



REPORT

of the

Auditor-General

for the

FINANCIAL YEAR ENDED DECEMBER 31, 2016

ON

APPROPRIATION ACCOUNTS, FINANCE AND

REVENUE STATEMENTS AND FUND

ACCOUNTS

Presented to Parliament of Zimbabwe

2017

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Office of the Auditor-General
of Zimbabwe
48. George Silundika Avenue
Cnr. S. V. Muzenda Street,
Harare, Zimbabwe

The Hon. Mr. 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 Appropriation Accounts, Finance and Revenue Statements and Fund Accounts of Zimbabwe 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.

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OAG VISION

To be the Centre 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 and motivated staff with the aim of improving accountability and good corporate governance.

OAG VALUES



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LIST OF ACRONYMS

AfDB	African Development Bank
AFROSAI-E	African Organisation of Supreme Audit Institutions for English Speaking Countries
AMTOs	Assisted Medical Treatment Orders
APM	Accounting Procedures Manual
BAZ	Broadcasting Authority of Zimbabwe
BBR	Beitbridge - Bulawayo Railway
BEAM	Basic Education Assistance Module
BOI	Board of Inquiry
CAAZ	Civil Aviation Authority of Zimbabwe
CBZ	Commercial Bank of Zimbabwe
CCTV	Closed-Circuit Television
CMED	Central Mechanical Equipment Department
CSC	Cold Storage Company
CVR	Central Vehicle Registry
DDF	District Development Fund
DIMAF	Distressed Industries and Marginalized Firms
DIPA	Departmental Integrated Performance Agreement
DMFAS	Debt Management and Financial Analysis System
DMO	Debt Management Office
EU	European Union
GAAP	Generally Accepted Accounting Principles
GMB	Grain Marketing Board
IAS	International Accounting Standards
IDBZ	Infrastructure Development Bank of Zimbabwe
IDC	Industrial Development Corporation
IMF	International Monetary Fund
IMPI	Information and Media Panel of Inquiry
KRAs	Key Result Areas
LDC	Livestock Development Committee
MIPA	Ministerial Integrated Performance Agreement

MMCZ	Minerals Marketing Corporation of Zimbabwe
MOU	Memorandum of Understanding
NOCZIM	National Oil Company of Zimbabwe
NOIC	National Oil Infrastructure Company
NRZ	National Railways of Zimbabwe
NSSA	National Social Security Authority
OAG	Office of the Auditor-General
PAAB	Public Accountants and Auditors Board
PAC	Public Accounts Committee
PDMO	Public Debt Management Office
PFMA	Public Finance Management Act
PFMS	Public Finance Management System
PMD	Provincial Medical Director
PMG	Paymaster General Account
POSB	People's Own Savings Bank
PSC	Public Service Commission
PSIP	Public Sector Investment Programme
PTA	Preferential Trade Area
PVA	Public Viewing Areas
RBM	Results Based Management
RBZ	Reserve Bank of Zimbabwe
SAP	Systems Application Programme
SDGs	Sustainable Development Goals
SEDCO	Small Enterprises Development Corporation
SI	Statutory Instrument
SME	Small and Medium Enterprises
SMEDCO	Small and Medium Enterprises Development Corporation
SPB	State Procurement Board
SSB	Salary Service Bureau
T&S	Travelling and Subsistence
UNDP	United Nations Development Programme
UNICEF	United Nations Children Education Fund
UNWTO	United Nations World Tourism Organisation

VAT	Value Added Tax
VTC	Vocational Training Centre
VED	Vehicle Examination Department
VES	Visitor Exit Survey
VID	Vehicle Inspection Department
YEF	Youth Empowerment Facility
ZEC	Zimbabwe Electoral Commission
ZERA	Zimbabwe Energy Regulatory Authority
ZESA	Zimbabwe Electricity Supply Authority
ZETREF	Zimbabwe Economic and Trade Revival Fund
ZimASSET	Zimbabwe Agenda for Sustainable Socio-Economic Transformation
ZIMRA	Zimbabwe Revenue Authority
ZINARA	Zimbabwe National Roads Administration
ZINWA	Zimbabwe National Water Authority
ZMDC	Zimbabwe Mining Development Corporation
ZRP	Zimbabwe Republic Police
ZTA	Zimbabwe Tourism Authority

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GENERAL REPORT AND EXECUTIVE SUMMARY

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GENERAL REPORT

1 SUBMISSION OF ANNUAL REPORT

In terms of Section 309 (2) of the Constitution of Zimbabwe Amendment (No. 20) Act 2013 and Section 10 of the Audit Office Act [*Chapter 22:18*], I am required, after examining the public accounts of Zimbabwe submitted to me in terms of Section 35 (6) and (7) of the Public Finance Management Act [*Chapter 22:19*] and signing a certificate recording the results of such examination, to prepare and submit to the Minister of Finance, not later than June 30 of each year, a report of my examination and audit of the public accounts of Zimbabwe.

In terms of Section 35 (12) of the Public Finance Management Act [*Chapter 22:19*] the Minister of Finance is responsible for submission to the House of Assembly audited consolidated financial statements.

Section 302 of the Constitution of Zimbabwe requires that all fees, taxes and borrowings and all other revenues of the Government, whatever their source, unless an Act of Parliament-

- a) requires or permits them to be paid into some other fund established for a specific purpose; or
- b) permits the authority that received them to retain them, or part of them, in order to meet the authority's expenses.

shall be paid into and form one Consolidated Revenue Fund. The administration and control over the Fund is exercised by the Treasury under the provisions of Section 17 of the Public Finance Management Act [*Chapter 22:19*].

2 DUTIES OF THE AUDITOR-GENERAL

My duties as set out in the Constitution of Zimbabwe Amendment (No. 20) Act 2013 and amplified in the Audit Office Act [*Chapter 22:18*] are: -

- to audit the accounts, financial systems and financial management of all departments, institutions and agencies of government, all provincial and metropolitan councils and all local authorities;
- at the request of government, to carry out special audits of the accounts of any statutory body or government-controlled entity;
- to satisfy myself that the receipt and disbursement of public monies has been made in accordance with proper authority and has been correctly accounted for and that all reasonable precautions have been taken to safeguard State property; and
- to carry out Value for Money audits, which entail the examination into the economy, efficiency and effectiveness with which those entrusted with financial and material resources have utilized them in carrying out their mandates.

3 BASIS OF PREPARATION OF PUBLIC ACCOUNTS

Management of public funds is governed primarily by the provisions of the Public Finance Management Act [*Chapter 22:19*]. Central Government uses cash accounting basis for Appropriation Accounts and partly accruals accounting for Fund Accounts. The reporting framework for State Enterprises and Parastatals is International Financial Reporting Standards (IFRS) and Local Authorities were using Generally Accepted Accounting Practice (GAAP) and are moving to International Public Sector Accounting Standards (IPSAS). The IPSAS are based on the IFRS and are issued by the IPSAS Board for use by public sector entities.

However, there were no Accounting and reporting standards set by the Public Accountants and Auditors Board (PAAB) whose responsibility is to set such standards, in terms of section 44(2) of the Public Accountants and Auditors Act [*Chapter 27:12*].

4 CONDUCT OF THE AUDIT AND GENERAL STATE OF THE PUBLIC ACCOUNTS

My statutory audit is discharged by a programme of test checks and examinations which are applied in conformity with the generally accepted auditing standards. The checks are intended to provide an overall assurance of the general accuracy of the accounting transactions and not to disclose each and every error.

I conducted audits at Head Offices of Ministries and made visits to outstations as well. Results of the audit of Provincial and District stations are included in my findings in this report. In 2016 I visited 316 stations as compared to 468 in 2015, which is a decrease of 32.5%. This was mainly due to the inadequacy of financial and manpower resources. Details of the stations visited are on Annexure A. It is my wish to increase the number of outstations visits as most Ministries are decentralised.

There was an improvement in the transparency and accountability in financial matters of the republic of Zimbabwe. A sizeable number of Ministries and Funds took heed of my recommendations and implemented them. The number of Funds without material issues reported increased from 12 to 18 in 2016. However, there is still room for improvement. Out of the 74 audited Fund Accounts, 56 (76%) compared to 85% in 2015 had material audit findings warranting management attention (1 adverse, 6 disclaimers, 32 qualified and 17 unqualified with material issues and 18 without material issues). Out of the 38 audited Appropriation/Ministry Accounts 15 were qualified, 17 were unqualified with material issues while the remainder had clean certificates. Annexure D has more details.

The Appropriation Accounts for the Zimbabwe Anti-Corruption Commission, Zimbabwe Electoral Commission and the Zimbabwe Human Rights Commission were not included as the audits were still in progress at the time of finalizing this report. Also the Accounting Officer for the Ministry of Finance and Economic Development was still to sign the Appropriation Account and some finance and revenue statements which have been included in this report.

My Office continued to contract to private auditors the audit of some State Enterprises, Parastatals and Local Authorities in terms of Section 9 of the Audit Office Act [Chapter 22:18] mainly because of low staff levels in the Office. Annexure B shows the staff position during 2016. I was however granted authority to fill vacant Auditor posts at the beginning of 2017 and hope to increase the number of State Enterprises, Parastatals and Local Authorities under my audit.

5 TRAINING AND STAFF DEVELOPMENT

Staff training and development remained as one of the key objectives of my Office. With the assistance of the African Organisation of Supreme Audit Institutions for English speaking countries (AFROSAI-E) to which Zimbabwe is a member, Development Partners, Public Service Commission, study visits to other Supreme Audit Institutions (SAIs), and other stakeholders, a number of training programmes and Continuous Professional Development (CPDs) were attended by my staff in order to keep them updated with the developments taking place in the audit profession. The training programmes attended are on Annexure C.

6 CERTIFICATION OF PUBLIC ACCOUNTS

I certify that I have examined the public accounts of Zimbabwe in accordance with the Constitution of Zimbabwe Amendment (No. 20) Act 2013, the Audit Office Act [Chapter 22:18] and the Public Finance Management Act [Chapter 22:19].

AUDIT OPINION

The audit opinion on Appropriation Accounts, Fund Accounts, Finance and Revenue Statements varied from account to account. Annexure D shows the opinion per each account. The financial statements are to be consolidated into one report by the Accountant-General in terms of section 35 (12) of the Public Finance Management Act [Chapter 22:19].

ACKNOWLEDGEMENTS

I wish to recognize the importance of the part played by all the Accounting Officers and Receivers of Revenue which made it possible for me to submit my Report for the year under review.

Members of my staff deserve special mention for their dedication and support in the production of my reports. The future appears to bring challenges which can be overcome only with a motivated and committed staff if I am to carry out my mandate.



HARARE
June 14, 2017.

M. CHIRI,
AUDITOR-GENERAL.

EXECUTIVE SUMMARY

This section summarises the major audit findings in the report which were common to most Ministries/Departments. These issues call for urgent attention and action for redress by those responsible for governance, in order to improve transparency and accountability in the public sector as required by section 298 of the Constitution of Zimbabwe Amendment (No. 20) Act 2013. The issues are summarised as follows:

1 GOVERNANCE ISSUES

1.1 Maintenance of Accounting Records

Maintenance of accounting records remained a challenge especially for Fund accounts. Some Ministries did not maintain proper accounting and assets records such as cash books and ledgers to record revenue and expenditure, immovable property registers, motor vehicle registers, fuel and other asset registers. As a result, some financial statements were compiled from bank statements, payment vouchers and cash books instead of using general ledgers. Omission of certain information occurred resulting in misstatement of financial statements.

Differences continued to emerge between the PFMS and the Sub-Paymaster-Generals' accounts in various Ministries and reconciliations and establishment of the source of the differences was not done. (**Annexure G**). As a result, I was unable to rely on the total expenditure figures disclosed in the Appropriation Accounts of those Ministries.

1.2 Fraudulent Activities

During the period under review a total of \$222 791 (2015: \$179 144) was misappropriated from Appropriation/Ministry and Fund accounts. This was due to weak internal controls coupled with the assignment of payment duties to Administration personnel instead of Accountants.

1.3 Transfer of Moneys from Fund Accounts

There was a continued use of money from the Fund accounts to augment Appropriation/Ministry Account expenditure. For a number of Ministries, provision for resources from Fund accounts was made in the budget, hence there was a reduction in the number of Ministries which were utilising money from Fund Accounts for Appropriation activities without authority. There were only two Ministries during the year under review compared to six in the previous year. The amount that was utilized amounted to \$894 251 (2015: \$12 084 785). (**Annexure H**). However, the use of these monies calls for the review of the percentage being retained so that the revenue is accounted for through the Consolidated Revenue Fund in terms of section 302 of the Constitution of Zimbabwe Amendment (No. 20) 2013.

1.4 Suspense Account Balances in Fund Accounts

A number of Fund accounts had suspense balances in their financial statements. The existence and non-clearance of these balances in the financial statements is an indication of inaccuracies and misstatements. Although there was a reduction in the suspense account balances from \$8 184 055 in 2015 to \$6 780 856 the figure could possibly have been higher if all the Fund accounts had been audited. (**Annexure I**). As indicated on **Annexures E and F**, a number of Fund financial statements were in arrear or were not submitted on time.

1.5 Outstanding Payments to Suppliers of Goods and Services

Ministries continued to acquire goods and services from suppliers although they did not have the financial resources to meet the expenditure. This was evidenced by an increase of \$30 574 096 (57%) of amounts owed to suppliers from last year's figure of \$53 511 409 to the current balance of \$84 085 505. Thus when the current year budget estimates were compiled, Ministries already had previous year's outstanding payments. Deferring payments was against Treasury Instructions which require Ministries to pay suppliers promptly when goods and services are received. The total Government expenditure for the period under review was therefore understated by \$84 085 505. If suppliers are not paid promptly, the supply system is disturbed and Ministries incur cost overruns on contracts and litigation costs may also end up being incurred. The list of the Ministries including one Fund is on **Annexure J**.

1.6 Direct Payments

Ministry of Finance processed various payments directly to suppliers of goods and services on behalf of Ministries and adequate documentation was not provided to Ministries. A number of Ministries were qualified for not following up on these direct payments and some payments were not properly accounted for in the financial statements. There is need for this area to be re-looked at to improve coordination between Ministry of Finance so that all transactions are validated and properly accounted for.

1.7 Unsupported Expenditure

Some Fund accounts were processing payments which were inadequately supported. Without the supporting documents, it was difficult to determine the nature of the payments and whether they were being done in accordance with rules and regulations and in line with the mandate of the Fund. The unsupported total expenditure was \$8 315 064 (2015: \$21 746 501) (**Annexure K**).

1.8 Use of Fund Resources as Collateral Security

The Ministry of Youth, Indigenisation and Economic Empowerment used money in the bank account of the Youth Development and Economic Empowerment Fund as collateral security for loans issued to private individuals. As a result, the Fund whose bank account was used as collateral security was exposed to risk of losing a total

amount of \$1 879 755 (2015: \$1 551 523) as the beneficiaries were struggling to repay the loans.

1.9 Budgetary Control

Poor budgetary control systems resulted in twenty-six (26) Fund accounts incurring excess expenditure over income totaling \$61 695 986 (2015: \$10 256 876). This was further aggravated by the borrowing of money by parent Ministries to finance Appropriation activities expenditure. (**Annexure L**).

1.10 Loans to Private and Public Enterprises

Ministries and Fund accounts advanced loans worth \$91 787 307 to private and state enterprises without signing loan agreements. This exposed the Government in cases of the entities defaulting on repayments. Normally most constitutions of Funds have no provision for lending money so this was contrary to their objectives.

1.11 Posting Financial Transactions to Closed Financial Years

In the 2014 and 2015 Audit Reports, concern was raised over posting of financial transactions to closed financial years, contrary to the standard thirteenth (13th) period of one month after the end of the financial year. At the time of finalising the audit, on May 19, 2017, some Ministries were still posting expenditure figures to the PFMS. In addition, the system was not separating commitments of expenditure from actual expenditure incurred. The uploading of expenditure after the submission of the Appropriation Accounts for audit implies that all the inputs after the said submission are not audited.

1.12 Upload of Assets

The issue of uploading assets into the PFMS has continued to be a challenge. For the third year running, ten (10) ministries could not display assets in the system as the uploading was incomplete. In addition, serial numbers of assets such as computers and printers were not recorded in the system but were grouped and given one asset number.

1.13 SAP Audit Management Module and Audit Log

The PFMS rides on SAP for the processing of all Government transactions. SAP has an Audit Management Module used to build audit plans, prepare audits, analyse relevant information, document and communicate results. An audit Log is a record of user activities in the SAP system. The Ministry of Finance has not implemented the Audit Management Module and this can perpetuate potential violations to go undetected.

2 PROCUREMENT

2.1 Violation of Procurement Regulations

During the current year there was a reduction of 61% in the value of goods and services that were purchased without following tender procedures. A total of \$1 025 384 (2015: \$2 644 485) was spent without following informal tender procedures. Four Ministries were involved.

3 REVENUE COLLECTION AND DEBT MANAGEMENT

3.1 Amounts not collected from Debtors

A number of Ministries and their Fund accounts need to put more effort to recover amounts due to the Government. During the 2015 period I reported lack of efficient accounting systems and inadequate effort to collect amounts due from clients and employees totaling \$48 871 240. During the period under review the debtors increased by 87% to \$91 409 864. The bulk of the amount has remained uncollected for long periods ranging from 1 to 7 years. The collectability of the amounts that were over seven (7) years outstanding was in doubt. The bulk of the amount related to health service providers with over \$23 million (**Annexure M**).

