levied on properties and services, fees, penalties, rents and revenue collected from investments.

1.5 Audit Design

The audit design outlines the audit objective, scope, questions and criteria and methodology.

Audit Objective

The objective of the audit was to assess whether Local Authorities were properly and effectively managing revenue generating properties.

Audit Scope

The audit focused on the management of revenue generating properties by Local Authorities. The audit covered the period from January 2016 to December 31, 2021.

Audit Questions and Audit Criteria

AQ1. Are Local Authorities collecting revenue from all revenue generating properties in line with their policies and procedures?

AC1. According to the Ministry of Local Government and Public Works Manual for the Management of Urban Land each council shall determine the level of rentals and the timing of payments.

AQ1.1. Are Local Authorities renewing leases as per lease agreements?

AC1.1 According to the Ministry of Local Government and Public Works Manual for the Management of Urban Land each council shall offer a terminable or renewable lease agreement to a tenant to utilise Local Authority land or building for an agreed period, while paying annual or monthly rentals for the use of such property.

AQ 1.2 Are Local authorities reviewing rentals on a regular basis?

AC1.2 According to the Ministry of Local Government and Public Works Manual for the Management of Urban Land each council shall determine rent every year through budgets and the budgets are then approved by the Ministry of Local Government and Public Works.

AQ1.3 Are there by-laws in place for Local Authorities to collect fines from operators occupying undesignated council properties?

AC 1.3 According to the Ministry of Local Government and Public Works Manual for the Management of Urban Land each council is responsible for making its own by-laws for issues relating to land management as per Part XVIII of the Urban Councils Act [Chapter 29:15] in the following areas:

- Regulation and control of occupation and use of land or buildings.
- Removal of unauthorised buildings on council land.
- Use of buildings.
- Temporary structures.

AQ1.4 Are Local Authorities carrying out inspections on revenue generating properties?

AC1.4 According to the Ministry of Local Government and Public Works Manual for the Management of Urban Land, officers must carry out regular inspections of all rented properties to ensure that the provisions of the lease agreement are being adhered to by both parties.

AQ1.5 Are Local Authorities engaging into commercial activities and are they realising profits from income generating projects?

AC1.5. According to Section 221 of the Urban Councils Act [Chapter 29:15], a council may engage in any commercial, industrial, agricultural or other activity for the purpose of raising revenue for the council.

AQ1.6 Are the commercial activities being approved by the responsible Authority?

AC1.6 According to Section 221 of the Urban Councils Act [Chapter 29:15], a council may engage in any commercial, industrial, agricultural or other activity with the written approval of the Minister.

1.6 Audit Methodology

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). These standards require that a performance audit should be planned in a manner which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner. Interviews, documentary reviews and inspections were used as data collection methods.

Interviews

Twenty-eight (28) interviews were carried out with key personnel from Local Authorities audited and other stakeholders. The interviews were used to collect evidence on how revenue generating properties were being managed as well as corroborating information obtained from documentary review for the purposes of evaluation. **Annexure A** shows the list of interviewees.

Documentary Review

Documents were reviewed to gather information with regards to policies, procedures and functions related to management of revenue generating properties. Local Authorities governing Acts, Internal Audit reports, Policy documents and Procedure Manuals were reviewed. For further information on the documents reviewed, refer to **Annexure B**.

Physical Inspections or Observations

Inspections were carried out on revenue generating properties in Harare, Chinhoyi, Karoi, Marondera, Chitungwiza, Ruwa, Epworth, Zvimba and Makonde. The revenue generating properties inspected included houses, flats, markets, shops, beerhalls and joint venture projects.

1.7 Sampling

The audit covered the Local Authorities shown in Table one (1) below. The Local Authorities were chosen due to their proximity to Harare and due to the Covid restrictions which could not allow intercity travelling then.

Table 1: Sampled Local Authorities.

Local Authority Type	Total number of Local Authorities	Number of Local Authorities sampled
Local Boards	5	2
Town Councils	11	1
Municipal Councils	8	3
City Councils	8	1
Rural District Councils	60	2
Total	92	9

Chapter 2 Systems Description

Systems description outlines the roles and responsibilities of the key players or stakeholders in the management of revenue generating properties. The description highlights responsibilities of key players and how the system processes should work or operate.

2.1 Roles and Responsibilities of Key Players

Ministry of Local Government and Public Works

According to the Urban Councils Act [*Chapter 29:15*], the roles of the Ministry are:

- Giving to the Local Government Board such directions of a general character as to the policy to be observed by it in the exercise of its functions as the Minister considers requisite in the national interest. (Section 124).
- Approval of By-laws. (Section 229).
- Making general regulations for Local Government areas. (Section 235).

According to interviews held with Urban and Rural Local Authorities Directors, the Ministry:

- Play an advisory role on management of properties.
- Approves budgets from Local Authorities.
- Assist in the valuation of properties in Local Authorities.
- Receives audit reports from Local Authorities' internal auditors for monitoring purposes.

2.2 Process Description

2.2.1 Leases

According to the Ministry of Local Government and Public Works Manual for the Management of Urban Land each council shall offer a terminable or renewable lease agreement to a developer to utilise Local Authority land or building. The tenant should be paying annual or monthly rentals for the use of such property for an agreed period.

The Manual states that letting involves the allocation of investment and non-investment properties such as land, vacant houses, beerhalls, market stalls and shops through a contract of lease known as lease agreement. Lease management process involves a series of activities which include tenant selection, rent determination and agreement of lease preparation.

Tenant Selection

Upon handover of the property by Engineering department (For new buildings), the Housing Department is responsible for identification of suitable tenants for the property to be leased out. This is normally done through informal tender invitation through local platforms such as notice boards, newspapers or even social media platforms such as

twitter, facebook depending on the nature of property. Properties requiring large scale of investment are normally advertised in the national media such as newspapers. Tenant selection is by the Council Tender evaluation committee using clearly established evaluation criteria set out in the tender documents. Alternatively, tenants may be selected by the housing department which then recommends the selected tenants to Housing Committee for approval. After approval by the housing committee, the list is then sent to the ordinary council for approval through a resolution.