4 IMPLEMENTATION OF PRIOR YEAR AUDIT RECOMMENDATIONS

I would want to acknowledge the Ministries which have taken steps to implement my recommendations. Out of the 151 audit recommendations raised during the 2015 financial year, 48% were implemented, 12% were in progress and 40% were yet to be implemented (**Annexure N**). I also noticed some improvements as indicated by the type of opinion given to the financial statements. (**Annexure D**). Some internal control systems were improved by way of moving from manual to computerised systems.

5 COMMENT ON MANAGEMENT OF PUBLIC RESOURCES TO ACHIEVE NATIONAL OBJECTIVES

Achievement of national objectives is hinged on good governance, transparency and accountability. Due to the current liquidity crunch, Treasury was releasing financial resources mainly for the payment of employment costs with very little for projects. This could have been attributed to the failure by Ministries to timeously report on and account for the collection and utilization of resources under their charge. A number of Funds are in arrears in the production of their financial statements showing programmes implemented and resources utilised. In this regard, Appropriation activities cannot be linked with Fund activities thereby affecting decision making.

There is need for all entities to be up to date with reporting their activities through production of financial statements.

Without resources being effectively pooled together, service delivery can be compromised. For example, service delivery at Health Institutions was adversely affected by:

- (a) Obsolete hospital equipment.
- (b) Inadequate funding for the procurement of new equipment and medicines.
- (c) Unavailability of alternative water sources to service the hospitals and space to install new equipment received.
- (d) Unavailability of specialised personnel.

Revenue leakages remain a challenge and require receivers of revenue to put in place controls to guard against the leakages. If these are not controlled, Government may not be able to ensure equitable distribution of resources.

**APPROPRIATION ACCOUNTS, FINANCE AND REVENUE
STATEMENTS AND FUND ACCOUNTS**

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VOTE 1.- OFFICE OF THE PRESIDENT AND CABINET

DISTRICT DEVELOPMENT FUND 2015

OBJECTIVE OF THE FUND

The main objectives of the Fund are to develop Communal Land and such other development areas as may be declared by the Minister. The Fund's budget is approved by Parliament.

I have audited the financial statements of the District Development Fund for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the District Development Fund as at December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Classification of Expenditure – Maintenance of Plant and Equipment

Finding

The financial statements disclosed an amount of \$2 115 542 as the expenditure for Maintenance of Plant and Equipment. However, an analysis of the ledger for Plant and Equipment, revealed that 55% of the above disclosed expenditure amounting to \$1 165 551 constituted fuel payments. Furthermore, out of the \$1 165 551 meant for fuel payments an amount of \$1 033 600 (89%) was incurred at Head Office thus underpinning the fact that most of the fuel was used for administration purposes. This resulted in overstating the maintenance of plant and equipment expenditure by \$1 165 551. As highlighted in my previous audit, this was caused by failure to properly classify and disclose the expenditure items contrary to good accounting practices. I could not place reliance on the financial statements submitted for audit.

Risks/Implications

Improper disclosure of expenditure may mislead users of financial statements thereby affecting financial decision making and may impact on the efficient utilisation of organisational resources.

The inclusion of fuel costs might be construed as an attempt by the Fund to hide the fuel expenses from the scrutiny of the public eye as most of it is concentrated at Head Office.

Recommendation

The Fund should separate the fuel transactions from the maintenance of Plant and Equipment item so that there is proper accountability for each nature of transaction.

Management Response

We take note of the audit observation. The Plant and Equipment vote must be looked at in relation to the hire of transport revenue. This is because of the cost of maintaining the plant and equipment is recouped through hiring out to private clients the same equipment when it is not being used on government projects financed under PSIP.

However, we take note of the audit concern to disclose fuel expenditure separately on the face of the income and expenditure.

1.2 Classification of Expenditure – Maintenance of Buildings

Finding

The Fund's expenditure on maintenance of buildings was \$131 013. However, it included a total of \$63 865 for electricity, rents and rates which was 49% of the total expenditure for this particular item. The inclusion of these expenses resulted in misallocation and overstatement of the maintenance of building item contrary to good accounting practices. I could therefore not rely on the figure for maintenance of buildings due to improper accounting treatment and disclosures.

Risk/Implication

Improper classification of expenditure may mislead users of financial statements resulting in wrong financial decisions being made.

Recommendation

The Fund should separate the utilities transactions from the maintenance of buildings item so that there is proper accountability and classification of transactions. This also enhances decision making.

Management Response

The classification of the expenditure under these budgetary classifications has to follow sub-vote line items that guide Treasury in the disbursements of the resources as well as justification of allocations. The classification of expenditure under each pre-determined sub vote is activity based control system.

Evaluation of Management Response

The financial statements should be prepared in a manner that is understood by the end users and exemplify the correct position of the accounts. The Fund should move in tandem with the changing accounting environment and embrace change. In this case Treasury can be engaged for them to make the necessary changes. Management Accounts can always be prepared for internal use if need be.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Recognition of Revenue and Expenditure

Findings

Funds amounting to \$340 900 were paid by Broadcasting Authority of Zimbabwe (BAZ) on behalf of DDF direct to CMED for the purchase of six vehicles for managers on July 29, 2015. The cash transaction of \$340 900 to CMED by BAZ was in settlement of hire of transport charges owed to DDF. This transaction was not recognised in the DDF Accounts, thereby understating income of \$24 587 039 by an equivalent amount of \$340 900 contrary to good accounting practices.

The purchase of these vehicles worth \$340 900, that were registered in the name of CMED, was also not recognised in the Statement of Comprehensive Income in line with the DDF accounting policy of writing off assets at the time of purchase, thus total expenditure of \$24 703 640 was understated by the same amount. The completeness of the financial statements therefore remained questionable.

Risks/ Implications

Financial statements were materially misstated due to the understatement of revenue and expenditure.

Fraud can easily be perpetrated if transactions are done outside the system.

Assets can easily disappear without trace if not recorded in the asset registers.

Recommendations

Proper financial control should be exercised to ensure that all transactions are properly accounted for and recognised in the financial statements.

The revenue and expenditure omitted should be recognized.

Assets purchased should be entered in the Assets registers.

Management Response

The amount of \$340 900 for project vehicles bought through CMED could not be recorded in DDF financial records in 2015 since the cash had not passed through the DDF bank account and the revenue could only be earned on completion of the assignment. The management explanation was vindicated by Broadcasting Authority of Zimbabwe acknowledging completion of the assignments in 2016 and DDF subsequently advising CMED to transfer the vehicles into DDF's name. The vehicles have now been entered in the DDF assets register. The amount of \$340 900 has now been recognized in the 2016 Financial Statements.

Evaluation of Management Response

Broadcasting Authority of Zimbabwe (BAZ) confirmed to audit that the \$340 900 owed to DDF was paid to CMED as part of the set off, of the amount BAZ owed to DDF for the digitalisation project for hiring of transport in 2015. Further, according to the best practice, revenue is recognised for service rendered when it is probable that the economic benefits or services will flow to the entity and can be measured reliably in that reporting period and in this instance it was 2015. In future DDF management is advised to enter into written agreements with third parties in order to avoid ambiguities.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Rentals Paid on behalf of Staff

Finding

DDF paid a total of \$12 600 in rentals for the period October 2013 to December 2015 for the DDF Chegutu District officials' accommodation. The officials, the District Coordinator and the District Accountant who shared the rented accommodation were also paid housing allowances of \$116 each per month while at the same time monthly rental of \$450 for the house was being paid by DDF on their behalf resulting in the officials benefiting twice. The contributory factor was weak internal controls. Therefore, this was not a proper charge to the Fund and it goes against the principle of equity/fairness.

Risk/Implication

The payment of rentals for staff who are in receipt of housing allowances may result in overburdening the Fund through fruitless expenditure.

Recommendations

The Accounting Officer should institute recovery action against staff who benefited so that the Fund is reimbursed the total amount of \$12 600 paid irregularly for

accommodation and payments made post December 31, 2015 should also be recovered. The rental payments of \$450 should be discontinued as this is not a proper charge to the Fund.

Management Response

DDF entered into an agreement to drill boreholes in exchange for residential stands valued at \$98 000 for the building of DDF staff accommodation. In order to ensure that the project is a success, the Fund had to recruit the critical staff to supervise the project and bring sanity in the district. This saw the Fund renting accommodation for the District Coordinator and the District Accountant.

Evaluation of Management Response

There is no provision in the Fund regulations or Public Finance Management Act [Chapter 22:19] for payment of rentals on behalf of staff receiving housing allowances hence the transactions remain irregular.

1.2 Audit Committee

Finding

The provisions of section 84(1) and (2) of the Public Finance Management Act [Chapter 22:19] requires that every Ministry, Statutory fund, constitutional entity and public entity shall establish an audit committee that periodically reviews internal controls, including the scope of the internal audit programme, and the internal audit findings, and to recommend appropriate action to be taken by the responsible authorities and to ensure that accounts are prepared in a timely and accurate manner. However, the Fund did not have an Audit Committee during the year under review.

Risks/Implications

Absence of an Audit Committee may compromise the effectiveness of the internal controls and that of the Internal Audit function. Further, audit issues from both the internal and external auditors may remain unresolved for long periods of time.

Recommendation

The Fund should endeavor to have an Audit Committee constituted to ensure that audit and other internal control issues are timeously dealt with instead of the current set up were the audit issues are not given the priority they deserve.

Management Response

The issue is best addressed by Treasury, who should give a detailed instruction on the setting up of the Audit Committee and its composition since it is a cross cutting issue that needs to be addressed for all Government Departments.

However, currently the internal audit reports are reviewed by Management, who have an obligation to provide answers and ensure corrective action is taken as will have been recommended by internal audit.

Evaluation of Management Response

The DDF Act bestows broad powers on the Trustee to act in the best interests of the Fund to safeguard its assets. Thus, the management should advise the Trustee to appoint an Audit Committee to enhance the efficiency and effectiveness of the internal audit function. This should be done in concurrence with Treasury as the appointment may result in payment of allowances.

1.3 Internal Audit Reporting Structure

Finding

I noted that the DDF organogram reflected that the Chief Internal Auditor reported technically and administratively to the Director of Finance and Administration who for operational purposes is the key client/player. However, the organogram was last updated in 2008 and was not in sync with the tenets of good corporate governance as propounded in section 50 which stipulates that every public entity shall adhere to and implement the principles of sound corporate governance policies, procedures and practices. Further it was in contravention with the provisions of section 80 (3b) of the Public Finance Management Act [Chapter 22:19] which stipulates that in the performance of his or her functions an internal auditor shall have direct access to the Accounting Officer of the Ministry or reporting unit concerned. Therefore, I was not convinced that the Accounting Officer was being advised appropriately.

Risk/Implication

Internal audit independence can seriously be compromised and therefore weaken the effectiveness of the internal audit function.

Recommendation

The reporting structure for Internal Audit should be reviewed to align it to the Public Finance Management Act [Chapter 22:19] so that the Chief Internal Auditor reports directly to the Accounting Officer and consequently his/her independence and effectiveness is not at all diluted.

Management Response

The Office of the Director of Finance and Administration duties imply that he has to prepare accounting procedures manual and internal control system as well as providing resources to internal audit to carry out their assignment as approved by the Accounting Officer. Thus functionally and administratively DDF Internal Audit inevitably has a responsibility to report to the Director of

Finance and Administration with their professional advice also going direct to the Accounting Officer.

Evaluation of Management Response

Section 80 (3b) of the Public Finance Management Act [Chapter 22:19] should be adhered to and the structure should show likewise.

1.4 Creditors

Finding

The accounts payable age analysis as at December 31, 2015 revealed that creditors amounting to \$642 851 (42%) out of a total of \$1 527 546 were outstanding for more than 180 days contrary to good practices. It therefore, casts doubt on the Fund's ability to pay the creditors.

At the same time the Fund has debtors amounting to \$816 237 which have been outstanding for a long time.

Risks/Implications

There is a risk of failure to pay creditors as they fall due which might result in the Fund being sued thereby tarnishing the image of the Government and also failing to secure future supplies.

The Fund can be charged interest on overdue accounts resulting in over stretching the meagre resources of the Fund.

Recommendation

Creditors should be paid timeously to avoid litigations and interest charges. Timeous recovery of debts will enable DDF to extinguish some of the amounts due.

Management Response

DDF Working Capital is financed by Treasury and ZINARA, who are primarily the source of DDF resources for infrastructure development. However, the respective financiers are currently going through challenges such that the flow of resources to DDF is not consistent as well as certain.

On the other hand, most of the projects executed by the DDF under approved budgets by the two sources require technical completion even in the absence of cash resources for the same. The gap is inevitably bridged by creditors. However, communication is always done with the financiers of the need to release resources and clearing of commitments made in anticipation of budgetary releases.

Evaluation of Management Response

Proper financial control should be exercised by managers of the Fund so that debts are recovered and creditors are paid.

1.5 Road Maintenance Contractors

Findings

I noted that the Fund engaged a number of contractors namely Haingate, Fuel Africa, Shogun and Steps and Path just to mention a few for road maintenance throughout the Provinces. However, at the time of audit, the Fund could not avail the contracts/agreements documents pertaining to the contracts entered into between the Fund and the contractors even though the contracts were of considerable amounts. Requisition vouchers were used as basis for hiring equipment without entering into a formal contract. Refer to the Table below:

Date	Voucher no	Project	Company	Amount \$
29/06/16	007458	Manicaland	Haingate	58 690
16/06/15	002549	Mupatsi-Chikomba District	Haingate	32 020
21/08/15	002609	Mushumbi road	Haingate	32 738
07/08/15	002625	Luseche road	Steps & Paths	13 620
26/08/15	002627	Litshe , Umguza	Steps & Paths	11 760
20/08/15	002607	Charara-kanyati	Fuel Africa	20 280
17/06/15	002551	Makoni Roads	Fuel Africa	20 670

This was contrary to the provisions of Section 32 (1) (c) (vii) of the Procurement Act [Chapter 22:14] which states that terms and conditions of the procurement contract to the extent that they are known to the procuring entity shall be specified.

I was not convinced that the contractors were being effectively supervised in the absence of written agreements between the parties concerned specifying among other things the deliverables, type of machinery to be used, duration and the penalties involved and the cost of the project. Hence, it was difficult to ascertain if the Fund was getting value for money in the absence of the contract documents.

Risks/Implications

In the event of defaulting by the contractor, the Fund may not have legal basis to sue the contractor due to the absence of a formal contract and a requisition voucher might not suffice.

The unavailability of a contract, makes it difficult for the Fund's Road~~s~~ engineers to supervise the projects and acquit the certificate of completeness if terms are not clearly outlined.

Recommendations

The Fund should always enter into a signed contract with the contractors to mitigate against financial loss in the event of the contractors not meeting their obligations.

Management is advised to comply with the principles of sound corporate governance policies, procedures and practices and act professionally in its business dealings.

Management Response

DDF participates on an approved list of suppliers for the supply of Heavy Earth Moving equipment for Roads Construction and Maintenance, administered by the Ministry of Transport as and when required basis. The nature of the engagement of these suppliers is limited to hire of the equipment and not the actual construction of roads.

Evaluation of Management Response

Even those contractors on the approved list can fail to deliver and without a written contract it will be difficult to enforce. Good business practices demand that entities should be proactive than being reactive and ring fence public resources against unforeseen consequences.

1.6 Boards of Inquiries

Finding

During the year under review, seven vehicles belonging to the Fund were involved in road accidents. However, there was no evidence provided to audit to indicate that boards of inquiries were held in respect of these accidents. This was contrary to the provisions of Section 12(1) of the Public Finance Management Act [*Chapter 22:19*], which stipulates that if it comes to the notice of an Accounting Officer that there is any deficiency in, destruction of or damage to state property he or she shall cause an investigation to be held into circumstances of such deficiency, destruction or damage as the case may be. The Table below refers:

DATE	VEHICLE MODEL	VEHICLE REG. NUMBER
11.02.15	Aellous truck	738-759Y
21.03.15	Nissan UD	515-754B
06.05.15	Toyota land cruiser	604-092W
27.06.15	MF TRACTOR	ADB 3666
09.07.15	UG780 Tipper	634-721N
15.10.15	Isuzu KB 250	ADI 3783
30.10.15	UG780 TRUCK	634-700Q

Risk/Implication

Without the boards of inquiries, the full facts pertaining to the cases would not be established for corrective measures to be taken.

Recommendation

Boards of Inquiries should be convened in order to establish the full facts and make the necessary recoveries where applicable.

Management Response

Boards of inquiries are in progress.

Evaluation of Management Response

There was no evidence availed to audit to indicate that there were boards of inquiries in progress.

1.7 Falcon Aircraft Operations

Finding

As highlighted in my previous audit report, an analysis of the Falcon Aircraft business venture revealed that the business made significant losses in the financial years of 2013, 2014 and 2015. Funds were re-allocated from other needy areas in order to bail out the venture that was failing to breakeven. This could be due to the entity venturing into areas that were not viable contrary to the provisions of section 44 (1) (b) (ii) of the Public Finance Management Act [*Chapter 22:19*] which states that public entities are to invest in viable projects or businesses to safeguard public funds. The table below refers:

YEAR	REVENUE (\$)	EXPENDITURE (\$)	(LOSSES) (\$)
2013	97 579	503 865	(408 286)
2014	66 699	212 032	(145 333)
2015	63 119	313 895	(250 776)
TOTAL	\$227 397	\$1 029 792	(\$804 395)

Risk/Implication

Funds needed for core activities like roads maintenance and tillage may be spend on propping up loss making ventures like the Falcon Aircraft Business.

Recommendation

There is need to relook at the operations of the venture so that it can be self-sustaining as other costs are being met by the Appropriation Account and the Fund Account.