Rent Determination and Lease Agreement Management

After tenant selection, a lease agreement is prepared and signed by both parties for the agreement to be valid. The rent is determined every year through budgets and the budgets are then approved by the Ministry of Local Government and Public Works. Estates/housing officers should be conversant with the provisions of the lease agreement which gives the responsibilities and obligations of the lessee and the lessor over the duration of the Lease.

Officers should carry out regular inspection of all rented properties to ensure that the provisions of the lease are being adhered to by both parties. They should also ensure that the tenants understand the provisions of the lease agreement before signing. Incoming tenants must sign takeover form as acceptance of the property and ascertaining its conditions. The hand over and takeover form is signed by both the lessee and the lessor.

Outgoing tenants should notify the lessor of his/her decision to vacate the premises at least a month before vacation date. Outgoing tenants should handover the keys to the Housing/Estates/Letting office and sign a handover-takeover advice before vacating the property. The lessor must carry out termination of lease/end of tenancy inspection to check the condition of the property. The initial condition of the property will be used as a benchmark to assess the condition of the property upon end of tenancy or vacation of the property by the tenant. If there are no breakages/vandalism to the property, the tenant should be refunded the security deposit. If there is vandalism, the damage must be valued by a competent professional. The cost is deducted from the security deposit.

Leases for houses and shops are renewed yearly. Leases for beerhalls are renewed after five years.

After endorsement of the lease agreement by both parties, the housing officers must inform the Revenue Accountant of the lease agreement for the creation of rent account for the property so that the tenant can be billed monthly rentals. After receiving the lease agreements, the revenue section prepares rent cards. The lease agreements are checked for correctness and suitability to bill. New accounts are introduced in the system for billing and proof of rental payable by each tenant are attached to the individual lease agreement. The lease register is then updated in the database.

Monthly statements are forwarded to the respective leaseholders. Paid up accounts are separated from unpaid accounts in the system. Monthly reports are produced to establish the status of the leases. In accordance with the terms in the lease agreement debt recovery process is initiated if the tenant failed to pay rentals for sixty (60) days. If the lessee defaults

for sixty (60) days, first reminders are processed. If there is no response to the first reminder, a second reminder is given and the lessee will be asked to sign a retained copy.

After twenty-one (21) days, a final demand to press for payment is sent and if the above process fails to yield results, a recommendation for cancellation of the lease agreement or any other document of authority which can only be re-instated after full settlement is called for. If leaseholders are defiant, legal proceedings are instituted by issuance of summons for eviction.

2.2.2 By-laws on Fine Collection from illegal Operators

According to the Ministry of Local Government and Public Works Manual for the Management of Urban Land each council is responsible for making its own by-laws for issues relating to land management as per Part XVIII of the Urban Councils Act [Chapter 29:15] in the following areas:

- Regulation and control of occupation and use of land or buildings.
- Removal of unauthorised buildings on council land.
- Use of buildings.
- Temporary structures.

2.2.3 Income-Generating Projects

According to Section 221 of the Urban Councils Act [Chapter 29:15], a council may engage in any commercial, industrial, agricultural or other activity for the purpose of raising revenue for the council with the written approval of the Minister. Local Authorities through a council resolution and in accordance with the urban council's act [Chapter 29:15], should develop and exploit business opportunities within their ambit. A management/business committee is appointed by the head of the council to oversee and monitor activities of the business entities.

The administration of the council's business portfolio is an internal function of the authority where through a council resolution the authority shall appoint a business/investment committee to implement the business or partnership strategies where the business or investment committee shall be responsible for:

- Matters concerning the initiation and overseeing enterprises under council commercialisation programs.
- Matters concerning proposals to set up new ventures within areas of council jurisdiction.
- Matters concerning the appointment of board members to the council business ventures.
- Receiving operational reports of business entities through the investment or business committee when required.
- Tracking and monitoring performance of council's business entities/joint ventures and reporting to council.

Chapter 3 Findings

In this Chapter, I presented my findings on the management of revenue generating properties by Local Authorities which are as follows:

3.1 Revenue Collection

According to the Ministry of Local Government and Public Works Manual for the Management of Urban Land each council shall offer a terminable or a renewable lease agreement to a tenant to utilise Local Authority land or building for an agreed period, while paying annual or monthly rentals for the use of such property. A review of the debtors' schedule for nine (9) Local Authorities audited revealed that of the six (6) Local Authorities that had rental properties, the Local Authorities were owed almost ZWL\$ 400 million from various properties within their jurisdiction from January 2016 to December 31, 2021. Only one (1) out of the six (6) Local Authorities was collecting revenue timely from some of its revenue generating properties. Furthermore, Chitungwiza Municipality did not avail both the billed and collection schedules to enable me to ascertain whether the Municipality was billing or collecting revenue from its properties. Karoi Town council and Epworth Local Board had no revenue generating properties. Table two (2) below shows the amounts billed, paid and owed to Local Authorities by the various tenants occupying council properties.

Table 2: Amounts owed to Local Authorities.

Local authority	Billed ZWL\$	Paid ZWL\$	Amount owed ZWL\$	Percentage owed %
Harare as at Nov 2020	-	-	396 060 279	-
Ruwa as at Dec 31, 2021	3 835 962	2 317 403	1 518 559	39%
Chinhoyi as at Nov 2020	906 060	383 338	522 722	58%
Zvimba as at Nov 2020	252 115	53 651	198 464	79%
Makonde as at Nov 2020	19 440	3 747	15 693	81%
Marondera as at Nov 2020	293 924	41 550	252 374	86%
Chitungwiza	N/A	N/A	N/A	
Karoi	N/A	N/A	N/A	
Epworth	N/A	N/A	N/A	
Total			\$398 568 091	

Source: Debtors' schedules (2016 to 2021).

From Table two (2) above, Marondera Municipality had the highest percentage of outstanding rentals of 86% as at November 30, 2020, followed by Makonde with 81% and Zvimba with 79%. Ruwa was owed the least with 39% as at the same date. The percentage owed for Harare city council could not be ascertained due to absence of records on the

amount billed and paid. The detailed amounts owed per individual Local Authority audited were as follows:

Harare City Council

My review of the debtors' schedule for the period January 1, 2016 to November 30, 2020, revealed that Harare City Council was owed ZWL \$ 396 060 279 by debtors from various properties within its jurisdiction. Harare City Council was not fully collecting rentals from debtors. Table three (3) below shows the amounts owed to Harare City Council by various occupants according to their account groups.

Table 3: Harare City Council Rent Arrears from January 2016 to November 30, 2020.

Properties/Account Group	Amount Owed ZWL\$
Residential Accommodation	37 682 065
Commercial	295 729 198
Industrial	44 327 580
Markets	11 942 278
Billboards	6 042 903
Sports Clubs	234 523
Churches	101 729
Total	\$ 396 060 279

Source: Debtors' schedules (2016 to 2020).

Management Response

The debtors' book on leases continue to grow and efforts are being made to invoke the termination clauses for breach of contract in terms of non-payment of rentals. In addition, District Officers are being given copies of lease agreements to manage them at district level.

Chinhoyi Municipality

My analysis of the debtors' schedule for Chinhoyi Municipality revealed that the council was being owed ZWL\$ 522 723 from rented properties for the period January 1, 2016 to November 30, 2020. However, the amounts for the year 2020 were not availed for audit due to absence of records. Table four (4) below shows the amounts billed, collected and arrears per year for the rented properties for the Municipality.

Table 4: Chinhoyi Municipality Rental Arrears; January 2016 to November 30, 2019.

Year	Billed ZWL\$	Paid ZWL\$	Arrears ZWL\$	Percentage owed
2016	197 573	55 097	142 476	72%
2017	213 667	59 233	154 434	72%
2018	238 360	51 662	186 698	78%
2019	256 461	217 346	39 115	15%
Total	\$ 906 061	\$ 383 338	\$ 522 723	58%

Source: Debtors Schedule (2016 to 2019).

Non collection of rentals from tenants will impact negatively on the operations of the council, for instance, the council might not be able to maintain the properties.

Management Response

Management did not respond.

Chitungwiza Municipality

According to interviews with management, Chitungwiza Municipality was collecting rentals from tenants occupying commercial buildings for the period January 2016 to December 2019. However, the billed and collection schedules were not availed for audit in order to ascertain whether the collections were done on all properties. In addition, I noted that the municipality did not have billboards register and no collections were being done from billboards despite the fact that billboards could be seen in the area.

Furthermore, inspections and interviews with tenants at Makoni Hostels revealed that the municipality was charging ZWL\$ 170.00 for two (2) rooms. At the interbank rate of eighty-one and eighty-two (81.82) as at November 30, 2020, the amount translated to USD2.08 for the two (2) rooms. The rentals were too low as compared to the market rates where an average room was rented out for USD10. Collections of the little that was charged for the hostels could not be ascertained as collection schedules were not availed for audit. With these low rentals and ineffective collections as evidenced by absence of collection schedules, the municipality might not be able to maintain the properties.

Management Response

Management did not respond.

Karoi Town council

A review of Karoi's asset register and full council meeting minutes of September 19, 2019, it was noted that the town council had one thousand five hundred and twenty-five (1 525) residential houses and the council should have been collecting rentals. However, the houses were said to have been sold to sitting tenants but the documentation of the sale of the houses was not availed for audit. Consequently, I could not ascertain whether there were any payments made towards the purchase of the houses. A further review of full council meeting minutes revealed that residents had signed homeownership forms but the houses had not yet been transferred to the owners as at the date of audit on November 30, 2020. On the other hand, on all the other revenue generating properties such as market stalls, sports clubs and churches, the council was timeously collecting rentals.

Management Response

Karoi Council has to date initiated a process of creating a lease register with its housing department and a comprehensive database for the same in the accounts department for the purpose of maintaining a transaction history for the same. The council has not yet established the record of the beneficiaries of the homeownership scheme.

Ruwa Local Board (RLB)

Ruwa Local board was owed ZWL\$1 518 459 from rented houses between January 01, 2016 and November 30, 2021. The tenants were moving out of the rented houses without paying their dues. Table five (5) below refers.

Table 5: Ruwa Local Board Rental arrears from January 2016 to November 30, 2021.

Year	Billed ZWL\$	Paid ZWL\$	Arrears ZWL\$	Percentage owed
2016	78 900	66 150	12 750	16%
2017	71 125	38 833	32 292	45%
2018	77 460	37 731	39 729	51%
2019	61 080	54 806	6 274	10%
2020	613 950	192 956	420 994	69%
2021	2 933 347	1 926 927	1 006 420	34%
Total	\$3 835 862	\$ 2 317 403	\$1 518 459	40%

Source: Debtors Schedule (2016 to 2021).

On average, the Local Board was owed 40% by debtors who were occupying its revenue generating properties from January 2016 to December 31, 2021. The highest percentage owed was recorded in 2020. From the above Table, in 2016 and 2019, the Local Board managed to collect the bulky of the rentals as shown by low percentage owed of 16% and 10% respectively.

Management Response

The finding has been noted. The council noted that tenants were failing to pay their rental dues, thus resolved on handing all outstanding arrears to debt collectors. Secondly council resolved on offering most part of the accommodation to its employees since it is easier to recover rentals from employees through payroll deductions. The council is currently making efforts to repair and maintain the houses with broken window panes.

Epworth Local Board

My review of rent collection schedules revealed that the Local Board was collecting market fees only through blitz on vendors and small business owners who were operating on council properties. A total amount of ZWL\$18 722 was collected from Hall Hire, Markets and Flea Markets for the period 2016 to 2019. There were no tenant registers for all the properties. The blitz system was causing collections not to be done in a systematic way. Table Six (6) shows amounts collected during the period.

Table 6: Revenue collected from revenue generating properties in Epworth.