Management Response

Falcon Air within DDF operations is taken as a strategic business unit established through taking advantage of the existing DDF infrastructure in the form of human as well as the aircrafts, to raise additional resources to supplement Treasury draw- downs. However, the unit is operated on the basis of viability with all direct costs being self-financing by revenue from the project.

It must be emphasized that the investment decision is based on the potential of the project to generate cash-inflows than the profitability basis because other costs which are of a fixed nature get financed by Government e.g. pilots' salaries, rents and administration staff salaries with or without the business unit.

Evaluation of Management Response

Even though the venture is being subsidized by the State in the form of salary payments for pilots and staff members and rental payments, there is still need to make this venture viable.

2 PROCUREMENT

2.1 Tender Procedures

Findings

The Fund engaged various contractors for road maintenance projects by selecting from the approved list of contractors from Ministry of Transport. However, a sample of transactions revealed that the Fund awarded road maintenance work of over \$10 000, without following the informal tender procedures in line with the State Procurement Board Circular No. 1 of 2015 for goods and services which stipulated that the informal tender value thresholds should be more than \$10 000 and below or equal to \$500 000. The Table below refers:

Date	Voucher No	Project	Company	Amount \$
2/09/15	002653	Mushumbi road	Haingate	19 040
16/06/15	002549	Mupatsi- Chikomba District	Haingate	32 020
21/08/15	002609	Mushumbi road	Haingate	32 738
07/08/15	002625	Luseche road	Steps& Paths	13 620
26/08/15	002627	Litshe , Umuza	Steps& Paths	11 760
20/08/15	002607	Charara-Kanyati	Fuel Africa	20 280
15/07/15	002575	Magunje- Hurungwe District	Fuel Africa	14 885
17/06/15	002551	Makoni Roads	Fuel Africa	20 670
16/06/15	002547	Hurungwe roads	Fuel Africa	17 713

Risk/Implication

The Fund may not get value for money by failing to cast the net wide.

Recommendations

The Fund management should observe State Procurement Board regulations when conducting its procurement.

Management should ensure that staff members charged with procurement responsibilities are trained in order for them to appreciate all legislative provisions relating to their duties.

Management Response

The Fund participates on the approved list of suppliers of Road Construction equipment, whose preparation and management rests with the Ministry of Transport. Cost of the equipment is the same for each piece of equipment for all suppliers. However, selection of supplier depends on logistical reasoning of project site, mobilization costs, and availability of equipment and suitability of the equipment for the assignment on hand.

When Roads department has identified a supplier, a requisition is raised for the supplier describing the works to be done. However, management, noted the audit concern and will insist that in addition to the requisition and order form, the Roads Division must add a list of other suppliers who were consulted during

the search of the suitable supplier, disclosing reasons given by those who were eventually not chosen.

Evaluation of Management Response

Taking cognisance of the amounts involved that are above \$10 000 management should follow correct procurement procedures and not just consult other suppliers.

3 REVENUE COLLECTION AND DEBT MANAGEMENT

3.1 Accounts Receivable

Findings

Total outstanding Debtors as at December 31, 2015 amounted to \$816 237 and out of this amount \$439 160 was in respect of staff debtors thus representing 54% of the total debtor's figure presented in the financial statements. Furthermore, this was an increase of 128% when compared to last year figure of \$192 808 (2014), casting doubts on the ability/ willingness of the fund in recovering the outstanding debts. The dunning procedures that were being adopted by the Department were highly ineffective. This is contrary to Treasury Instruction 1504 which stipulates that Accounting Officers' are responsible for the recovery of all advances made by them and for ensuring that conditions of the advances are complied with.

This therefore means that the fund's working capital position is being seriously compromised thereby affecting the smooth flow of operations. Refer to the table below:

Office	Debtor Number	Amount Due as at May 17, 2016 (\$)	180 days and above as at December 31, 2015 (\$)
Provincial Coordinator Mashonaland West	D00544	4 580	4 370
Director Land Development and Tillage and Construction	D00827	6 015	3 695
Provincial Coordinator Matabeleland South	D01177	3 440	2 310
Head Office	D01842	91 316	91 987
Finance and Administration	D01876	8 145	1 041
Plant and Equipment	D03464	5 795	5 885
Director of Water	D05606	5 270	2 575

Source: Sage Pastel Evolution Individual Debtor Totals and Age Analysis

Risk/Implication

There is risk that the Fund may be prejudiced of much needed working capital to finance day to day operations as substantial amounts will be locked up in debtors.

Recommendations

The Accounting Officer should ensure that the Accounting Procedures Manual is adhered to so as to avoid a situation where the Fund's resources will be locked up in long outstanding debtors.

Recoveries from the staff members concerned should be made through the Salary Service Bureau and robust dunning procedures should be adopted.

Management Response

The Fund has written to the respective debtors and has since handed over the same to the Fund's lawyers for collection.

As for advances outstanding as at December 31, 2015, the fund acknowledges that there are delays by staff members to submit their claims to clear the advances. However most of the claims were submitted in 2016 clearing most of the 2015 balances.

Evaluation of Management Response

Audit Tests as at May 15, 2016 revealed that there had not been much movement on staff debtors.

4 MANAGEMENT AND IMPLEMENTATION OF GOVERNMENT PROGRAMMES

4.1 Results Based Management

Finding

I noted that out of the Fund's total expenditure of \$24 688 956, \$16 110 301 was directed towards Salaries, Wages and Allowances whilst the balance of \$8 578 655 was directed towards operations. This meant that 65% of the Fund's expenditure was consumed by employment costs leaving only 35% to finance operations. Due to low expenditure on operations, service delivery may be compromised and casts doubt on the Fund's ability to achieve its set objectives under the Results Based Management system.

Risk/Implication

There is risk that the Fund may end up paying for idle staff if the Fund's expenditure is not rationalized in a manner that ensures that most of the expenditure is devoted to operations.

Recommendation

There is need to rationalize the fund's expenditure towards operations in order to fulfil its mandate of developing communal lands in line with its Departmental Integrated Performance Agreement (DIPA), ZimASSET National Blueprint and the Sustainable Development Goals (SDGs).

Management Response

Infrastructural Development Agencies in Rural Areas that partner with government in Rural Development projects use DDF structures to implement respective projects. The funds for such projects do not pass through DDF but DDF provides the labour as Government contribution to the partnership, as an example, UNICEF uses the DDF Water Division labour to implement the Rural Wash Program. This is over and above the water related projects financed under PSIP. In some cases, Rural District Councils use DDF Roads division units / Labour to implement their related projects within their mandate at no charge to the councils.

Evaluation of Management Response

Whilst appreciating that other activities of the Fund are financed by Cooperating Partners, management is advised that employees may not be engaged on the basis that the donors might come in and fund the projects. In cases like that, the Fund should use casual labour which is much cheaper.

5 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

5.1 Internal Audit Reports

The issues raised by the internal auditors on missing compressor from Binga which had been sent for repairs had not been resolved. Also the grader that was sent for repairs at D.A.P Diesel and Electrical Engineering Company in Bulawayo on April 20, 2005 had not been returned but was being hired to other companies.

5.2 Disclosure of Assets

The Fund has not yet hired a consultant to evaluate the Fund assets.

5.3 Value for Money

There were no investigations made concerning the procurement of goods and services amounting to \$319 921 which was not handled properly as the prices charged were too high or the quotations were from companies with the same directorship.

5.4 Donations

The issue of the assets donated to the Fund that were not recognized at fair value and not incorporated in the final value of assets balance of \$769 203 appearing in the financial statement as at December 31, 2014 had still not been addressed.

5.5 Irregular Payment of Salaries

Investigations have still not been done nor has any disciplinary action taken on the officer who was negligent in not stopping the salary for an officer who had absconded in May 2010 but continued to appear on the pay sheet till February 2014 prejudicing the State of \$18 228.

5.6 Payments of cellphone allowances

No action had been taken to recover excess allowance paid to officers amounting to \$3 000.

VOTE 2.- PARLIAMENT OF ZIMBABWE

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for Parliament of Zimbabwe for the year ended December 31, 2016.

Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects the financial position and performance of the Parliament of Zimbabwe as at December 31, 2016.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Unreconciled Expenditure

Finding

Under normal circumstances the expenditure reflected in the accounts should agree with the expenditure processed in the Public Finance Management System (PFMS) which is a computerized system used by Government for processing transactions. There was a difference of \$2 594 032 between the expenditure amount of \$20 536 267 shown in the accounts submitted for audit and \$17 942 235 reflected in the PFMS. Out of the \$2 594 032 variance not captured in the PFMS, an amount of \$2 118 078 was for employment costs. Parliament of Zimbabwe could not provide the breakdown of the balance of \$475 954 as at the time of concluding the audit. Therefore, I could not place reliance on the amount of expenditure disclosed in the accounts in the absence of a reconciliation showing the make-up of the \$475 954.

Risk/Implication

There is a risk that Parliament of Zimbabwe might have captured expenditure which does not relate to its operations.

Recommendation

Parliament of Zimbabwe should provide the make-up of the \$475 954 and ensure that all expenditures are captured in the PFMS.

Management Response

The audit observation on the unreconciled \$475 954 is noted. Parliament of Zimbabwe notes that this figure is arising from direct transfers made by Treasury. Parliament of Zimbabwe was making every effort throughout the year

to reconcile direct payments that came from Treasury and receipts from Suppliers. Consequently, as at the time of audit, Treasury had not yet confirmed the following figures which could change the final figure:

Transfers confirmed by suppliers for which Treasury did not provide Parliament of Zimbabwe with direct payment letters	Amount \$
Cresta Group	34 994
Africa Sun	194 958
Natprint	36 910
Total	\$266 862

Parliament of Zimbabwe is doing everything within its power to make sure that the expenditure will be reconciled to the last cent. This is an ongoing process which unfortunately has gone beyond external audit deadlines and requires the cooperation of Treasury and Suppliers.

Evaluation of Management Response

Treasury provided the direct payment letter for \$34 994 on March 16, 2017. Direct payment letters for \$194 958 and \$36 910 were not provided.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Unreconciled Payments

Findings

Parliament of Zimbabwe was not carrying out monthly reconciliations of the direct payments made to service providers on its behalf by Ministry of Finance and Economic Development. Consequently, there was a difference of \$71 785 between direct payments availed by Parliament of Zimbabwe for audit totaling \$2 720 824 and those confirmed by the Ministry of Finance and Economic Development totaling \$2 792 609. The difference of \$71 785 remained uncleared as at the time of concluding the audit.

Furthermore, \$19 977 of the \$2 720 824 direct payments were not supported with receipts.

A total amount of \$8 183 was paid twice to service providers and individuals during 2016. No reimbursements were made.

Risks/Implications

Service providers could be paid twice due to non-reconciliation of figures between the two entities.

Government money might be lost if adequate checks and controls are not implemented when processing payments.

Recommendations

Parliament of Zimbabwe should regularly liaise with the Ministry of Finance and Economic Development so that differences on the Direct Payment amounts are rectified on time. Furthermore, receipts for evidence of payment should be obtained.

Parliament of Zimbabwe should ensure that all payments are properly authorized and thoroughly checked for authenticity before processing.

Management Response

The variance has since been reduced to \$71 785 after obtaining receipts from some suppliers. Please note that this is work in progress as we have requested Treasury to authenticate some of the payments.

One supplier with a total of \$17 977 is still to submit the receipt as confirmation of payment and the other one with \$2 000 has denied receipt of such payment. We have requested Treasury to authenticate the payment and revert to us.

The error is regretted. The beneficiaries have been advised in writing of the error and as we still owe them, the double payment will be set off against their outstanding debts.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Sub-Paymaster General's Account

There was no evidence that the reconciliation was done. As at April 6, 2017 out of the \$3 397 881 direct payments which did not have receipts, Parliament of Zimbabwe availed receipts totaling \$1 951 380 leaving a balance of \$1 446 501.

2.2 Motor Vehicle Loan Scheme

Non-completion of Loan Agreement forms

A reminder has since been issued inviting concerned Members to sign loan agreement forms.

2.3 Asset Management

Library Books

Recovery of lost books from the staff has been effected through stop orders from their salaries. With regards to members, correspondence was made to them as some have

positively responded and paid. Parliament of Zimbabwe also indicated that it was still pursuing the unpaid books with the remaining six (6) members for recovery by May 30, 2017.

2.4 Revenue Collection and Debt Management

Revenue for the respective years was being captured into the PFMS.

VOTE 3.- PUBLIC SERVICE, LABOUR AND SOCIAL WELFARE

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Public Service, Labour and Social Welfare for the year ended December 31, 2016.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of Ministry of Public Service, Labour and Social Welfare as at December 31, 2016.

However, below are material issues that were noted during the audit:

1 MANAGEMENT AND IMPLEMENTATION OF GOVERNMENT PROGRAMMES

1.1 Basic Education Assistance Module (BEAM)

Finding

Section 2 of BEAM's operational manual states that the programme was established to provide fee waivers for eligible primary and secondary school children for tuition, examination fees and applicable levies. The Ministry of Public Service Labour and Social Welfare is responsible for its implementation through making disbursements to schools. During the year under review, Treasury released \$1 570 000 out of a total budgeted figure of \$10 000 000 for the programme. The Ministry used \$58 605 to meet expenditure which was not in line with the objectives of the programme despite having arrears amounting to \$71 904 329 as at December 31, 2016.

Risk/Implication

BEAM would fail to meet its objectives if its financial resources are utilized for expenditures other than advancing the education of the vulnerable children.

Recommendation

Management should ensure that expenditure incurred is in line with the provisions of Section 2 of BEAM's operational manual to enable it to effectively execute its mandate and meet its objectives of assisting the vulnerable.

Management Response

It is acknowledged that during the financial year 2016 a total of \$58 605 was paid out to finance certain critical Ministry expenditure. In all cases, the expenditures incurred were made to bail out certain programme items which did not have funding at the time.

Advances made to other programmes will be reimbursed once Treasury has availed funding.

1.2 Health Assistance

Finding

An examination of the Health Assistance Programme's financial records revealed that the Ministry had outstanding bills from various health service providers amounting to \$7 128 128 for services rendered to the vulnerable and indigent people. This indicated that the Ministry was not promptly defraying bills from health service providers as the debt continued to increase over the years.

Risk/Implication

The holders of Assisted Medical Treatment Orders (AMTOs) may fail to access health and medical facilities as health service providers may end up demanding cash upfront thereby defeating the objectives of the Health Assistance Programme of assisting the vulnerable and indigent people.

Recommendation

The Ministry should ensure that bills from health service providers are settled promptly to enable them to continuously render the required services.

Management Response

It is acknowledged that the sum of \$7 128 128 was outstanding as at December 31, 2016 as AMTOs. The debt has continued to grow due to limited fiscal space. This resulted in members of the public who benefited from this facility being turned away by the referral hospitals. It is agreed that Treasury should avail funding to restore public confidence.

2 GOVERNANCE ISSUES

2.1 Utilisation of Money from Fund Accounts

Finding

For the second year running the Ministry continued to borrow money from various Fund Accounts under its administration. The practice persisted in 2016. At the beginning of the year under review, the balance was \$1 006 081. During the year, the Ministry borrowed \$907 862 and managed to reimburse \$434 070 leaving the balance at \$1 479 873. Expenditure from the borrowed funds was incurred outside the Public Finance Management System (PFMS).

Risk/Implication

The practice of borrowing money from Fund Accounts may cripple operations of same if not controlled.

Recommendations

The Accounting Officer should get funding from Treasury rather than deprive operations of the Fund Accounts which are mainly catering for vulnerable groups.

The amounts borrowed should be refunded to the respective Funds so that the planned programmes are implemented.

Management Response

The observation is noted. The amount was borrowed as an advance which was supposed to be reimbursed after Treasury had released funds for the specific expenditure. However, this did not happen until December 31, 2016 year end. For 2017, the Ministry will try and follow up on all advances and reimburse.

3 REVENUE COLLECTION AND DEBT MANAGEMENT

3.1 Rentals

Finding

Members from other Government Ministries residing in the Ministry of Public Service, Labour and Social Welfare houses were not paying rentals. This was contrary to the provisions of the Accounting Officer's minute dated December 14, 2015 which requires tenants to pay rentals at the approved rate of five percent (5%) of their salaries. This was caused by the Ministry's failure to engage other Ministries with officers residing in the houses and agree on how their members should pay rentals.

Risks/Implications

Non-payment of rentals may result in loss of revenue to the State.

The longer it takes, the more difficult it will be to recover outstanding rentals as officers may leave service.

Recommendations

The Ministry should ensure rentals are collected from all occupants.

The occupation of houses by members from other Government Ministries should be regularised and arrangements put in place to have rentals deducted through SSB or any other alternative means.

Management Response

In 2015 the Ministry tried to have rentals from Ministry of Justice, Legal and Parliamentary Affairs personnel deducted through Salary Service Bureau stop order facility but the transactions were rejected, because the members in question are prison officers and are on a different payment platform. Efforts are still being made to regularise the issue with their pay section.

4 EMPLOYMENT COSTS

4.1 Transport and Fuel Allowances

Finding

An officer or member to whom approved motor vehicle and fuel allowance benefits are granted is not entitled to transport allowances. However, from January 2016 to February 2017 the officers listed on the table below received both fuel and transport allowances:

EC Number	Fuel Allowances received for the period January 2016 to February 2017	Transport allowances received for the period January 2016 to February 2017 (\$)
6108557 K	1 400 litres	1 400
1269772 L	1 400 litres	1 400
0915321 W	1 400 litres	1 400
0802607 Y	1 400 litres	1 400
1773513 F	1 400 litres	1 400
1455650 C	1 400 litres	1 400
6115739 R	800 litres	800
1492645 P	1 400 litres	1 400
1614709 S	1 400 litres	1 400
1679778 V	1 400 litres	1 400
6116673 G	320 litres	400
0111770 N	1 400 litres	1 400
Totals	15 120Litres	\$15 200

Risk/Implication

Payment of transport allowances to members who are entitled to motor vehicle benefit or fuel allowances would result in dual payment of allowances.

Recommendations

Transport allowances should not be paid to members who are entitled to motor vehicle benefit or fuel allowances.

The Ministry should take action to recover the overpayment made to the officers.

Management Response

It is acknowledged that the sampled Deputy Directors received fuel as per the schedule when at the same time they were getting transport allowances. We will implement the Treasury Circular by stopping either transport allowances or fuel allocations forthwith.

5 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

5.1 Uploading of Assets in the Public Finance Management System (PFMS)

The Ministry has not yet uploaded its assets in the PFMS.

5.2 Transfers from Fund Accounts to the Appropriation Account

The Ministry continued to borrow money from Fund accounts under its jurisdiction.

5.3 Basic Education Assistance Module (BEAM)

The Ministry continued to use BEAM funds on expenditure not related to the objectives of the module.

5.4 Submission of Results Based Management (RBM) System Documents

The Ministry did not prepare and submit for audit, RBM Quarterly Performance Reports.

DISABLED PERSONS FUND 2015

OBJECTIVE OF THE FUND

The purpose of the Fund is to promote the welfare of disabled persons by providing financial resources for rehabilitation, training and engaging in income and employment generating projects.

I have audited the financial statements for the Disabled Persons Fund for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Disabled Persons Fund as at December 31, 2015 and its performance for the year then ended.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Outstanding Loans

Finding

In my 2014 audit report, I mentioned that the Fund was not making concerted effort to recover loans advanced to beneficiary members. The trend continued in 2015. The Fund did not institute the provisions of section 4 (d) of the loan agreement form which states that should there be any failure to pay any amount as and when it becomes due, then the creditor shall have the right without notice to claim and recover the whole amount of the debt or any balance thereof then outstanding and to institute legal proceedings against debtor/s. Loans amounting to \$17 876 had not been recovered with some dating back to 2010. At the conclusion of the audit in May 2016, the loans had increased to \$28 293. Furthermore, no allowance was created to recognise the potential loss that would arise as a result of irrecoverable loans.

Risk/Implication

Failure to take corrective measures in order to recover money owed by debtors may negatively affect the Fund's operations.

Recommendation

The Fund should urgently institute measures that ensure recovery of all outstanding funds.

Management Response

It is acknowledged that the clients shown by the extract have not been repaying their loans although appropriate dunning procedure had been instituted. All outstanding loans have reached a stage where they should be handed over to the Civil Division for collection and in some instances interest accruals had exceeded the principal. It should be realized that all the beneficiaries are people living with disabilities, and management will find appropriate methods to motivate them to repay or even consider writing the loans off.

1.2 Advances to Parent Ministry

Finding

The Fund had a brought forward balance of advances to Parent Ministry amounting to \$108 801. During the year under review, a further \$141 821 was issued bringing the total amount issued to \$250 622 as at December 31, 2015. This amount was still outstanding as at May 7, 2016.

Risk/Implication

The Fund may fail to achieve its objectives if financial resources are lent to the Parent Ministry.

Recommendations

The Fund should desist from issuing advances to its parent Ministry as this may affect service delivery to the disabled persons.

The amount owed by the Parent Ministry should be fully recovered.

Management Response

It is acknowledged that a total of \$250 622 remained outstanding as at December 31, 2015, being monies advanced to Appropriation. This situation was as a result of limited fiscal space to undertake other critical Ministry programmes. The amount was advanced with a view of reimbursing once the required budgetary support had been availed by Treasury. This did not happen as only \$49 974 was reimbursed during the year, leaving a balance of \$250 622. We expect to have repaid all the money before the end of the year if Treasury avails the required funding.

NATIONAL HEROES DEPENDANTS ASSISTANCE FUND 2015

OBJECTIVE OF THE FUND

The purpose of the Fund is to provide assistance to designated national heroes' dependants.

I have audited the financial statements for the National Heroes Dependants Assistance Fund for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements fairly present, in all material respects, the financial position of the National Heroes' Dependants Assistance Fund as at December 31, 2015 and its financial performance for the year then ended.

However, the following are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Internal Controls

Finding

Section 44 (1) (a) (i) of the Public Finance Management Act [*Chapter 22:19*] requires the accounting authority for a public entity to ensure that public entities establish and maintain effective, efficient and transparent systems of financial and risk management and internal controls. I noted that for the third year running, the Fund's ledgers were being maintained on Microsoft Excel spreadsheets which did not have adequate security controls.

Risk/Implication

The use of Microsoft Excel package might result in the financial records being manipulated.

Recommendation

The Fund should acquire a more secure Accounting Software Package to ensure integrity of the financial statements.

Management Response

The Ministry managed to procure a Pastel Accounting Package for the computerization of all the statutory funds which were previously being done on excel. The National Heroes Dependants Fund is one of the Funds. A decision was made that the computer package be used on the Fund at the beginning of the year. Ever since no resources have been released from the Treasury and the Fund is now being transferred.

1.2 Board Composition and Board Meetings

Findings

As I reported in my 2013 and 2014 audit reports, the Fund operated with a Board whose tenure of office had expired in 2006. This is contrary to Section 4(4) of the National Heroes' Act [*Chapter 10:16*] which provides that a member of the Heroes' Dependants Assistance Board shall hold office for such a period not exceeding five years, and on such terms and conditions as may be fixed by the President at the time of his/ her appointment. At the conclusion of my audit in April 2017, no progress had been made.

Risk/Implication

Decisions made by a Board whose tenure of office had expired might not be legally binding when challenged.

Recommendation

The Fund should consider renewing the existing Board or appoint a new Board in compliance with the provision of section 4(4) of the National Heroes' Act [*Chapter 10:16*].

Management Response

Management did not respond.

OLDER PERSONS FUND 2015

OBJECTIVES OF THE FUND

The purpose of the Fund is to provide social welfare assistance to destitute or indigent older persons through promotion of programmes on health and education among destitute or indigent older persons, provision of facilities for developing skills in older persons at homes, projects aimed at promoting the well-being, welfare, care and protection of older persons, and, assisting any person who wishes to establish, operate and maintain any service or facility that is aimed at advancing the well-being, welfare, care and protection of older persons.

I have audited the financial statements for the Older Person Fund for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Older Persons Fund as at December 31, 2015 and its financial performance for the year then ended.

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

1 GOVERNANCE ISSUE

1.1 Advances to Parent Ministry

Finding

During the year under review, the Fund lent \$63 408 to its Parent Ministry, which was 63% of the total expenditure of the Fund. As at May 31, 2016, \$49 643 of that amount was still outstanding.

Risk/Implication

The Fund may fail to achieve its objectives if financial resources are lent to the Parent Ministry.

Recommendation

The Fund should stop issuing advances to its Parent Ministry as this may affect service delivery. The amount owed by the Parent Ministry should be recovered.

Management Response

It is acknowledged that the Fund advanced the sum of \$63 408 to the Ministry's Appropriation during the year ended 31 December 2015. This situation was occasioned by the limited fiscal space that the Ministry operated under during

2015. The amount advanced went towards meeting critical expenditure which could not be deferred. Given adequate budgetary support, we expect the advance to be cleared in 2016.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Non-submission of Annual Board Meeting Minutes and Reports.

The Fund managed to provide the Board's annual minutes of meetings and reports to the Minister for the year 2015.

PUBLIC SERVICE TRAINING CENTRES AMENITIES FUND 2015

OBJECTIVE OF THE FUND

The purpose of the Fund is to provide funding for the provision and maintenance of Public Service Training Centres as well as to provide cost recovery courses to Government Departments, Parastatals and Non-Governmental Organizations.

I have audited the Public Service Training Centres Amenities Fund Account for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Public Service Training Centres Amenities Fund as at December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Administration of the Fund

Findings

Section 2 of the Accounting Policies and Procedures Manual provides that the Management Committee shall be the Accounting Officer's key advisory body on the management of the Fund and its effective and efficient administration. The Management Committee shall advise the Accounting Officer on the establishment of internal control and ensuring that fees are collected and accounted for properly. However, the Management Committee did not establish internal controls for ensuring the flow of financial information from centres to head office. This resulted in training centres failing to submit sufficient financial information that was key to the preparation of the financial statements. This was evidenced by the submission of four different sets of financial statements each time with different assets, liabilities, revenues and expenditure figures. As a result of these inconsistencies, I was not able to establish the accuracy and completeness of the figures disclosed in the financial statements.

Risk/Implication

Failure by the Management Committee to advise the Accounting Officer, and establish internal controls that ensure flow of financial information from centres to head office compromises the integrity of financial statements.

Recommendation

The Management Committee should ensure that training centres submit adequate financial information key to the preparation of the financial statements to ensure credibility and completeness of the record.

Management Response

The Fund has put in place a control measure where information will flow from institutes to head office on a monthly basis through a reconciliation template which was provided to all training centres starting from September 1, 2016.

1.2 Suspense Account

Findings

A suspense account is an account in which amounts are temporarily recorded with a view to transfer the amount when the proper account has been identified. It is good accounting practice to investigate and clear the suspense account before finalisation of financial statements. The Fund failed to clear a suspense account balance of \$14 687 disclosed in the financial statements.

Furthermore, I could not confirm whether the clearance of \$49 733 was properly authorised and accurately effected owing to non-availability of supporting journal vouchers.

Risks/Implications

Failure to investigate and clear the suspense account balance may lead to misstatement of financial statements.

Without supporting journal vouchers, the authenticity and accuracy of the clearance cannot be confirmed.

Recommendations

The suspense account balance of \$14 687 should be investigated and cleared and all the journal vouchers should be availed.

Management Response

The observation is acknowledged. The Fund will make sure that the Suspense Account balance of \$14 687 will be cleared before finalisation of 2016 final accounts.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Administration of the Fund

Finding

There was no evidence that the Management Committee held quarterly meetings as provided for by Section 2 of the Accounting Policies and Procedures Manual which requires the Management Committee to hold meetings quarterly or as directed by the Accounting Officer.

Risk/Implication

Uninformed decisions would be made if the Management Committee fails to meet as per the requirements of the Accounting Policies and Procedures Manual.

Recommendation

The Management Committee should hold quarterly meetings as provided for by Section 2 of the Accounting Policies and Procedures Manual to give guidance on the activities of the Fund.

Management Response

The observation is acknowledged. However, the Management Committee managed to meet once in 2016.

1.2 Advances to Parent Ministry

Finding

My examination of the Fund's records revealed that in 2014 the Fund had an outstanding balance it advanced to its parent Ministry amounting to \$125 383 which was a payment to suppliers for goods and services, for the Appropriation Account. During the year under review, \$257 213 was further advanced to the Parent Ministry and \$49 552 was reimbursed leaving the balance at \$333 044 as at December 31, 2015.

Risk/Implication

The Fund may fail to meet its objectives if financial resources generated are used to defray expenditure which is not Fund related.

Recommendations

The financial resources generated should be used to cater for activities that are in line with the objectives of the Fund as outlined in the Constitution.

Funds paid on behalf of the Parent Ministry should be fully recovered.

Management Response

The observation is acknowledged. The Ministry is facing challenges due to non-release of funds by Treasury to meet its obligations for the furtherance of the Ministry's mandate. The Ministry is committed to reimburse the whole balance of \$333 044 when Treasury releases some funds for operations. The Fund was on October 4, 2016 reimbursed \$7 798 leaving a balance of \$325 246.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Management of Debtors

Finding

Treasury Instruction 0501 requires Officers responsible for collecting debts to take adequate steps to collect any sums due to the Government on due date, and shall on no account allow a debt to become extinguished through lapse of time. As at December 31, 2015, a total of \$441 940 was outstanding, and of this amount, \$32 893 related to debts that had been outstanding since December 31, 2012.

Risk/Implication

Delays in recovering outstanding debts may result in the outstanding amounts being irrecoverable. This also deprives the Fund of the much needed resource.

Recommendation

Management should put more efforts to recover all outstanding debts, and where debts have become irrecoverable, appropriate procedures should be followed as is outlined under Section 3 paragraph 16 of Fund's Manual.

Management Response

The observation is acknowledged. The Fund is making some efforts to recover the debts as evidenced by letters of reminders to customers who owe the Fund, coupled with a team of three officers visiting Training Institutes for reconciliation of outstanding invoices. Some of our debtors are parastatals and local authorities who are also in financial difficulties.

Additionally, Section 3 paragraph 16.4 of the manual will be consistently enforced so that each station submits its debtors schedule at the end of each month.

PUBLIC SERVICE TRAINING LOAN FUND 2015

OBJECTIVES OF THE FUND

The purpose of the Fund is to provide loans at interest rates up to a maximum determined from time to time by the Secretary for Public Service, Labour and Social Welfare with the approval of the Ministry of Finance, to enable civil servants and officers of Parliament to obtain such qualifications as may be prescribed by the Public Service Commission; or to grant loans for the purchase of text books and tuition equipment necessary for attendance at College/Institute or any other Training School for technical, managerial and professional for which it is an integral part of a State Training Scheme.

I have audited the financial statements for the Public Service Training Loan Fund for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Public Service Training Loan Fund for the year ended December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Management of Loan Debtors

Findings

For the third year in succession the trade receivables account had anomalies that included dual creation of debtors' accounts, over recovery, non-recovery and under recovery of loans. The problems persisted in 2015. This was caused by the Ministry failing to carry out reconciliations of individual debtors' ledgers and making adjustments as necessary. As a result, I could not ascertain the completeness and accuracy of the figure of loan debtors disclosed in the financial statements.

Treasury Instruction 0501 requires Officers responsible for collecting debts to take adequate steps to collect any sums due to the Government on due date, and shall on no account allow a debt to become extinguished through lapse of time. The Fund has not been effective in recovering loans. Recoveries were not continuous as there were instances when deductions from debtors would cease before loans were fully recovered, resulting in overdue instalments amounting to \$49 890 as at December 31, 2015.

Risks/Implications

Inadequate controls over the maintenance of loan debtors' account will result in misstatements of financial information.

Delays in recovering outstanding debts may result in the outstanding amounts being irrecoverable. This also deprives the Fund from using the money for its operations.

Recommendations

The Fund should carry out reconciliations of individual debtors' ledgers and make adjustments as necessary.

Management should see to it that efforts to recover all outstanding debts are made and where debts have become irrecoverable the appropriate procedures should be followed.

Management Response

The observation is acknowledged. The Fund has engaged the system vendor provider of Pastel to come up with exception reports. This will assist in prompt action to recover and refund debtors where necessary.

The observation is noted. The Fund will also engage the Paymaster and the Pensions Master to give State deduction priority over all other deductions. The issue of the members who have disengaged from service will however remain a challenge since pensions have a back log of three years. This has affected our recovery of outstanding debtors.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Advance to Parent Ministry

Finding

In my 2014 report, I observed that the Fund issued an advance to its Parent Ministry and a balance of \$32 488 remained outstanding as at December 31, 2014. In 2015, a further \$140 590 was issued in violation of the provisions of the Fund's Constitution, which states that expenditure of the Fund shall be payments in respect of transactions which the Trustee considers as a proper charge against the Fund. Of this amount, \$57 324 was reimbursed leaving an outstanding balance of \$115 754 as at December 31, 2015.

Risk/Implication

The objectives of the Fund may not be fully met if resources are used to fund activities outside its Constitution. This would also expose the public funds to misuse.

Recommendation

The Accounting Officer, as the responsible authority, should ensure that the amount involved is refunded to the Training Loan Fund and desist from lending funds to the parent Ministry.

Management Response

The observation is noted. The Ministry borrowed the funds to pay for commitments made to various learning institutions to cover commitments made to staff members who were nominated for educational assistance. The Ministry did not get releases from Treasury. However, the Ministry will make sure that the funds are reimbursed.

1.2 Operating without a Budget

Finding

In my 2014 audit report I observed that the Fund operated without a budget as required by good accounting practice. The problem persisted in 2015 with the Fund operating without a budget, a tool that is used to effectively allocate resources.

Risk/Implication

In the absence of a budget the Fund may fail to effectively utilise state resources.

Recommendation

A budget should be prepared annually to enable the Fund to effectively prioritise its resources.

Management Response

The observation is noted. The Ministry usually includes the budget in the estimates of expenditure under current transfers. Going forward the Ministry shall prepare a separate budget from the one submitted to Treasury in the estimates and expenditure.

1.3 Administration of the Fund

Finding

In my 2014 audit report, I mentioned that the Fund operated without Accounting Procedure's Manual/Accounting Officer's Instructions in violation of Treasury Instruction 0706, which states that Accounting Officers shall issue detailed written

instructions governing the conduct of financial business and the control of all public moneys and the property for which they are responsible. The problem persisted in 2015 with Fund management doing very little to address the situation.

Risk/Implication

Without the Accounting Officer's Instructions there is no guidance on how the Fund operations should be processed.

Recommendation

The Fund should issue Accounting Officer's Instructions as required by Treasury Instruction 0706, to give direction in the operations of the Fund.

Management Response

The observation is noted. The Ministry is in the process of reviewing Accounting Procedures Manuals of all the entities that fall under the Ministry's administration.

VOTE 4.- DEFENCE

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Defence for the year ended December 31, 2016.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Defence as at December 31, 2016.