Year	Hall hire ZWL\$	Markets ZWL\$	Flea markets ZWL\$
2016	1 500	390	1 733
2017	1 500	1 517	2 150
2018	1 150	233	1 234
2019	88	400	607
November 2020	3 080	3 120	20
Total	\$ 7 318	\$ 5 660	\$ 5 744

Source: Collection Schedules (2016 to 2020).

I noted through my inspections of shopping centres around Epworth that there were vegetable market stalls that the Local board was not collecting revenue from and no register was being maintained for all the market stalls. The shopping centres inspected included Makomo and Solani Home Industry Site. Non collection of rentals from tenants might have a negative impact on the operations of the Local Board.

Management Response

Registers for all operational markets have now been opened and maintained. The markets at Solani and Makomo shopping centres have since been refurbished through Devolution Funding. Other markets have been established at Chiremba, Overspill and Mabvazuva shopping centres and registers for same have been opened and maintained. Market fees are now being collected since the markets are now occupied and operational. The issues raised have been addressed in the above comment.

Zvimba Rural District Council

Through review of Debtors schedule for residential rented accommodation for Zvimba RDC I noted that the council was being owed ZWL\$198 464 by its tenants for the period January 01, 2016 to November 30, 2019. Table seven (7) below shows the amount billed, collected and arrears per year for the rented property of the council.

Table 7: Zvimba RDC Rent Arrears from January 2016 to November 30, 2019.

Year	Billed ZWL\$	Paid ZWL\$	Arrears ZWL\$	Percentage owed
2016	47 108	7 329	39 779	84%
2017	67 895	7 852	60 043	88%
2018	68 556	20 002	48 554	71%
2019	68 556	18 468	50 088	73%
Total	\$ 252 115	\$ 53 651	\$ 198 464	79%

Source: Debtors Schedule (2016 to 2019).

For the period January 2016 to December 2019, the RDC was owed an average of 79% of its total rent bill. For the 2017 year, 88% of rent outstanding was in arrears. Out of the total of ZWL\$252 115 billed for the period, the RDC managed to collect only ZWL\$53 651.

Management Response

The observation has been noted. However, the arrears emanated from Raffingora and Nyabira rented accommodation where apathy has developed due to the state and conditions of the houses. The maintenance of the houses is now more expensive due to aging. Hence, Council resolved to dispose of the houses to the sitting tenants for Raffingora and Trelawney.

The properties valuation was done by the Ministry of Local Government and Public Works for the purposes of disposal. In addition, all the sitting tenants were engaged by council and encouraged to honour their obligations and to clear off their outstanding arrears. Furthermore, council has adopted strategies of sending regular statements and Short Message Service (SMS) as a reminder for our tenants to clear their outstanding debts.

Makonde Rural District Council

A review of the Debtors schedule for residential rented accommodation for Makonde RDC revealed that the council was owed ZWL\$15 693 by tenants for the period 2016 to 2019. Table eight (8) shows amount of arrears owed to the council.

Table 8: Makonde RDC Rent Arrears from January 2016 to December 31, 2019.

Year	Billed ZWL\$	Paid ZWL\$	Arrears ZWL\$	Percentage owed
2016	4 860	110	4 750	98%
2017	4 860	110	4 750	98%
2018	4 860	110	4 750	98%
2019	4 860	3 417	1 443	30%
Total	\$ 19 440	\$ 3 747	\$ 15 693	81%

Source: Debtors Schedule (2016 to 2019).

Overly the RDC was owed 81% by debtors who were occupying its revenue generating properties from January 2016 to December 31, 2019. For the four (4) years, the amount billed had not changed. This showed that rentals were not reviewed for the four (4) years. Furthermore, the amount collected from 2016 to 2018 remained constant at ZWL\$ 110. ZWL\$ 3 417 was paid in 2019, however for the period 2020 financial year only ZWL\$ 3 747 was collected.

Management Response

Management did not respond.

Marondera Municipality

The actual rent billed, paid and arrears for the Municipality for the years 2016 to 2018 and 2021 was not availed for audit. However, for the years 2019 and 2020 information was availed for audit. For the two (2) years, the Municipality was owed 86% by tenants occupying its revenue generating properties. The information for the two (2) years is shown in Table nine (9).

Table 9: Marondera Municipality Rent Arrears for the years 2018 to 2020.

Year	Billed ZWL\$	Paid ZWL\$	Arrears ZWL\$	Percentage owed
2019	65 637	9 464	56 173	86%
2020	228 287	32 086	196 201	86%
Total	\$293 924	\$41 550	\$252 374	86%

Source: Debtor's schedule (2019 to 2020).

Furthermore, in all the nine (9) Local Authorities audited, billboards were not well managed as there were no registers in place. This resulted in residents and companies setting up billboards in Local Authorities without payment hence loss of potential revenue.

Non collection of rentals from tenants will impact on the operations of the council since it will not have enough resources for improving service delivery.

Non-collection of rentals was as a result of non- renewal of leases.

Management response

The council has employed a debt collection officer to follow up and collect all arrears. The council has also engaged the tenants and made them come up with payment plans. In addition, the Council employed a strategy whereby it had to register all tenants occupying council houses to ensure that the occupants were the bonafide beneficiaries.

Council through its works department has managed to capture into its Geographic Information System (GIS) software a total of four hundred and eighty-four (484) billboards in town. Illegal billboards were flagged out. A register is now in place with details such as the area covered, the name and address of the owner, and the coordinate of the place where the billboard is erected.

Ministry's Comment

Revenue generation and collection is affected by lack of functional Enterprise Resource Planning systems in Local Authorities. The Ministry will demand time framed action plans of the interventions on the observations made. General non implementation of lease terms as happening in Harare City will not be tolerated. Full computerisation of operations of council will be instituted starting with the nine (9) audited councils.

3.1.1 Lease renewals

According to the Ministry of Local Government and Public Works Manual for the Management of Urban Land each council shall offer a terminable or renewable lease agreement to a tenant to utilise Local Authority land or building for an agreed period, while paying annual or monthly rentals for the use of such property. Letting involves the allocation of investment and non-investment properties such as land, vacant houses, beerhalls, market stalls and shops through a contract of lease known as lease agreement. I noted that in seven (7) out of the nine (9) Local Authorities audited, tenants had no valid

lease agreements, especially those occupying flats and houses. However, in Chinhoyi and Marondera Municipalities, Zvimba and Makonde RDCs tenants occupying shops and beerhalls had valid lease agreements.