However, below are some of the material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Paymaster General's Account

Finding

Total expenditure as per the Appropriation Account amounted to \$342 955 984 while the Sub-Paymaster General's Account reflected a total of \$315 020 830, resulting in a difference of \$27 935 154. The Ministry subsequently accounted for \$25 442 568 being salaries and setoffs processed outside the system leaving a variance of \$2 492 586 which could not be reconciled. Therefore, I could not ascertain with accuracy, the actual expenditure figure for the year under review.

Risk/Implication

In the absence of a breakdown of the variance, the expenditure reported cannot be validated as true expenditure for the Ministry.

Recommendation

The Ministry should reconcile the expenditure balances from the different sources to enhance accuracy and reliability of its financial statements.

Management Response

The observation is noted. The variance was due to setoffs of \$15 068 862 and salaries amounting to \$10 373 706 which were processed outside the bank.

Evaluation of Management Response

The amount of \$2 492 586 is still unaccounted for and the Ministry should provide the breakdown.

1.2 Expenditure Control and Validation

Findings

Treasury Instruction 1216 requires that before forwarding a voucher for payment, the officer initiating the transaction shall satisfy himself that the claim is correct in regard to computations, supported by relative requisitions, generally in order and properly certified.

The Ministry processed for payment a total of \$358 453 for air fares and hotel accommodation using proforma invoices and quotations only. No appropriate and sufficient supporting documentation such as receipts was availed to validate the expenditure.

I noted that a payment of \$12 000 was made to the Ministry of Local Government for stadium hire on Payment Voucher 1900131665. From that amount, \$10 000 was for operational costs and \$2 000 was a refundable security deposit. However, there was no evidence that the security deposit was refunded to the Ministry.

Risks/Implications

Unsupported expenditure may result in duplication or dual payments being made.

Refundable deposits not followed up may result in misappropriation of funds and expenditure overstatement.

Recommendations

All payments made should be sufficiently supported to facilitate the validation of transactions and ensure proper accountability for public funds.

The security deposit should be claimed so that the resources are used to finance other Ministry activities.

Management Response

The observation is noted and payment vouchers have since been prepared.

Evaluation of Management Response

The receipts to support the expenditure and refund are yet to be submitted. No response was given regarding the security deposit of \$2 000.

1.3 Non-reconciliation of Creditors' Records

Finding

The Zimbabwe National Army's creditors return submitted for audit examination had balances that were different from those shown on statements from service providers resulting in inaccurate transactions being processed. This was contrary to Treasury

Instruction 1216(e) which requires an officer initiating a transaction to satisfy himself that it is correct with regard to computations. The variations were as shown below:

Company name	Service provider's year end Statement	Creditors' return balance	Variance
Tel-one	\$2 843 629	\$4 186 914	\$1 343 285
ZINWA	\$14 140 418	\$12 607 888	\$1 532 530

Risk/Implication

The non-reconciliation of payments may result in duplicate payments being processed, billing errors not timeously detected or outstanding debts may be understated.

Recommendation

Regular reconciliations should be done to ensure that transactions processed are valid, accurate and duly authorised. Through reconciliations, any discrepancies can be identified with ease and corrective action taken timeously.

Management Response

It is a fact that the accounts could not reconcile, however efforts are always done to reconcile the accounts. The creditors return is updated based on invoices received from user units and formations. At the reporting date some invoices were still with respective units hence the difference existed.

1.4 Misallocation of Expenditure

Finding

Treasury Instruction 0950 states that all expenditure on voted funds should be classified under the appropriate subheads and items as shown in the estimates of expenditure. The Ministry wrongly classified expenditure amounting to \$216 123 and corrective action had not been taken to rectify the anomaly by end of April 2017. The table below shows examples of misallocations that occurred during the year:

GL	Description of Transactions	Amount(\$)
Vehicle maintenance	Purchase of motor vehicles from Zimoco	172 592
Fuel	Travel and subsistence expenses	6 610
Vehicle maintenance	Vehicle hire from CMED	36 921
TOTAL		\$216 123

Risk/Implication

Misallocation of expenditure may result in state funds being used for unintended purposes.

Recommendation

Expenditure should be properly allocated to ensure effective utilisation and accountability of state funds.

Management Response

The observation is noted. Journal vouchers have since been passed to correct the expenditure.

Evaluation of Management Response

The journal vouchers submitted for audit had not been processed in the system to reflect the correct expenditure position.

1.5 Establishment of Audit Committee

Finding

The Ministry has not set up an audit committee as required by Section 84 of the Public Finance Management Act [Chapter 22:19]. As a result, there was no independent assurance and advice on risk management, internal control, financial statements, compliance requirements, internal audit, external audit, and other relevant functions including review of an entity's governance arrangement and performance framework.

Risk/Implication

In the absence of an audit committee, the internal control systems of the Ministry may not be adequately evaluated and reviewed.

Recommendation

The Ministry should establish an Audit Committee so that the control environment is enhanced in line with statutory regulations.

Management Response

The observation is noted. The Ministry is not comfortable with the setup where an auditee appoints an audit committee. Little value will be realized from the setup. The Ministry is of the opinion that Treasury or other body appoint an audit committee if we are to realize value addition on the management of public

resources. Treasury is going to be approached on the matter and evidence of such will be availed to audit.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Outstanding Advance - Travel and Subsistence

Findings

The Ministry had outstanding advances amounting to \$467 656 dating as far back as January 2010, \$362 045 for the Head Office and \$105 611 for the Air Force of Zimbabwe

Furthermore, the Ministry did not maintain an advances register and ledger cards for foreign travel, as a result, the accuracy and completeness of the advances return could not be established. No evidence was produced to show that the outstanding advances were being deducted from respective officers' salaries.

This was contrary to Treasury Instructions 1504 and 1505 which stipulate that advances accounting records should be kept and that advances should be cleared immediately upon return from official travel.

The following sample of foreign travel payment vouchers, were not adequately supported by the requisite Cabinet and Treasury authority, passports and visa copies. This was in violation of Treasury Instruction 1216, which requires a payment voucher to be covered by competent authority and to be supported by requisitions. Refer to the table below:

Force Number	Document Date	Document number	Amount (\$)
2807673S	31/03/16	1900127468	\$1 760
0169503R	14/03/16	1900126473	\$1 650
2807481J	20/10/16	1900130170	\$1 281
0169503R	01/11/15	1900128913	\$2 464
TOTAL			\$7 155

Risks/Implications

State funds which can be channeled to other programs in need of funding may be lost through irrecoverable advances

The return may be inaccurate due to non-maintenance of the register and ledger cards.

Unauthorised trips may result in unbudgeted excess expenditure being incurred.

Recommendations

Deductions from member's salary should be effected to recover the outstanding advances.

Ledger cards and travelling and subsistence register for foreign travel should be maintained to enable you to monitor the advances.

Foreign trips should be duly authorized by obtaining Cabinet and Treasury Authority to ensure proper utilization and accountability for public funds.

Management Response

The Ministry will endeavor to clear the outstanding amounts from 2010 to 2015 at the time of the next audit and reduce the 2016 amount by 50%.

The long outstanding advances for Air Force of Zimbabwe were as a result of unavoidable journeys that were undertaken without Cabinet and Treasury authorities. Efforts are being made to clear the advances.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Outstanding Revenue

The recovery system remained ineffective with outstanding revenue amounting of \$2 088 079 as at December 31, 2015 not yet recovered.

3.2 Procurement

The Ministry's purchase of fuel worth \$1 947 401 from Sakunda Private Limited on January 20, 2015 without following tender procedures was cleared as supporting documentation on the delivery were availed.

DEFENCE PROCUREMENT FUND 2015

OBJECTIVE OF THE FUND

The Fund was established for the supply of equipment to, or the construction or erection of buildings or structures for the Defence Forces and to provide for matters incidental to or connected with the foregoing.

I have audited the financial statements of the Defence Procurement Fund for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Defence Procurement Fund as at December 31, 2015 and its financial performance for the year then ended.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Maintenance of Financial Records

Findings

Contrary to the provisions of Section 10 (1) of the Defence Procurement Act [*Chapter 11:03*] which stipulates that proper records in relation to the Fund should be kept, the Fund Administrators did not maintain ledgers. The cashbook that was being maintained had not been updated since June 2015. As a result, financial statements were prepared from source documents.

Risk/Implication

Without adequate books of accounts, financial transactions may not be fully recorded leading to inaccurate information being disclosed in the financial statements.

Recommendation

Adequate books of accounts should be maintained to ensure that all financial transactions are recorded and disclosed. The books of accounts will enable the Fund to produce and disclose accurate financial information.

Management Response

The observation is noted. Ledger accounts are now in place and the cashbook will be updated.

1.2 Lack of Accounting Officer's Instructions

Finding

For the third year running, the Fund operated without Accounting Officer's Instructions which should provide proper guidance and direction on the logical flow of transactions. This is contrary to the provisions of Treasury Instructions 0706. In the prior year's report, it was indicated that the instructions were going to be put in place but as at the time of audit in May 2016, instructions specific to the Fund had not been issued.

Risk/Implication

Without specific instructions on the operations of the Fund, officers may adopt unauthorised practices which would hinder the achievement of the Fund's mandate.

Recommendation

Accounting Officer's Instructions should be issued to facilitate smooth operations of the Fund. This would enable uniformity in the execution and recording of transactions.

Management Response

The observation is noted. The Ministry is awaiting issuance of Treasury Instructions which are now at the draft stage from which the Ministry will prepare Accounting Officer's Instructions.

1.3 Budgetary Control

Finding

For the fourth consecutive year, the Fund did not prepare a budget as a tool for controlling and monitoring the allocation of financial resources in violation of Section 47 of the Public Finance Management Act [*Chapter 22:19*].

Risk/Implication

It will be difficult to plan, coordinate and control the Fund's activities without a budget.

Recommendation

A budget should be prepared to enable the monitoring and accounting for the Funds' resources.

Management Response

The observation is noted. There is a challenge in coming up with the budget. The Fund managers are not in a position to forecast revenue and expenditure in advance.

VOTE 5.- FINANCE AND ECONOMIC DEVELOPMENT

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Finance and Economic Development for the year ended December 31, 2016.

Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account present fairly, in all material respects, the financial position and performance of the Ministry of Finance and Economic Development as at December 31, 2016.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Financial Accounting and Reporting Standards

Finding

The Public Finance Management Act [*Chapter 22:19*], section 37 requires financial statements to be prepared in accordance with generally accepted accounting practice (GAAP) while the Public Accountants and Auditors Act [*Chapter 27:12*], section 44 (2), empowers the Public Accountants and Auditors Board (PAAB) to make regulations prescribing accounting standards and accountancy reporting standards for use in Zimbabwe. Both Acts are administered by the Minister of Finance and Economic Development.

I noted that there were no accounting and reporting standards upon which the Appropriation and Fund accounts financial statements were prepared. The responsibility for determining the Accounting Framework and accounting and reporting standards for the Government of Zimbabwe was placed on the PAAB which is responsible for setting Accounting Standards in Zimbabwe. It would appear low priority was being given to adoption and implementation of accounting and reporting standards.

However, there was no evidence to show that consultations were held with PAAB in coming up with accounting and reporting standards for Central Government.

Risks/Implications

It may be difficult to compare financial performance of various departments in the absence of accounting and reporting standards as there would be no uniformity in

accounting treatment of elements of the financial statements among various departments.

Stakeholders or users of financial statements may lose confidence in the accounting, management and reporting of Public Finances.

Recommendations

Treasury should prioritise the adoption and implementation of accounting and reporting standards in compliance with provisions of section 37 of the Public Finance Management Act [*Chapter 22:19*] to aid in accounting and preparation of financial statements in Central Government.

Management Response

Treasury is fully committed to complying with all sections of the Public Finance Management Act [*Chapter 22:19*]. With respect to section 37 of the Act, we are confident that we are compliant and are currently operating on a cash basis.

We have held varied discussions with our regulator, the PAAB, and have shared an ambitious implementation plan for adopting of International Public Sector Accounting Standards by December 2023.

Evaluation of Management Response

I acknowledge that Treasury uses Cash Accounting for Appropriation Accounts and Accruals Accounting for Fund Accounts. However, these should be based on specific accounting and reporting standards, for example, nationally developed Accounting Standards or internationally developed Accounting Standards. Neither of these accounting and reporting standards is in place and therefore there is no compliance with the Act.

1.2 Settlement of Treasury Bills

Finding

Settlement of Treasury Bills is initiated by the Accountant General after reconciling the Treasury Bills payment schedules from the Debt Office and the Reserve Bank of Zimbabwe (RBZ). I observed that a payment of \$51 059 reflected on the bank statement was not included in the Treasury Bills payment schedules from Debt Office and RBZ. Source documents for authorisation of the settlement were not availed for audit inspection. The expenditure on Treasury Bills settlements could not be validated.

Risks/Implications

Unauthorised payments may be made if laid down procedures are not followed.

Treasury should follow up with RBZ to find out details of the payment that was made and avail them for audit verification.

Management Response

We accept that there was a deficit of \$51 059 between the bank statement and the Treasury Bills payment schedule. We have carried out an extensive exercise to reconcile all Treasury Bills accounts and are now satisfied that in future, all reconciliations will be maintained up to date.

Evaluation of Management Response

Future investigations should be carried out until this payment has been identified and documents relating to this payment should be submitted to my Office for examination.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Public Sector Investment Programme (PSIP Construction Projects).

Finding

The Public Sector Investment Programme was allocated \$346 527 848 for projects that were ongoing. Out of the twelve construction projects that were in progress, eleven of them had exceeded their planned dates of completion by varying periods ranging from 2 to 20 years. Reasons cited for the delays in completing the projects included lack of funding by Treasury resulting in contractors withdrawing services, and poor workmanship which resulted in some structures being condemned. As a result of the delays, these projects were not providing economic value to the intended beneficiaries and delays also led to cost overruns.

Risk/Implication

Failure to complete construction projects within the planned dates may result in costs overruns.

Recommendation

Treasury should prioritise projects and avoid implementing many projects that may require huge capital outlay.

Management Response

The country continues to face challenges in its quest to improve delivery of public infrastructure projects, mainly from institutional capacity shortcomings resulting in failure to effectively implement planned projects.

Owing to resource constraints, Government has, since 2009, implemented a Targeted Approach Programme where the limited tax resources are ring fenced towards implementation of a few targeted projects across the sectors.

1.2 Inventory Management

Finding

The Inventory Management Module is used for tracking stores levels, orders and deliveries in the Systems Applications Product (SAP). The Inventory Management Module has not been activated to optimise the management and control of inventory. The Ministry held several consumable items that had become redundant/obsolete. The stores register indicated that some of the items were last issued out in 2015.

Risk/Implication

Failure to activate the Inventory Management Module in SAP may have resulted in inefficiencies in managing inventory.

Recommendation

The Inventory Management Module should be activated to optimise both the management of inventory and capacity utilisation of the SAP system.

Management Response

The inventory Management Module in SAP is for tracking stores level, orders deliveries and work in progress. The Administration Department is working with the Public Finance Management Unit to operationalize the module.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Excess Expenditure

The excess was not regularised.

2.2 Systems Application Products license fees

The amount paid to Systems Application Products for license fees was ascertained.

2.3 Public Financial Assets

The issue of take on balances has been resolved but the issue on investment policy is not yet in place.

2.4 Cash Management

Annual cash withdrawal has declined to \$685 898. The bulk of cash withdrawals were meant for Travelling and Subsistence allowances.

2.5 Laptop and Cellphone register

The 48 laptops were availed for audit examination and boards of inquiry are to be held for 26 laptops leaving a balance of 8 still to be accounted for.

2.6 Payments through the Exchequer Account

Payments are still being made through the Main Exchequer Account.

PUBLIC FINANCE MANAGEMENT SYSTEM 2016

BACKGROUND INFORMATION

The Public Finance Management System (PFMS) is an Enterprise Resource Planning (ERP) system which processes financial transactions and produces reports for all the ministries. It was implemented in 1999.

The Ministry of Finance is responsible for the system and the Accountant-General is the head of PFMS while the Deputy Accountant General is the Project Manager. The infrastructure of the system is managed by Ministry of Information, Communication Technology, Postal and Courier Services. The following modules have been implemented:

- a) Financial Accounting (FI) – for external reporting
- b) Materials Management (MM)- for procurement
- c) Sales and Distribution (SD) – for receipting
- d) Customer Relationship Management (CRM) – for managing online services.

OBJECTIVE OF THE PUBLIC FINANCE MANAGEMENT SYSTEM

The objective of the PFMS is to process the financial transactions, produce reports and financial statements for all the ministries and government departments.

I conducted an audit to determine the effectiveness of general information technology controls for the PFMS. The audit also aimed at ascertaining the implementation and operating effectiveness of General and Application Controls.

I have audited the General and Application Controls of the Public Finance Management System for the year ended December 31, 2016.

Below are material issues noted during the audit:

GOVERNANCE ISSUES

1 IT SECURITY

1.1 IT Security Policy

Findings

The Information Security Policy communicates how an organisation plans to protect its physical and information assets. It sets a standard of the security procedures to be followed.

The Public Finance Management System (PFMS) Information Security Policy was approved during the year under review and the Policy was sent to all system users through email.

However, I observed that staff had not signed acknowledgement forms as evidence of having read and understood the Policy.

In addition, there was no evidence that awareness training was conducted to educate users of their security responsibilities.

Risks/Implications

The effectiveness of implementation of IT security and monitoring would be compromised if members of staff are not aware of the requirements of information security.

In the event of a lawsuit, staff may not be held responsible for security breaches if they did not sign acknowledgement forms as proof of having read the Security Policy.

Recommendations

There is need for members to sign acknowledgement forms showing that they have read and understood the IT Security Policy.