Chitungwiza Municipality was having challenges in managing income generating properties as a result it cancelled all lease agreements with tenants in January 2020. It introduced a tendering system in February 2020 whereby the municipality float a tender for prospective tenants to respond through bidding. A tenant with the highest bid would win the tender. A review of sixty-one (61) tenant files for those who were successful in the tendering revealed that the tenants were given offer letters only and none of them had a signed lease agreement as at November 30, 2020. In addition, inspection of municipal markets at Zengeza 3 revealed that eleven (11) tenants had no lease agreements and had not applied for permits to operate. There were no leases for residential properties and no rental collections were being done.

Karoi Town Council and Epworth Local Board did not have revenue generating properties. However, Epworth Local Board had one (1) community hall which was hired out on a cash basis hence no lease agreements.

Harare city councils' lease agreements were open ended without specific period for renewal whereas Ruwa Local Board was renewing all its leases annually.

Local authorities might be losing potential revenue due to non-renewal of lease agreements and may result in failure to provide efficient service to its residents due to low revenue inflows.

Non collection of rentals resulted in Local Authorities not being able to maintain houses and complete other projects. Inspections on rented houses and interviews with management revealed that most houses for Local Authorities were not being maintained. This was evidenced by the dilapidation of the houses which included old age, broken windows, leaking roofs, stolen meters and walls which needed repainting as shown by pictures one (1) to eight (8).

Chinhoyi Municipality

Picture 1: Dilapidated houses in Chinhoyi Gadzema high density suburb.



Source: Picture taken by OAG.

Picture 2: Dilapidated houses in Chinhoyi Hunyani high density suburb.



Source: Picture taken by OAG.

Harare City Council

Picture 3: Dilapidated flats in Harare Matapi



Source: Picture taken by OAG.

Picture 4: Dilapidated flats in Harare Mbare flats



Source: Picture taken by OAG.

Matapi and Harare flats needed replacement of cast iron covers and pipes, repair of toilet pans and flushing systems, repainting of structures and resurfacing of toilet floors.

Ruwa Local Board

Picture 5: Houses with broken window panes



Source: Picture taken by OAG.

Makonde Rural District Council

Picture 6: Leaking flea market roof for Makonde RDC.



Source: Picture taken by OAG.

Karoi Town Council

Picture 7: Incomplete factory shell



Source: Picture taken by OAG.

Picture 8: Incomplete canteen



Source: Picture taken by OAG.

Incomplete factory shells and canteen have been lying idle since 2017 and no revenue was being generated from the properties.

Management Responses

Harare City Council

We now have a cleaned-up register for billboards on excel. The document can be made available for inspection. Billboards agreements valid for a year are being signed. We started with the new vendors who do not have arrears with Council.

The duration of a lease is one of the essential elements of a lease otherwise it is null and void. All the leases have specific renewal periods and these are available for inspection. The parties to the lease have rights and obligations enshrined in the contract, the Lessor has to ensure that the terms and conditions are adhered to by the Lessee by conducting both scheduled and ad hoc inspections. Decentralisation will address this issue as local District Offices are in proximity of leased properties.

Karoi Town Council

Council has properties like farms and open space that are being leased out to date. Lease documents are in place and for properties without lease agreements, engagements are underway.

Ruwa Local Board

The council is currently making efforts to repair and maintain the houses with broken window panes.

Makonde Rural District Council

The leaking flea market roof has been repaired.

Chitungwiza Municipality

Eight three (83) tenants out of one hundred and six (106) now have valid leases. However, we are working on clearing the backlog and by December 31, 2023 all tenants will be having leases. For Zengeza 3 Markets, most of the tenants now have leases only two (2) left. We are finalising on their lease agreements. All legally allocated properties have lease agreements and council is working on regularising illegal homes. However, the regularisation process involves a lot of stakeholders including Environmental Management Agency, Department of spatial planning, Zimbabwe Electricity Supply Authority and Roads Authority, thus the time frame cannot be determined. Some processes are beyond our control.

Chinhoyi Municipality

Council now has valid lease agreements for commercial properties effective 2021. For residential properties letters have been sent to renew the leases.

The billboard register is now in place and town planning section together with the GIS team have carried out a mapping exercise to ensure the correct inventory of billboards in Chinhoyi. We expect to have these lease agreements for both Billboards and residential properties by June 30, 2024.

Epworth Local Board

There is an enumeration exercise to validate occupants/lease holders on our registers of various market stalls. Unauthorised Billboards were recently pulled down and advertisers were encouraged to apply for proper installation of billboards.

Ministry's Comment

Computerisation of the whole leasing service in councils will improve the issuance and renewal of leases. The focus of the Ministry will be to encourage Local Authorities to digitalise most of their processes.

3.2 Rental Review

According to the Ministry of Local Government and Public Works Manual for the Management of Urban Land, each council shall determine rent every year through budgets and the budgets are then approved by the Ministry of Local Government and Public Works. Review of budgets and tariff schedules from the nine (9) Local Authorities audited revealed that rentals were reviewed on a yearly basis. The rentals proposed every year were then approved by the Ministry of Local Government and Public Works. However, for Makonde RDC rentals were not reviewed for the period under review as its total billed amounts on revenue generating properties remained constant at ZWL\$4 860. For Chitungwiza Municipality council, I could not ascertain whether rentals were reviewed annually as budgets and tariff schedules were not availed for audit.

Management Responses

Harare City Council

All contracts must have rent review clause to enable the Lessor initiate, peg and agree on new rental in line with prevailing market trends. Categorisation of leases according to uses e.g., commercial-car sales, service stations, offices and shops ensures that maximum yield is derived for each class of use. Reviews are being done in line with the market forces.

Makonde Rural District Council

Noted. Rentals will be reviewed on a yearly basis according to market rates.

Chitungwiza Municipality

Our tariff schedules are reviewed annually during our yearly budget process. The documents are available and will be produced on demand.

Auditor's evaluation

The response from Chitungwiza Municipality has been noted however, evidence supporting that tariffs were being reviewed annually was not attached to the responses.

Ministry's comments

Setting of rentals is affected by the consultation process that the law demands review of same be subjected to S219 (2) of the Urban Councils Act [Chapter 29:15] and SI 135 S13(c). The consultation process has seen economic tariffs being slashed in most instances. If this is not done implementation of the tariffs has always been difficult.

3.3 By-laws on Fine Collection from illegal Operators

According to the Ministry's Manual for the Management of Urban Land each council is responsible for making its own by-laws for issues relating to land management as per Part XVIII of the Urban Councils Act [Chapter 29:15] in the following areas:

- Regulation and control of occupation and use of land or buildings.
- Removal of unauthorised buildings on council land.
- Use of buildings.
- Temporary structures.

I noted that eight (8) out of the nine (9) Local Authorities audited had by-laws in place, with stipulated fines to be paid if one is found operating on undesignated council property. In addition, the Local Authorities had yearly tariff schedules for fines to be paid by unauthorised operators. The unauthorised operators were identified through blitz operations which were carried out by council officials and sometimes jointly with the Zimbabwe Republic Police officials. However, for Chitungwiza Municipality, I could not ascertain whether there were mechanisms in place as no documents were availed for audit.

Management Responses

Harare City council

By-laws are being enforced. Programmes in place to strengthen enforcement.

Chinhoyi Municipality

By-laws have since been reviewed since most of them were outdated and were submitted to the parent Ministry.

Makonde Rural District Council

Noted. By-laws are yet to be approved by the Ministry but shall be enforced as soon as they are approved by the Minister.

Chitungwiza Municipality

Management did not respond.

Epworth Local Board

By-laws have been formulated to control business operations and penalties gazetted for illegal operations. The council is prioritising the recruiting of personnel in the security section which is responsible for enforcing by-laws.

Ministry's Comments

The Ministry concentrated on generation and review of Local Authorities by-laws in 2022 and 2023. The Attorney General is in the process of approving the by-laws for gazetting. Although there are still many areas that require by-laws, it is the Ministry's intention to also now focus on enforcement of the gazetted by-laws

3.4 Non-Inspection of Revenue Generating Properties

Local Authority officers are required to carry out regular inspections on all rented properties to ensure that the provisions of the lease are being adhered to by both parties. I noted that all the nine (9) Local Authorities audited had not done inspections for the period January 2016 to December 31, 2021 except for Chinhoyi and Marondera Municipalities that managed to do inspections on shops in 2019.

Absence of inspection schedules/plans for the period January 2016 to December 31, 2020 contributed to the non-carrying out of inspections. Local Authorities might not be able to establish the condition/status of their properties. Furthermore, non-inspection of revenue generating properties may result in illegal occupation and subletting.

Management Responses

Harare City council

Although there is a budget set aside every year for routine maintenance and repairs for Municipal buildings, cashflow constraints had been affecting the plans. City Parking have invested towards repairs and maintenance for Julius Nyerere and

Samora Machel Parkades. Going forward the City will roll out the renovation of the properties starting in 2024 so that we derive maximum benefits from them.

Karoi Town Council

Going forward, the council intends to perform this exercise.

Ruwa Local Board

Council had recently made an inspection to establish the condition/status of its properties and resolved on making efforts to repair and maintain the properties. Some materials had also been bought like doors etc.

Zvimba Rural District Council

In respect of non-inspection of Revenue Generation Properties as observed in the audit report, Council has since developed an inspection form in the format that capture and document the state and the condition of the properties. The inspections are scheduled to be conducted on a quarterly basis.

Makonde Rural District Council

Inspection schedules will be prepared and implemented.

Chitungwiza Municipality

No management response.

Chinhoyi Municipality

The Council recruited the town planning technician who works with building inspectorate and inspections are now being done.

Epworth Local Board

Plans to recruit more personnel in the inspectorate department to be prioritized.

Ministry's Comments

An improvement on levels of rentals and the collection levels can facilitate inspection and maintenance of revenue generating properties. This then means computerisation of the leasing function is key.

3.5 Engagement in Commercial or Industrial Activities

Section 221(1) of the Urban Councils Act [Chapter 29:15], states that a council may engage in any commercial, industrial, agricultural or other activity for the purpose of raising revenue for the council. The activities must be approved by the Minister in writing. From documentary reviews and interviews with management, I noted that of the nine (9) Local Authorities audited, three (3) Local Authorities, namely Harare, Marondera and Epworth were engaging in commercial, industrial, agricultural or other activities for the purpose of raising revenue. Out of the three (3) Local Authorities, Marondera Municipality and Epworth Local Board were the only ones realising profits. However, for Harare City Council, there was no approval by the Minister for the formation of Harare Sunshine Holdings. Consequently, joint ventures entered into by Harare City Council through

Sunshine Holdings could not be ascertained as to whether they were above board or approved by the Minister as there were no records availed for audit.

Marondera Municipality and Epworth Local Board had approval from the Minister for the formation of the joint ventures and were the only ones realizing profit. The individual performance of the two (2) councils was as follows:

Marondera Municipality

Marondera Municipality and ZEMQOS Incorporated (Private) Ltd entered in a partnership in September 2017 where ZEMQOS would provide a software package for the collection of parking fees. A review of the private partnership records for Marondera Municipality and ZEMQOS Incorporated (Private) Ltd revealed that since the implementation of the partnership, Marondera Municipality was getting its share of profit and as at July 31, 2020, it had realized a profit of ZWL\$ 469 830. Profits realized for the months of August, September, October and November 2020 could not be ascertained as financial records for the period were not availed for audit. No other projects had been initiated by the Municipality.