There is need to educate users of their security responsibilities and to regularly conduct security awareness refresher courses.

Management Response

We commit to develop a training plan for users in Harare. The training will be conducted during the third quarter of 2017. For users outside Harare training will be conducted in 2018 after we have obtained an adequate budget.

1.2 SAP Audit Management Module and Audit Log

Findings

SAP Audit Management Module is an audit management solution used to build audit plans, prepare audits, analyse relevant information, document and communicate results. For the third year in succession, the Ministry failed to implement the Audit Management Module and record user activities in audit logs.

Risks/Implications

A comprehensive, effective and efficient audit may be compromised as system security reports may not be reviewed if the Audit Management Module has not been implemented.

The continued lack of audit logs perpetuates potential violations to go undetected.

Recommendation

There is need to implement the Audit Management Module, to enable audit logs and thereafter user training should be conducted.

Management Response

The SAP Audit Module will be implemented once the new servers have been installed and commissioned by September 30, 2017.

1.3 Configuration of Access Rules

Findings

Configuration of access rules is the process by which user access to a system is defined based on specific rules determined by the roles and responsibilities of each user.

The PFMS Information Security Policy states that roles and responsibilities for PFM system administrators must be carefully designed. However, there was no user access matrix document in place for assigning roles for PFMS Administrators, management and users in order to ascertain whether assigned roles are consistent with job functions and that segregation of duties was observed.

In addition, there was no evidence for logging and monitoring of administrators' activities.

The PFMS Help Desk document for assigning user access at Ministries did not detail the level of rights or privileges (for example, create/edit/view/delete) given to each job title to specify activities which can be performed by a user.

Risks/Implications

Roles may be provided which are not in line with responsibilities if the user access matrix is not in place.

Inappropriate access rights may not be detected and corrected in a timely manner without a periodic assessment and review of allocated access rights. This may potentially cause incompatible functions to be performed.

Excessive access rights may be used to perform unauthorised transactions.

Recommendations

Management should ensure that a user access matrix is in place to enable allocation of system rights which are in line with business functions.

Periodic reviews of user access rights on key business applications should be scheduled and implemented. This will ensure that inappropriate access and activities are prevented and detected.

Management Response

The observation is noted. We will develop a User Access Matrix starting third quarter of 2017. This should be completed by the end of the year 2017.

1.4 Super-Users Access

Findings

Super user access enables a user to have privileged access to the system. I sought assurance that formal procedures were followed to ensure super-user privileges were restricted and assigned to authorised personnel after due approval by management.

There was no document in place for allocating access to super user privileges and the review of activities on the SAP application was not carried out.

I also established that a PFMS super user profile was allocated to two (2) students on attachment.

Risks/Implications

Lack of documentation may result in inconsistent application of super user access rights.

Inappropriate access rights may be granted to users and may not be detected and timeously corrected without a periodic assessment and review of allocated access rights. This may potentially cause conflicts on segregation of duties.

Recommendations

Management should ensure that documentation is in place for allocating access rights to super users based on business need to ensure segregation of duties.

There is need for management to schedule and implement periodic reviews of user access rights on key business applications to enable early detection of unauthorised access.

Management Response

The students are given the profiles to upload Master Data on Employee and Company vendors and change the data. Their profiles do not have access to SAP Project Reference Object, hence they have no access to configuration. However, it is noted that they should be monitored. There is segregation of duties on the system as well as periodic review of users allocated access rights.

Evaluation of Management Response

There is need to clearly define and streamline the roles of management and separate them from other users. Evidence of review of user access rights should be availed.

1.5 Access Administration

Finding

Access administration refers to a system of measures and documented procedures in place to create, modify and delete user profiles on the software applications aimed at protecting the computer resources against unauthorised access.

The Ministry had an active super user profile account in the SAP System for a former senior manager, Employee Code number 1604323D, who retired on June 01, 2016.

Risk/Implication

There may be unauthorised access to system resources resulting in processing of unauthorised transactions if profiles of terminated employees are not promptly removed from the system.

Recommendation

There is need to promptly remove profiles of terminated employees from the SAP system.

Management Response

Noted. The member's profile was removed on May 19, 2017. An instruction in the form of a circular will be issued to all Directors of Finance on the resignation, termination or death of a system user. The procedures will also be covered in the training plan mentioned above.

1.6 Physical Security and Environmental Controls

Findings

Physical access and environmental controls are designed to protect the organisation's assets from unauthorised access and environmental hazards.

I established that upgrade and construction is currently underway to convert the Server Room into a National Data Centre. Access is only restricted at the main gate to the building. The following vulnerabilities were noted:

- No lock and key to access the Server Room
- No evidence of Access Log book review by a superior to ensure appropriateness of visitors and completion of all required fields in the log book.
- The Server Room is used for storage of equipment acquired for upgrades underway therefore there were a lot of flammable materials such as cardboard boxes and wooden racks.
- Two (2) fire extinguishers were in place but these were last serviced in July 2011.

Risks/Implications

Unauthorised access to the Server Room may expose the organisation's information assets to theft and abuse.

IT infrastructure may be vulnerable to damage by environmental hazards like fire if flammable materials are kept in the Server Room.

Recommendations

The Server Room should be protected against unauthorised access and should only be accessed by authorised personnel.

Management should ensure that the Access Log Book is periodically reviewed by a superior.

There is need to remove flammable materials from the Server Room to reduce the likelihood of damage by fire.

Management Response

We take note of the absence of lock and key to the Server Room. Reviews and mechanisms will be implemented before a permanent biometric solution can be effected during the implementation of the National Data Centre. In the meantime, we will have a security officer to man the Server Room to control access to the room, a log book will be kept and reviewed on a weekly basis. The Security Officer will consult one of the three designated officers before allowing anyone else access to the Server Room. Inflammable material will be removed from the Server Room to another secure place by end of week ending May 26, 2017.

1.7 Service Level Agreements

Findings

A Service level agreement is a documented agreement between a service provider and the customer(s) that defines minimum performance targets for a service and how they will be measured.

I established that Telone provides major links for network traffic to all Ministries in provincial towns. However, there was no Service Level Agreement (SLA) in place between the Ministry of Finance and Telone to define minimum performance targets for the service and how they will be measured.

Furthermore, State Owned Enterprises sharing infrastructure with PFMS did not have SLAs with the Ministry of Finance. I also raised the same issue in my Audit Report for the year 2015.

Risk/Implication

The alignment of Information Technology services to the business strategy, adequacy and pertinence of service requirements, and monitoring the achievement of service levels is compromised if SLAs are not established, documented, signed and monitored.

Recommendation

There is need to ensure that Service Level Agreements are prepared and signed by both parties.

Management Response

The observation is noted. All outstanding Service Level Agreement will be in place by December 31, 2017.

1.8 Posting Financial Transactions to Closed Financial Years

In my 2014 and 2015 Audit Reports, I raised concern over posting of financial transactions to closed financial years, contrary to the standard thirteenth (13th) period of one month after the end of the financial year. At the time of finalising of my audit, in May 19, 2017, some Ministries were still posting expenditure figures to the PFMS. In addition, the system was not separating commitments of expenditure from actual expenditure incurred.

Risks/Implications

Expenditure reported in the Appropriation Accounts of Ministries may be misstated if the thirteenth (13th) period continues to be opened after the preparation and submission of financial statements for audit.

Data integrity may be compromised if actual expenditure and commitments are combined in reported expenditure figures.

Recommendation

The thirteenth (13th) period needs to be fixed to one month after the end of the financial year to avoid processing of expenditure after financial statements have been prepared and submitted for audit.

Management Response

The Accountant General's Department will develop an Implementation plan for the awareness as regards to transactional periods. This awareness is expected to be done by December 31, 2017.

Evaluation of Management Response

There was no comment on the separation of commitments from expenditure.

It is within the control of Ministry of Finance to come up and advise Ministries accordingly about the closure date of the 13th period.

1.9 Upload of Assets

Findings

Upload of assets refers to the capturing of assets into the PFMS. Assets acquired by the Ministries and government departments are created in the PFMS system when purchase orders are raised. However, assets procured outside the system need to be uploaded in the system. Audit sought assurance that registers of assets maintained in the PFMS were complete and accurate.

My audit revealed that for the third year running, assets for ten (10) ministries out of a sample of nineteen (19) ministries examined during the audit, could not display assets in the system as upload of the assets in these ministries were not complete. In addition, serial numbers of assets such as computers and printers were not recorded in the system but were grouped and given one asset number.

Risks/Implications

Assets might go missing without trail if registers are not properly maintained.

Failure to uniquely identify assets through recording of asset numbers and serial numbers makes it difficult to reconcile registers to physical assets.

In addition, grouping of assets under one asset number and creating one asset more than once affect the integrity of registers.

Recommendations

There is need for complete and up to date records of assets to be maintained in the system.

The Ministry of Finance should ensure that ministries create unique identifiable asset numbers, serial numbers and locations.

An asset should be created once in the SAP system to avoid duplication in the registers maintained by Ministries.

Management Response

The Accountant General's Department will develop an Implementation plan for the upload of the assets by September 30, 2017.

1.10 Public Financial Assets

Finding

The Loans Management Module in SAP which caters for Public Financial Assets had not been implemented at the time of audit. I raised the same issue in my audit reports for the year 2014 and 2015. Although a debtors' control account was created for the Ministry of Lands and Rural Resettlement to record loans given to various beneficiaries, the coverage was not adequate, therefore necessitating the implementation of the loans Management Module.

Risk/Implication

The completeness, accuracy and reliability of Public Financial Assets may be compromised if computerised records are not maintained.

Recommendation

There is need to automate records for the Public Financial Assets.

Management Response

This exercise will be done in third quarter of 2017.

2 CHANGE MANAGEMENT

2.1 Emergency Change Procedures

Findings

Change Management Policy and Procedures ensure appropriate control for requesting, authorisation, acceptance, prioritisation, change design, testing, implementation and documentation are in place. Ministry of Finance did not have a Change Management Policy to give direction in the management of the system.

In addition, the entity does not have Emergency Change Management Procedures.

Risks/Implications

The alignment of Change Management to business requirements may be compromised and there may not be consistency in the way changes are implemented if there is no Change Management Policy.

Disruption of business operations may prolong beyond acceptable periods if Emergency Change Procedures are not in place.

Recommendations

Ministry of Finance should put in place a Change Management Policy.

There is need to develop Emergency Change Procedures to enable a controlled implementation of emergency changes.

Management Response

We are planning to develop a change management plan for Directors of Finance and other users. We will include this activity in our budget for 2018.

3 IT OPERATIONS

3.1 Business Continuity Plan

Findings

Business Continuity Planning (BCP) is the process an organisation uses to plan and test the recovery of its business processes after a disruption. It also describes how an organisation will continue to function under adverse conditions that may arise (for example, natural or other disasters).

The BCP was developed in 2013. At the time of audit there was no evidence that the Plan was approved by management. Furthermore, there was no evidence that annual reviews were done as indicated in the draft document neither was it tested to ensure resumption of operations within acceptable timeframes.

Risks/Implications

It becomes difficult to enforce the plan if it is not approved by management.

Ongoing pertinence and operating efficiency may be compromised if the BCP is not regularly reviewed and updated.

Recommendations

The BCP should be updated and approved to enable the enforcement of accountabilities for members' actions and to enhance ongoing pertinence and operating efficiency.

There is also need to review and test the plan to ensure continuation of operations in the event of a disaster.

Management Response

The BCP Document will be circulated in May 2017. We will subsequently hold a Security Policy Workshop later this year.

Evaluation of Management Response

There was no comment on the approval, review and testing of the BCP.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

4.1 System Availability and Network Monitoring

In the previous report for 2015, I reported on system availability and network monitoring challenges. There has been some improvement on system availability and monitoring of the PFMS system.

4.2 SAP Maintenance fees

The previously outstanding amounts for SAP Maintenance fees were cleared.

FINANCE STATEMENTS

STATEMENT OF CONTINGENT LIABILITIES 2014

BACKGROUND INFORMATION

Contingent Liabilities are loans advanced to Parastatal bodies, Local Authorities, Statutory Funds and Private companies by external lenders under the guarantee from the Government of Zimbabwe. The power to guarantee rests with the Minister of Finance and Economic Development in terms of the Public Finance Management Act [Chapter 22:19]. The Statement of Contingent Liabilities is prepared by the Ministry of Finance. The statement is a consolidation of contingent liabilities extracted from returns of line Ministries. Its main purpose is to inform the public through Parliament, borrowings of Parastatal bodies, Local Authorities, Statutory Funds and Private companies which the Government of Zimbabwe has guaranteed.

I have audited the Statement of Contingent Liabilities for the Ministry of Finance and Economic Development for the year ended December 31, 2014.

Opinion

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 audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the Statement of Contingent Liabilities as at December 31, 2014.

Basis for Disclaimer of Opinion

1 GOVERNANCE ISSUES

1.1 Differences between the Treasury Return and Audited Returns from Line Ministries

Finding

The total Contingent Liabilities extracted from returns submitted by Line Ministries differed materially from the balance reflected on Treasury return casting doubt on the reliability of the Summary presented for audit. There was a variance of \$90 195 494 which was not supported by a reconciliation showing the make-up of the differences between the two returns.

Risks/Implications

The Statement of Contingent Liabilities might have errors and/or omissions resulting in its misstatement.

The correct position of Government's indebtedness may not be established when records are not reconciled.

Recommendation

Treasury should liaise with Line Ministries to ensure that proper and accurate returns are prepared and reconciliations are done and traced where differences exist.

Management Response

Management has not yet responded.

1.2 Incomplete Register

Findings

The register for guarantees submitted for audit was not being updated timeously and did not also contain all the relevant details such as the original foreign currency amounts and repayments made during the year.

Furthermore, Treasury did not disclose the details and names of beneficiaries (debtors) for loans amounting to \$567 537 792. This might have been caused by management oversight.

Generally accepted accounting practice requires that all relevant financial information should be disclosed so that users of financial information can make informed decisions.

Risk/Implication

Financial statements could be misstated if the register is not updated on time and does not contain all the relevant details.

Recommendation

Treasury should timeously update the register for contingent liabilities and all relevant details should be disclosed in the register.

Management Response

Management has not yet responded.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Inadequate Disclosures

Findings

The return submitted for audit did not show comparative figures for eleven (11) loans amounting to \$378 379 626.

Furthermore, Treasury did not disclose the details of the purpose and the names of beneficiaries (debtors) for loans amounting to \$567 537 792. Failure to maintain an accurate Loans Guarantee register and lack of supervision resulted in the omission of loans details.

Generally accepted accounting practice requires that comparative information should be disclosed in respect of the previous period for all amounts reported in the financial statements except when a Standard or an Interpretation permits or requires otherwise. It also requires that financial statements contain all necessary disclosures which might influence economic decisions of users.

Risk/Implication

Non-disclosure of relevant information might reduce the usefulness of the return which means that users might make ill informed decisions.

Recommendations

Treasury should comply with generally accepted accounting practice by ensuring that comparative financial information is accurately reported or disclosed.

Treasury should also ensure that all relevant information is disclosed in the financial statements so as to enhance the usefulness of financial information.

Management Response

Management has not yet responded.

1.2 Non-compliance with Public Finance Management Act [Chapter 22:19]

Finding

Section 72 subsections (3) and (4) of the Public Finance Management Act [Chapter 22:19] requires that annual, monthly and quarterly reports on loans and guarantees should be prepared by the Accountant – General and laid before the House of Assembly. The Ministry contravened this section when it failed to prepare annual,

monthly and quarterly reports on loans and guarantees. This might have been caused by the inaccuracy of information on loans.

Risk/Implication

Parliament may not have information on loans and guarantees made by Government.

Recommendation

The Ministry should comply with section 72 subsections (3) and (4) of the Public Finance Management Act [*Chapter 22:19*] by ensuring that monthly and quarterly reports on loans and guarantees are prepared and laid before the House of Assembly.

Management Response

Management has not yet responded.

1.3 Called-up loans

Finding

Treasury included called up loans amounting to \$778 643 993 (\$2013: \$572 295 320) on the return submitted for audit and this had an effect of distorting the balance of Contingent Liabilities for the year under review. This was caused by incomplete and/or inaccurate information on the status of loans that were guaranteed by Government.

Risk/Implication

The Statement of Contingent Liabilities may be misstated, resulting in users making ill informed decisions.

Recommendation

Treasury should urgently engage all public entities with a view of establishing accurate information on loans that have been called-up and engage the lenders on loans that should be assumed as Public Debt.

Management Response

Management has not yet responded.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Differences between the Treasury Return and Audited Returns from Line Ministries

The differences which existed between the balances shown on the audited returns from Line Ministries and the Statement of Contingent Liabilities submitted by Treasury were not reconciled. The variance was \$18 356 939.

2.2 Called-up Loans

The balance of Contingent Liabilities for the year under review had not been adjusted to exclude Called up loans amounting to \$315 011 901 (2013: \$572 295 320) as public debt.

2.3 Debt Repayments

The Treasury return submitted for audit incorrectly reflected that a loan repayment of \$90 000 000 was made to the Libya Arab Bank during the year under review. However, the Debt Redemption Fund which is under the Ministry of Energy and Power Development correctly disclosed that \$9 000 000 was repaid. The return had not been corrected.

2.4 Variances between Opening Figures in the 2013 Statement of Contingent Liabilities and the Certified Account for 2012

The variances were corrected.

2.5 Inadequate Disclosures

Treasury did not disclose again information in respect of the purpose for guarantees and names of beneficiaries (debtors) for loans with a value of \$205 245 390.