Epworth Local Board

Epworth Local Board had a lease agreement with Gumtree Quarry Mining (Pvt) Ltd on use of land for Quarry mining where the Local Board was entitled to receive lease rentals. Audit noted that for the period 2017 to December 31, 2020 the Local Board had received US\$5 241 from the total lease amount of US\$ 9 120 resulting in an outstanding balance of US\$3 879. For more details, refer to Table ten (10).

Table 10: Lease Rental due for the period 2017 to November 30, 2022.

Lease Year	Lease Amount US\$	Cumulative Balance US\$	Payments US\$	Outstanding Balance US\$
2017	960	-	-	960
2018	1 920	2 880	-	2 880
2019	1 920	4 800	300	4 500
2020	1 920	6 420	800	5 620
2021	1 920	7 540	4 141	3 399
2022	480	3 879	-	3 879
Total	US\$9 120		US\$5 241	US\$3 879

Source: Epworth Local Board Receipt book.

In addition, I noted that since the implementation of the joint venture, lease rentals which were supposed to be reviewed quarterly per hectare had not been reviewed. The Local Board was also entitled to 10 % of the finished quarry stones (stone aggregate) produced. However, for the period 2017 to 2020, the local authority had received nothing in that respect. There was no record of how much of the finished stone aggregate or equivalent amount was due to the Local Board as at November 30, 2020.

For accountability purposes, the Local Board was also entitled to obtain and verify financial and production records from Gumtree Quarry Mining (Pvt) Limited. However, no such records were available for audit as at November 30, 2020.

Chinhoyi, Karoi, Ruwa, Zvimba and Makonde did not engage in any commercial, industrial, agricultural or other activities for the period January 2016 to December 31, 2021. A review of the Strategic plans showed that the Local Authorities had not included plans to establish commercial activities to improve on revenue generation. Lack of creating or initiating other revenue sources results in Local Authorities relying on rates only which are not enough to ensure effective service delivery.

However, Chitungwiza Municipality was in the process of establishing a Business Development and Investment Promotion Unit whose core mandate will be to administer council's strategic business units as well as managing its investments.

Management Responses

Ruwa Local Board

Council had several offers to partner commercial and industrial activities but the challenge is on availability of land. Council tried to partner with a firm which wanted to transform refuse to fuel and the other one, sewerage to gas but all these brilliant ideas were hindered by lack of land. Council have written three (3) letters to the Ministry of Local Government, Public Works and National Housing. Other four (4) letters were written to the Ministry of Lands, Agriculture, Fisheries, Water and Rural Development applying for land but to no success.

Zvimba Rural Council

We acknowledge the audit finding that council did not engage in any commercial, industrial, agricultural and other activities for the period under review. Council has an Investment Committee that is mandated to implement the projects. The Committee has identified potential income generating projects such as borehole drilling, service station, farm, mining claims, restaurant, guest house and a truck inn that are under evaluation for the purpose of seeking council recommendation and Ministerial Approval.

Marondera Municipality

Following recommendations from the Auditor-General, the Council terminated the contract with ZEMQOS one year ago.

Auditor's Evaluation

The contractor did not abide to the terms and conditions of the agreement. The contractor was supposed to install a system of collecting parking fees worth US\$1 076 095 at the beginning of the contract using their funds and then recover the funds from collection of parking fees. However, there was no proof of such an investment at commencement of the contract. Furthermore, the contract required the parties to open an escrow account where parking fees were supposed to be

deposited and expenditure paid from. However, the account was not opened and the parking fees were being deposited in a bank account fully controlled by ZEMQOs Incorporated. The contract also required ZEMQOs to ensure that the financial statements of the arrangement are audited. However, no audited accounts were submitted since commencement.

The audit had recommended that the Council should reconsider the feasibility of the arrangement to safeguard public resources and also that the Council should ensure effective contract management processes.

Consequently, the Municipality considered to terminate the contract agreement.

Makonde Rural District Council

Noted. Income generating projects will be established once resources permit.

Harare City Council

Management did not respond.

Chitungwiza Municipality

The business Development has been established.

Epworth Local Board

Gumtree mining was engaged and paid outstanding arrears of all periods. The council is now invoicing Gumtree Mining periodically as stated in the contract and continuous monitoring and engagements are taking place.

The collection of finished stone aggregates is not up to date. However, council is collecting aggregates for all capital projects. The council is in the process of setting up control measures to account for finished aggregates extracted and accounting for council's 10% entitlement.

The council has established a draft Local Economic Action Plan (LEAP) meant to identify potential economic growth areas.

Ministry's Comments.

Regularisation of Income Generating Projects (IGPs) without authority will be done. Also key to the Ministry is to ensure councils discontinue IGPs that are loss making. It should be noted that the Ministry will, in line with the call by His Excellence in the Local Authorities Blue Print, demand the return to council management of all services that were out sourced. Going forward, strict control on establishment of partnerships by Local Authorities will be instituted to ensure full compliance with the ZIDA Act.

Chapter 4 Conclusions

General conclusion

Local Authorities were not efficiently and effectively managing revenue generating properties. In all the nine (9) Local Authorities audited, revenue collections were not being done effectively, for instance collection of revenue from houses rented out was not being enforced as tenants were in arrears. Corrective action in line with the lease agreement was not also being taken. Maintenance of the properties was also compromised as a result of low cash inflows. In addition, joint ventures or income generating projects were not realising profits as anticipated. These revenue management issues resulted in failure to provide effective services to the residents.

Specific conclusions

4.1 Local authorities are not collecting revenue from all their revenue generating properties such as houses, billboards and beerhalls. Revenue is also being lost as most of the Local Authorities do not have valid lease agreements with the tenants and collection methods are not effective.

4.2 Local Authorities are reviewing rentals on a yearly basis. However, the rental charges are not market related. Local Authorities may not be able to maintain or construct other revenue generating properties if the rentals are not collected and ploughed back towards improving or adding more properties.

4.3 Mechanisms to collect revenue from unauthorised operators are in place through the use of by-laws and yearly tariff schedules.

4.4 Inspections on revenue generating properties are not being carried out in all Local Authorities audited. Local Authorities are not prioritising inspections as they are not planned for. Inspections need to be done in order to establish the status of properties and come up with plans for maintaining the properties.