2.6 Return not Checked by a Senior Person

There was still no evidence of return having been checked by a senior person as it had numerous errors.

STATEMENT OF PUBLIC DEBT 2014

BACKGROUND INFORMATION

Accounts are maintained for all Public Debt represented by loans made to the State. The outstanding balances of all loans are reduced from time to time by repayments and by nominal value of stocks purchased and cancelled by the Debt Redemption Fund and through operations of the Sinking Fund's trustees.

I have audited the Statement of Public Debt for the Ministry of Finance and Economic Development for the year ended December 31, 2014.

Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the Statement of Public Debt presents fairly, in all material respects, the financial position as at December 31, 2014 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Maintenance of Register for Treasury Bills and Bonds

Findings

Contrary to good accounting practice, a register for Treasury bills and bonds was not maintained. In the absence of a register with details of Treasury bills and bonds I was unable to establish whether the Treasury bills and bonds reported were accurate and complete.

Furthermore, only Treasury bills and bonds issuance notes with a value of \$647 794 516 were available for audit examination against a total of \$1 190 675 248 disclosed in the Statement.

Risk/implication

If a register is not maintained errors and or omissions may go undetected resulting in the Statement being materially misstated.

Recommendation

A register for all Treasury bills and bonds should be maintained by the Ministry and reconciled against the issuance letters.

Management Response

The current practice in place is that RBZ, Capital and Financial Markets and Public Debt Office maintain a register for Treasury bills.

1.2 Scope Limitation

Findings

Supporting documents for an IMF/Extended Credit Facility loan amounting to \$151 900 000 were not availed for audit examination. This was in contravention of the Audit Office Act [*Chapter.22:18*] section 8 paragraph (1) (a) which requires that I be availed without undue delay, any information that I may require. I could not therefore verify whether the loan amount disclosed in the Statement of Public Debt was correct. Failure to avail documents may be attributed to poor record keeping.

The Ministry re-submitted an amended Statement of Public Debt for the year ended December 31, 2014 with an adjusted balance of \$5 460 821 818 from an initial balance of \$5 978 130 036 just before the end of my audit. The closing balances for the Statements had a variance of \$517 308 218. The reconciliation statement provided did not explain the variance.

Furthermore, the reconciliation statement revealed that principal and interest repayments of debt amounting to \$116 756 279 were made without providing supporting documents to the Debt Management Office.

Risks/Implications

The loans reflected on the Statement may not be authentic and the Statement may be materially misstated.

Recommendations

The Public Debt Management Office should avail all loan documents for audit verification.

The difference of \$517 308 218 should be explained adequately.

Management Response

With regards to the IMF/Extended Credit facility, there are no loan agreements on IMF facilities. A Letter of intent and IMF Executive Board decision are used in lieu of loan agreements, copies of which are available in our archives and on the IMF website.

Evaluation of Management Response

Copies of the Letter of intent and IMF Executive decision were not availed for audit verification.

There was no response provided for the variance of \$517 308 218 between the two Statements submitted for my audit.

1.3 Penalty Interest Charges

Finding

During the financial year ended December 31, 2013, total penalty interest charges amounted to \$161 180 073. However, as at December 31, 2014 the Statement of Public Debt reflected reduced interest penalties of \$72 377 157 with a note stating that “Penalty charges as at December 31, 2014 were not available from all the creditors, hence the estimated balance has been adopted”. It is highly unlikely that the interest penalties could have gone down drastically in view of the small payments that were made during the year. Inaccurate computations could have been made resulting in lesser penalties.

Risk/Implication

The Statement of Public Debt may be materially misstated due to estimation of interest penalties.

Recommendations

The Public Debt Management Office should ensure that penalty charges are accurately computed and confirmed with creditors.

Management Response

The Debt Management and Financial Analysis System does not handle the calculation of compounded penalty interest charges and creditors use different methods to calculate penalty interest. Some creditors are no longer willing to submit statements on penalties hence officers end up estimating these figures.

Evaluation of Management Response

Management estimates should be reasonable as these have an impact on the debt position of the country.

1.4 Debt Repayments

Finding

Debt repayment balances reflected in both the Constitutional and Statutory Appropriations and Public Finance Management System (PFMS) were in agreement. However, the balances on the Statement of Public Debt were at variance by \$428 667. I raised the issue in my previous audit report but it was not addressed. This may be attributable to a lapse in supervisory controls as the differences could have been detected and corrective action taken.

Risk/Implication

The closing balance on the Statement of Public Debt may be materially misstated.

Recommendation

The Debt Office should improve its supervisory controls to enhance accurate reporting.

Management Response

The Public Debt Management Office will engage the Accountant-General for monthly reconciliations as and when the need arises.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Medium Term Debt Strategy

Finding

According to Debt Management best practices, the Public Debt Management Office should prepare and publish a medium term debt strategy. I noted that the Public Debt Management Office did not have a medium term debt strategy covering the year under review. This might have been as a result of inadequate planning and training of staff.

Risk/Implication

Uninformed decisions may be made in the absence of a Medium Term Debt Strategy.

Recommendation

Adequate training should be done to equip staff with skills in formulating the Medium Term Debt Strategy.

Management Response

Best practice in debt management require a Medium Term Debt Strategy (MTDS). A meaningful MTDS will be feasible after arrears clearance.

Evaluation of Management Response

The Public Debt Management Office should come up with its own Medium Term Debt Strategy in the interim.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS.

2.1 Discrepancies on the Opening Balances

An improvement was noted during the year under review.

2.2 Variations on Debt Repayments between Treasury and the Debt Management Office (DMO)

An improvement was noted during 2014. There was a net difference of \$428 667.

2.3 Erroneous Balances

An improvement was noted during the year under review.

2.4 Varying Amounts on Treasury Bills Issuances

There was no improvement during the year under review as the balances were neither cleared nor reconciled.

2.5 Scope Limitation

The Statutory Reserve issue was resolved and the Reserve Bank Debt Assumption Act was passed.

2.6 Adjustments Arising from Non-settlement of Debt

Computation of penalty interest charges was still an issue.

2.7 Absence of a Documented Procedures Manual for the Debt Management Office.

Back and Middle Office draft manuals were now in place.

STATEMENT OF PUBLIC FINANCIAL ASSETS 2014

BACKGROUND INFORMATION

The Statement of Public Financial Assets reflects the loans advanced (and still outstanding) and investments by Government to and in various institutions. These are Government assets of a financial nature.

I have audited the Statement of Public Financial Assets for the Ministry of Finance and Economic Development for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements present fairly in all material respects, the financial position of the Statement of Public Financial Assets for the year ended December 31, 2014 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUE

1.1 Uncleared Short term loans

Finding

Short term loans with a total value of \$12 619 900 have remained uncleared for the past two years and have not been converted to long term loans, contrary to best practice.

Risk/Implication

The users of financial information may be misled, as a result of misclassification of loans.

Recommendation

The loans should be properly classified.

Management Response

Management has not yet responded.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Inadequate record keeping

The manual register is now in place although it was incomplete.

2.2 Opening balances which did not agree with certified closing balances

Opening balances as at January 1, 2014 were in agreement with the 2013 closing balances.

REVENUE STATEMENTS

STATEMENT OF RECEIPTS AND DISBURSEMENTS 2014

BACKGROUND INFORMATION

This Statement reflects monies receipted or collected and then deposited into the Exchequer bank account or other official bank accounts by Ministries and Departments.

I have audited the Statement of Receipts and Disbursements of the Ministry of Finance and Economic Development for the year ended December 31, 2014.

Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraphs, the financial statements do not present fairly, in all material respects the financial position of Statement of Receipts and Disbursements as at December 31, 2014 and its financial performance for the year then ended.

Basis for Adverse Opinion

1 GOVERNANCE ISSUES

1.1 Variances between line Ministry returns and Consolidated Treasury return

Findings

Year end balances reported by line Ministries and Treasury had variances that remained unreconciled up to the time of concluding the audit. The balances disclosed in the Treasury Consolidated return compared with line Ministry balances showed a net variance of \$132 249 422 as illustrated in the following table:

	Treasury \$	Line Ministry (\$)	Variance \$
Opening Balances	161 507 960	14 935 519	146 572 441
Collections	4 942 846 422	4 950 035 010	(7 188 588)
Payments to the Exchequer	4 428 089 339	4 434 046 676	(5 957 337)
Payments to Other Accounts	511 118 654	512 295 748	(\$1 177 094)
Total	\$10 043 562 375	\$9 911 312 953	\$132 249 422

Furthermore, the certified statement for ZIMRA for the year ended December 31, 2014 had a take-on balance of \$10 094 027 while the Treasury's return had an adjusted opening balance of \$158 485 593. The adjusted opening balance of \$158 485 593 was not supported by documentary evidence.

For the past six years, I have observed variances without any corrective measures being taken to address this situation. The variances are partly attributed to inadequate training of staff in the Treasury department and line Ministries/Departments.

Risk/Implication

The Statement of Receipts and Disbursements may be materially misstated as a result of unreconciled variances.

Recommendation

The variances between the Treasury balances and those for line Ministries should be investigated and cleared and monthly reconciliations should also be carried out to minimize variances.

Management Response

Management has not yet responded.

SCHEDULE OF REVENUE RECEIVED 2014

BACKGROUND INFORMATION

The Schedule of Revenue Received reflects the amounts collected by receivers of revenue by way of taxes, duties, fees, and other income.

I have audited the Schedule of Revenue Received of the Ministry of Finance and Economic Development for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Schedule of Revenue Received as at December 31, 2014 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Variances between line Ministries, Treasury and Public Finance Management System (PFMS) revenue balances

Finding

The revenue disclosed in the line Ministries' returns and the Zimbabwe Revenue Authority return was at variance with the revenue disclosed in Treasury's return by \$18 445 630. Furthermore, revenue received as per Public Finance Management System (PFMS) report was different from revenue disclosed by Treasury resulting in a variance of \$151 253 283. Under normal circumstances revenue received figures on PFMS, Treasury Schedule and Ministries/Departments returns should agree. There was no evidence of efforts made to reconcile the different balances.

Risk/Implication

The variances cast doubt on the accuracy and reliability of the balances reported on the Schedule of revenue received.

Recommendation

Treasury should ensure that reconciliations are carried out and variances cleared timeously.

Management Response

Management has not yet responded.

1.2 Misstatement of the Revenue Received

Finding

The Zimbabwe Revenue Authority (ZIMRA) contributed about 93% of the total revenue received and disclosed in the Schedule of Revenue Received. However, there were misstatements on the ZIMRA return relating to false claims of input tax refunds amounting to \$226 358 004 which remained uncorrected up to the time of consolidation of the Revenue Received return.

Risk/Implication

The Schedule of Revenue Received may be materially misstated as a result of false claims that were not corrected at year end.

Recommendation

Treasury should advise the Zimbabwe Revenue Authority to take timely corrective action in order to have reliable financial information.

Management Response

Management has not yet responded.

SCHEDULE OF OUTSTANDING REVENUE 2014

BACKGROUND INFORMATION

This relates to revenue which is due to the State.

I have audited the Schedule of Outstanding Revenue of the Ministry of Finance and Economic Development for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Schedule of Outstanding Revenue present fairly, in all material respects the financial position of the Schedule of Outstanding Revenue as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Variances between line Ministries' returns and Consolidated Treasury return

Finding

Outstanding revenue amounts disclosed in Treasury Consolidated return and line Ministries' returns showed significant differences. The total net difference was negative \$810 190 as illustrated in the table below. This situation was partly attributed to inadequate training of staff in the Treasury department and line Ministries.

	Ministry \$	Treasury \$	Variances \$
Investment Revenue	13 823 540	7 118 935	6 704 605
Education Fees	27 780	-	27 780
Other Fess	25 669	224 241	(198 572)
Public Service Surcharges, Penalties and Fines	138 661	2 347 312	(2 208 651)
Departmental Surcharges	2 603 552	2 715	2 600 837
Treasury Orders	257 798	-	257 798
Refunds of Miscellaneous Payments from Votes	790	7 995 307	(7 994 518)
Miscellaneous Revenue	531	-	531
Total	\$16 878 321	\$17 688 510	(\$810 190)

Risk/Implication

The Schedule of Outstanding Revenue may be materially misstated as a result of the uncorrected errors.

Recommendation

Treasury and line Ministries' staff should be trained on the preparation of Revenue and Finance statements.

Management Response

Management has not yet responded.

1.2 Qualified Audited Zimbabwe Revenue Authority (ZIMRA) Outstanding Revenue return**Finding**

The Zimbabwe Revenue Authority contributed \$1 434 832 627 which is about 96% of the total outstanding revenue disclosed in the Schedule. However, the outstanding revenue return for ZIMRA for the year ended December 31, 2014 was qualified because of misstatements which affected the Consolidated Schedule for outstanding revenue.

Risk/Implication

The Schedule of Outstanding Revenue may be materially misstated.

Recommendation

Treasury should advise the Zimbabwe Revenue Authority to take corrective action to eliminate errors on the return.

Management Response

Management has not yet responded.

FUND ACCOUNTS

NATIONAL DEVELOPMENT FUND 2015

OBJECTIVE OF FUND

The main objective of the Fund is to account for the receipt of foreign donor aid for national development projects, and its disbursement to the Consolidated Revenue Fund in respect of corresponding expenditure charged to the votes of implementing Ministries on projects for which the aid was intended.

I have audited the National Development Fund Account for the year ended December 31, 2015.

Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respect, the financial position of the National Development Fund Account as at December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Variances on Interest Earned

Findings

There were variances on interest earned on loans advanced through the Infrastructural Development Bank of Zimbabwe (IDBZ) to Zimbabwe National Roads Authority, Bulawayo City Council, Transmedia, Civil Aviation Authority of Zimbabwe, Zimbabwe National Water Authority and the department of National Housing. This resulted from different methods used to compute interest earned by the implementing agent IDBZ and the Fund managers. Detailed loan account balances from IDBZ for the six beneficiaries mentioned above had a total interest earned figure of \$3 928 780 whereas ledger accounts maintained by the Fund reflected a total interest figure of \$5 126 677. The net difference of \$1 197 897 was not reconciled.

Risk/Implication

The statement might be materially misstated if the interest earned figure is not calculated correctly.

Recommendation

The different interest earned amounts should be reconciled so that the correct position is determined.

Management Response

The observation has been noted. A reconciliation has been carried out and there is need for an adjustment of the overstated interest earned.

2 GOVERNANCE ISSUES

2.1 Investments, Cash and Cash Equivalents

Findings

The Infrastructure Development Bank of Zimbabwe confirmed a total amount of \$443 053 for the Revolving and Sinking Fund account, one of the accounts making up the cash and cash equivalents balance, while the financial statements had a figure of \$237 325. This resulted in a variance of \$205 728. No reconciliations were carried out to explain the variance.

For the second year running, the financial statements showed an amount of \$18 068 044 that was invested in Interfin bank in 2009 and meant for Zimbabwe Economic and Trade Revival Fund (ZETREF). The bank was placed under curatorship in 2010. A provision for doubtful debts was not created for this investment in line with best accounting practice as its recoverability is doubtful. This had the effect of overstating the Fund's cash balance.

Risk/Implication

The recoverability of the investment is doubtful, hence financial statements may be misstated.

Recommendations

The Fund managers should carry out bank reconciliations and investigate and clear differences.

A provision for bad debts should be created in line with good accounting practice so that the financial statements are not distorted.

Management Response

The observation has been noted on the creation of a provision for bad debts account. The recoverability of \$18 068 044 depends on the work being carried out by the curator to repay all liabilities due since the investment was unsecured.

Evaluation of Management Response

The variance of \$205 728 between the Infrastructure Development Bank of Zimbabwe figure of \$443 053 and the financial statements figure of \$237 325 was not addressed.

2.2 Prior Year Adjustment

Finding

The 2014 financial statements prior year adjustment figure of \$9 987 688 which did not have supporting documents, was not investigated. The amount was included in the opening General Fund figure of \$153 354 761 as at January 1, 2015.

Risk/Implication

The financial statements may be misstated as a result of the unsupported adjustment.

Recommendation

The 2014 prior year adjustment should be investigated and corrective action taken.

Management Response

Management has not yet responded.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Cash and Cash Equivalents

No corrective action was taken on the variance of \$146 038 between IDBZ and the financial statements. The other issue in which IDBZ confirmation letters did not bear the name of the National Development Fund Account was also not addressed.

3.2 Prior year adjustment

No corrective action was taken on the financial statements which had an unsupported prior year adjustment figure of \$9 987 688.

3.3 Interfin bank investment

The financial statements showed an investment of \$18 068 044 with Interfin bank for Zimbabwe Economic and Trade Revival Fund (ZETREF). The bank was placed under curatorship.

There was no improvement and chances of recovering the investment remained doubtful.

3.4 Preferential Trade Area (PTA) Bank Agricultural Inputs Scheme

No investigation was carried out to establish whether the procured inputs reached the intended beneficiaries.

3.5 Non Recovery of outstanding Project Loans

The rate of recovery of loans amounting to \$70 460 000 that were availed to various institutions through IDBZ bank in the year 2010 remained very low.

NATIONAL DEVELOPMENT FUND 2014

OBJECTIVE OF THE FUND

The main objective of the Fund is to account for the receipt of foreign donor aid for national development projects, and its disbursement to the Consolidated Revenue Fund in respect of corresponding expenditure charged to the votes of implementing Ministries on projects for which the aid was intended.

I have audited the National Development Fund Account for the year ended December 31, 2014.

Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the National Development Fund Account as at December 31, 2014 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Investments, Cash and Cash Equivalents

Findings

The balance for the IDBZ –Revolving and Sinking Fund account as at December 31, 2014 amounted to \$128 693 whereas the financial statements had an amount of \$274 731, resulting in a variance of \$146 038. There were no reconciliations carried out to support the difference.