4.5 Some Local Authorities are engaging into commercial, industrial, agricultural or other activities for the purpose of raising revenue for the councils and some are not. Those that are managing the projects well are benefiting from the revenues realised. Engaging into commercial, industrial, agricultural or other activities helps Local Authorities with extra revenue if managed well. Local Authorities would not rely on revenue generated from rates only but have supplementary revenue for improving service delivery.

Chapter 5 Recommendations

5.1 Local Authorities should renew leases with tenants, review rental charges to match prevailing market rates, collect rentals on time, have a systematic way of rental collection, continue engaging tenants and enforce honouring of rental payments. This will ensure that unfinished structures are completed and the projects will contribute towards revenue generation.

In addition, Local Authorities should make sure that they maintain a billboard registers and that all bill boards erected on council land have lease agreements as a basis for rental collection. Furthermore, the terms and conditions of agreements should be enforced in the case of default. Local Authorities are strongly encouraged to maintain records at all times such that information is up to date and accessed whenever it is needed.

5.2 While by-laws were in place; Local Authorities should enforce the by-laws in order to reduce or remove operators at undesignated places.

5.3 Inspection plans/schedules should be put in place and implemented so that Local Authorities assess the conditions of the income generating properties. Inspections will help to reduce continued dilapidation of properties as they will be attended to in time. In addition, risks associated with health and safety to users will be reduced. Furthermore, Local Authorities should maintain registers to make sure that those living in or using the properties are authorized tenants.

5.4 Local Authorities should put plans in place to engage in any commercial, industrial, agricultural or other activities for the purpose of revenue generation.

In addition, Local Authorities should seek approval from the Ministry whenever they want to engage into profit making investments. This exercise will enable evaluation of the project's viability before it is implemented.

Annexures

Annexure A: Interviews held.

Ministry of Local Government and Public Works

Deputy Director Urban Local Authorities.	To get insight on how the Ministry coordinates with the Urban Local Authorities.
Director Rural Local Authorities.	To get insight on how the Ministry coordinates with the Rural Local Authorities.

City of Harare

Town Clerk.	To obtain the background of the Local Authority and understand his roles in the management of properties.
Head Finance.	To understand the sources of income for Harare City and obtain information on Councils' business ventures.
Valuation Manager.	Establishing the asset valuation and leasing of the properties under his jurisdiction.
Housing Officer (Flats and rented accommodation).	Establishing processes involved in leasing of flats and other rented houses.
Principal Markets Officer.	Establishing processes involved in managing markets.

Ruwa Local Board

Town Secretary.	To understand the background of Ruwa Local Board and challenges they were facing.
Housing Officer.	Establishing processes involved in leasing out houses.
Town Planner/Valuation.	Establishing asset valuation.

Chinhoyi Municipality

Town Clerk.	To obtain information on properties under his jurisdiction, how they were managed and the challenges they were facing in the management of properties.
Internal Auditor.	Establish the role they play in the management of properties and the challenges or issues being noted in the management of properties.
Engineer.	To obtain information on properties under his jurisdiction, how they were managed and the challenges they were facing in the management of properties.
Valuations Officer.	Establishing the asset valuation and leasing of the properties under his jurisdiction.
Director of Housing.	To obtain information on properties under his jurisdiction, how they were managed and the challenges they were facing in the management of properties.

Zvimba Rural District Council

Chief Executive Officer.	To understand the background of Zvimba RDC, the CEO's responsibilities in the management of properties and challenges they were facing.
Housing Officer.	Establishing processes involved in leasing out houses and asset valuations.

Karoi Town Council

Town Secretary.	To understand the background of Karoi Town Council, the Town Secretary's responsibilities in the management of properties and challenges they were facing.
Chief Internal Auditor.	Establish the role they play in the management of properties and the challenges they were facing in the management of properties.
Acting Chief Engineer.	Establishing how maintenances of properties were being done and the challenges faced.
Housing Officer.	Establishing processes involved in leasing out houses and asset valuations.
Director of Engineering Services.	Establishing how maintenance of properties were being done and the challenges faced.

Makonde RDC

Chief Executive Officer.	To understand the background of Makonde RDC, the CEO's responsibilities in the management of properties and challenges they were facing.
Acting Administration Officer.	Establishing processes involved in leasing out houses and asset valuations and maintenance of properties.
Acting Town Secretary.	To understand the background of Makonde Rural District Council, the Town Secretary's responsibilities in the management of properties and challenges they were facing.
Housing Officer.	Establishing processes involved in leasing out houses and asset valuations.
Revenue Accountant.	Establishing revenue generated from joint ventures and revenue generating properties.
Town Planner.	Establishing processes involved in leasing out billboards.

Annexure B: Documents Reviewed.

Document	Purpose
Urban Councils Act [<i>Chapter 29:15</i>]	Establishing the mandates of Urban Local Authorities.
Rural Councils Act [<i>Chapter 29:13</i>].	Establishing the mandates of Rural Local Authorities.
Management of Urban Land Manual.	Establishing processes involved in the management of urban land.
Council By laws.	Establishing how councils manage revenue generating properties.
Housing Procedure Manual.	Establishing the procedures in the allocation of residential stands and rented accommodation.
Housing Policies.	To establish the Local Authorities policy direction on housing delivery.
Property files.	Establishing the terms and conditions of the leases and validity of the leases.
Property Registers.	Establishing properties under jurisdiction of individual Local Authorities.
Tenant Registers.	Establishing sitting tenants.
Annual Reports.	Establishing reported cases pertaining to property management.
Standard Operating Procedures.	Establishing procedures followed in managing properties.
2016 to 2021 Financial statements.	Establishing sources of funds for Local Authorities.
Internal Audit Reports.	Establishing internally reported cases pertaining to property management.
January 2018 to December 2019 Revenue reports.	Establishing revenue generated from properties.
Maintenance/Inspection Reports.	Establishing whether inspections were done and how often.
Tariff Schedule.	Establishing how tariffs were reviewed.