Furthermore, IDBZ bank confirmation letters for the Revolving and Sinking Fund account and Investment account with balances of \$128 693 and \$3 171 739 respectively did not bear the name of the National Development Fund Account, raising doubt on the authenticity of the balances reported in the financial statements.

The financial statements showed an amount of \$18 068 044 that was invested in Interfin in 2009 and meant for Zimbabwe Economic and Trade Revival Fund (ZETREF). The bank was placed under curatorship in 2010. A provision for doubtful debts was not created for this investment in line with best accounting practice as its recoverability is doubtful. This had the effect of overstating the Fund's cash equivalent balance.

Risk/Implication

The investments, cash and cash equivalent balances may be misstated.

Recommendations

Bank accounts of the Fund should bear its name. Certificates of bank balances should be authenticated.

The balances disclosed in financial statements should be reconciled to bank balances.

A provision for bad debts account should be created in line with good accounting practice so that financial statements are not distorted.

Management Response

We have written to the bank to correctly identify the National Development Fund and investment accounts.

The observation on the creation of a provision for bad debt account is noted. Recoverability of \$18 068 044 depends on the work being carried out by the curator to repay all liabilities due since the investment was unsecured.

Evaluation of Management Response

A copy of the letter written to the bank was not availed as evidence that the Fund managers had requested the bank to reflect the name of the Fund on all its bank accounts.

The Fund managers did not provide an explanation on the variance of \$146 038.

2 GOVERNANCE ISSUES

2.1 Prior Year Adjustment

Finding

The financial statements had a prior year adjustment figure of \$9 987 688 which was not supported by a note to explain the adjustment and the related supporting evidence was not provided.

Risk/Implication

Fraudulent activities may be perpetrated against the Fund.

Recommendation

The prior year adjustment should be supported by documentary evidence.

Management Response

Management has not yet responded.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Preferential Trade Area (PTA) Bank Agricultural Inputs Scheme

Findings

The PTA Bank availed a \$ 10 million facility to the Government through the Ministry of Finance and Economic Development for the importation of Agricultural inputs for the 2014/2015 agricultural season. Due to internal control lapses, the facility was defrauded of \$729 395 through the use of fake invoices. At the conclusion of my audit, the money had not yet been recovered and the matter was in the hands of law enforcement agencies.

Input delivery notes were not availed for my inspection to enable me to validate receipt of the inputs and subsequent distribution in line with good accounting practice. Section 1.4 (2) of the Accounting Procedures' Manual requires that issue/receipt vouchers be raised and compared against delivery notes before an invoice is paid. Failure by management to observe laid down internal control procedures on procurement contributed to the anomaly.

Risks/Implications

Failure to safeguard borrowed funds may result in loss of confidence in government programmes and withdrawal of future funding.

Invoices could be raised and payments made without actual delivery of the inputs

Recommendations

Internal controls should be put in place to safeguard public resources and procurement procedures should be adhered to.

An investigation should be instituted to establish whether the procured inputs reached the intended beneficiaries.

Management Response

The Fund improved its internal control systems by automating the facility on the Public Finance Management System and the responsibility to transact on the system has been delegated to the Ministry of Agriculture, Mechanisation and Irrigation Development.

Evaluation of Management Response

It is considered more appropriate to assign the responsibility of managing the facility to Ministry of Agriculture, Mechanisation and Irrigation Development.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Variance in Accounts Receivable Figure

Accounts Receivable was disclosed in the financial statements as \$103 390 032 while confirmation from IDBZ Bank which managed ZETREF and Farmer's World debt disclosed a figure of \$221 205 034. This resulted in an unexplained variance of \$117 815 992. The issue had not been resolved.

2.2 Investment in Interfin

The financial statements reflected an investment of \$18 068 044 which was held with Interfin bank, for Zimbabwe Economic and Trade Revival Fund (ZETREF). The bank was placed under curatorship thereby casting doubt on its recoverability. There was no improvement. The issue remained unresolved.

2.3 Investment in CABS

The financial statements disclosed an investment balance of \$11 098 574 while an investment certificate from the bank reflected \$10 717 500 giving a variance of \$381 074. The issue was not resolved.

2.4 Non-provision of Information for ZETREF

Under the Zimbabwe Economic Trade Revival facility, the Zimbabwe government contributed \$20 million while Afri Exim Bank contributed \$50 million. Interfin bank was the implementing agent for the government. The Fund managers failed to avail for audit the documentation surrounding this arrangement.

The documents pertaining to ZETREF were not availed for my examination.

2.5 Accounting for PSIP and NDF Funds by IDBZ bank

The Fund and Treasury invested funds in IDBZ for funding infrastructure projects. The funds were put in a single account at IDBZ bank.

Documents supporting the separation of NDF and Treasury funds were not availed for my verification.

2.6 Outstanding Farmer's World Debt

The issue was referred to the Attorney-General (Civil division) for legal advice.

SENIOR OFFICERS HOUSING FUND 2015

OBJECTIVE OF THE FUND

The Fund was established to provide housing loans to all eligible Senior Officers to enable them to purchase housing stands, construct their own houses, carry out renovations on their existing properties and to provide mortgage relief on first house.

I have audited the Senior Officers Housing Loan Fund of the Ministry of Finance and Economic Development for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Senior Officers Housing Fund as at December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Accumulated Fund

Finding

The opening balance for the Accumulated Fund as at January 1, 2015 was \$9 748 651. This figure differed from \$9 656 026 which was the closing balance as at December 31, 2014 resulting in a variance of \$92 625. The variance was due to uncorrected errors in the books of accounts, in contravention of good accounting practice. I raised a similar observation in my last audit report. I am concerned that corrective action was not taken.

Risk/Implication

Financial statements may be materially misstated.

Recommendation

The opening balance should be corrected in line with good accounting practice.

Management Response

Management has not yet responded.

1.2 Prior Year Adjustment

Finding

I noted that an amount of \$90 187 was recovered through Salary Service Bureau in December 2014 but was not remitted to the Fund's bank account as at December 31, 2014. However, the non-remittance was not disclosed in the financial statements for that same year. The error was not corrected in the 2015 financial statements contrary to good accounting practice.

Risk/Implication

The financial statements may be materially misstated.

Recommendation

Prior period errors should be corrected retrospectively.

Management Response

Management has not yet responded.

HOWEVER, below are other material issues noted during the audit:

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Long outstanding Senior Officers Housing Loans

Finding

A balance of \$583 835 was owed to the Fund by officers who had left the Civil Service. There was no evidence that the Fund had submitted claims to either the Pensions Office, Salary Service Bureau or to the Administrators of Deceased Estates or Master of the High Court. At the time of audit, no follow up action had been taken by the Fund managers to recover the outstanding amounts. This was contrary to paragraph 3.4 of the Accounting Officer's Instructions which states that in the event of the borrower resigning from the Civil Service before the loan is fully repaid, the outstanding amount shall become immediately due and payable and entitle the lender to recover such balance due from the benefits of the borrower and sue for any balance.

Risk/Implication

Public resources may be lost if there are no effective mechanisms of recovering loans from members who have left the service. This may result in the Fund failing to fulfil its mandate.

Recommendation

Fund management should design a system that identifies defaulters or officers who have left the service and come up with effective follow-up mechanism with Salary Service Bureau, Pension Office, Master of the High Court and Estate Administrators in order to recover outstanding loans.

Management Response

Management has not yet responded.

2.2 Recovery of Loans Disbursed to Senior Officers in Foreign Missions

Finding

Loans disbursed to senior officers in foreign missions were not being recovered through Salary Service Bureau (SSB) as monthly deductions were not effected. Some of the beneficiaries last made payments as far back as 2011. This was in violation of paragraph 3.5 of the Accounting Officer's Instructions which states that repayments should be done timeously.

Risk/Implication

Loans borrowed may not be recovered, negatively impacting on the achievement of the Fund's goals and objectives.

Recommendation

The Fund managers should adhere to the provisions of the Fund's constitution. Salary Service Bureau should be requested to recover loans from senior officers stationed at foreign missions.

Management Response

Management has not yet responded.

2.3 Revenue Received in Advance

Finding

An amount of \$2 406 was disclosed in the financial statements as revenue received in advance. However, Fund officials failed to avail documents to support the prepayments. This may have been caused by failure to maintain proper and accurate accounting records and/or poor filing system. I was therefore unable to confirm the correctness of the aforesaid amount. This violated generally accepted accounting practice.

Risk/Implication

The financial statements may be misstated or manipulated if accounting records are not properly maintained.

Recommendation

All amounts disclosed in the financial statements should be supported by relevant and sufficient supporting source documents.

Management Response

Management has not yet responded.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Fund Debtors

There was no improvement during 2015 as the breakdown for debtors was not provided.

3.2 Accumulated Fund

The opening Accumulated Fund figure of \$9 244 416 disclosed in the financial statements submitted for audit differed from the opening audited closing balance of \$9 449 542. This resulted in a variance of \$205 127 that was not reconciled.

A similar observation was made during the year under review.

3.3 Recovery of loans disbursed to Senior Officers in foreign missions

I noted that funds disbursed to senior officers at foreign missions were not being recovered through monthly deductions in line with good practices.

The same observation was made during the year under review.

3.4 Collateral Security

For the second year running, the Ministry failed to obtain collateral security for housing loans issued to borrowers and this issue has been outstanding since the inception of the Fund in 2006.

The same observation was made in the year under review.

3.5 Amounts withdrawn not for the Fund's business.

A total of \$123 813 was withdrawn from the Fund's bank account on various dates during the financial year and was used for purposes not related to the Fund's core business. The funds were later reimbursed.

The practice was not repeated during 2015.

3.6 Collective Decision Making

The senior officers housing committee has not met since April 2013.

The Housing Committee did not meet during 2015.

SENIOR OFFICERS HOUSING FUND 2014

OBJECTIVE OF THE FUND

The Fund was established to provide housing loans to all eligible Senior Officers to enable them to purchase housing stands, construct their own houses, carry out renovations on their existing properties and to provide mortgage relief on the first house.

I have audited the Senior Officers Housing Loan Fund Account of the Ministry of Finance and Economic Development for the year ended December 31, 2014.

Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Senior Officers Housing Fund Account as at December 31, 2014 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Opening balances

Finding

The opening Accumulated Fund figure amounting to \$9 244 416 disclosed in the financial statements submitted for audit differed from the take-on audited closing balance of \$9 449 542. This resulted in a variance of \$205 126 that was not supported by documentary evidence. The amount could have been included as a balancing figure to the financial statements to compensate for uncorrected errors in the books of accounts contrary to good accounting practices. I raised the same observation in my last audit report. I am concerned that corrective action was not taken.

Risk/Implication

Financial statements may be materially misstated.

Recommendation

The figure of \$205 126 should be investigated and corrective action taken.

Management Response

Management has not yet responded.

HOWEVER, below are other material issues noted during the audit:

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Recovery of loans disbursed to Senior Officers in Foreign Missions

Finding

I noted that funds disbursed to senior officers in foreign missions were not being recovered through monthly instalments in line with good practice. Some of the beneficiaries had last paid as far back as the year 2011. This defeats the provisions of paragraph 3.5 of the Fund's Accounting Officer's Instructions which states that the Fund should be revolving.

Risk/Implication

Amounts borrowed may be difficult to recover due to lapse of time impacting negatively on the Fund's operations.

Recommendations

The Fund managers should adhere to the provisions of the Fund's Constitution.

A recovery system should be put in place before disbursements are made to officers at foreign missions.

Management Response

Management has not yet responded.

2 GOVERNANCE ISSUES

2.1 Loan Application forms

Finding

The Ministry failed to avail thirteen completed loan application forms. I was advised that these were kept at the respective Ministries of the beneficiaries, contrary to paragraph 2.2 of the Guidelines for the Senior Officer's Housing Loan Scheme which requires the Application forms to be submitted to Treasury in order to facilitate disbursement of funds. Failure to avail loan application forms limited the scope of my audit and violated section 8(1) (a) of the Audit Office Act [*Chapter 22:18*] which empowers me to receive requested documents for examination without undue delay.

Risks/Implications

There is a risk that loans could have been advanced to undeserving officers which could make it difficult to recover the funds.

Fraudulent activities may take place if payments are made without sufficient documents.

Recommendation

The Ministry should avail for my examination loan application forms for the thirteen officers.

Management Response

Management has not yet responded.

2.2 Meeting Objectives of the Fund

Finding

As at December 31, 2014, the Fund had a cash balance of \$647 213. On average, the Fund had monthly cash balances of about \$680 000. More than sixty Senior Officers could have benefitted if disbursements had been made timeously. Failure to have meetings to deliberate on the Fund's business could have contributed to the delays in disbursing the funds to deserving officers in fulfilment of the Fund's objective of providing housing loans in terms of section 2 of the Fund's Constitution. The table below are balances that were in the Fund's bank account at the end of each month during 2014.

MONTH	CASH BALANCE (\$)
January	482 534
February	511 814
March	676 371
April	722 177
May	841 241
June	1 105 216
July	1 153 834
August	806 385
September	308 059
October	451 099
November	427 321
December	647 213

Risk/Implication

There is risk that the Fund may fail to meet its objectives of providing housing loans to eligible Senior Officers to enable them to purchase housing stands, construct their houses and carry out renovations on their properties if disbursements are not made timeously.

Recommendation

The Fund's financial resources should be expended timeously in order to realize the intended objectives.

Management Response

Management has not yet responded.

2.3 Limits on Loan Disbursements

Finding

Paragraph 8 of the Accounting Officers Instruction provides for individual loan limits per disbursement to loan applicants. The Instruction however, does not state the maximum that an individual officer can receive in a year contrary to good internal control practices. This could have been a result of management oversight during the drafting of the instructions.

Risk/Implication

There is a risk that few officers may repeatedly benefit from housing loans to the disadvantage of other deserving officers.

Recommendation

The maximum loan limits for each grade should be stated in the Accounting Policy manual to promote transparency and equity in the disbursement of loans.

Management Response

Management has not yet responded.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Accounting Officer's Instructions and Administrative Procedures Manual

The Fund now has Accounting Officers Instructions and Administrative Procedures Manual.

3.2 Loans in Excess of the Maximum Limit

The Fund managers regularised this by increasing the limit. However, authority for the increase was not availed

3.3 Security for loans disbursed to Senior Officers

A circular was sent to all Ministries requesting borrowers to submit title deeds in respect of properties that were funded, however, the title deeds were not availed for my examination.

VOTE 7.- INDUSTRY AND COMMERCE

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Industry and Commerce for the year ended December 31, 2016.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Industry and Commerce as at December 31, 2016.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Understatement of Expenditure

Finding

The Ministry failed to upload all expenditure into the Public Finance Management System (PFMS) which is a computerised system used by Government for processing transactions. As a result, expenditure amounting to \$189 250 made up of \$120 325 relating to June employment costs and \$68 925 in respect of trade promotions was omitted from the Appropriation Account. Subsequently, the total expenditure was understated leading to material misstatement of the financial statements.

Risk/Implication

Misstatement of the financial statements compromises the reliability of the financial information presented.

Recommendation

All transactions should be captured into the Public Finance Management System for completeness of recording.

Management Response

The Ministry will engage Treasury to release the amount in the system and the Appropriation Account and PMG Account will be adjusted accordingly. The vouchers amounting to \$68 925 not uploaded require funding and will be processed once Treasury effects the necessary reallocations. Furthermore, uploading can only be done when the closed period is reopened to allow processing.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Trade Promotions

Finding

Treasury Instruction 1216 requires that before forwarding a voucher for payment the officer initiating the transaction shall satisfy himself that the claim is a proper charge against public funds, correct with regard to computations and supported by the relative requisitions or an explanation for their absence. However, out of the expenditure amount of \$633 977 disclosed under Trade Promotions, \$433 871 was not adequately supported as no receipts and school fees invoices for children of the trade promoters were attached to support the expenditure. As a result, I could not ascertain and validate the authenticity of the expenditure incurred by trade promoters.

Risk/Implication

It is difficult to establish whether expenditure incurred is a proper charge against public funds when there is no valid supporting documentation and this exposes funds to misuse.

Recommendation

Supporting documentation pertaining to all expenditure incurred should be obtained and availed for audit to ensure proper accountability for public funds.

Management Response

The expenditure on foreign missions is managed on advance basis and actual expenditure uploaded in the system upon submission of vouchers of which supporting documents must be attached to every payment. The Ministry will advise the Ministry of Foreign Affairs to avail copies of the missing receipts and school fees invoices to support the payments in question.

1.2 Absence of Disaster Recovery and Business Continuity Plan

Finding

The Ministry did not have a Disaster Recovery Plan which includes policies, processes and procedures to recover data and ensure business continuity in the event of a disaster. This is a key component involving all aspects of a business, mainly the technology aspects that support a business and all the material data. As a result, the Ministry may lose information in the event of a disaster.

Risk/Implication

The Ministry may fail to restore the business processes, systems and data recovery after a disaster has occurred.

Recommendation

The Ministry should develop effective Disaster Recovery and Business Continuity Plan to ensure that its key functions and essential services continue operating in case of a disaster.

Management Response

The Ministry is currently mobilising resources to engage a facilitator to assist with the development of disaster recovery and business continuity plan and the activity is expected to be completed before the end of October 2017.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Outstanding Revenue

Finding

Treasury Instruction 0501 states that officers responsible for collecting debts shall take adequate steps to collect any sums due to the Government on due date and shall on no account allow a debt to become extinguished through lapse of time. However, the Ministry's outstanding revenue increased by 95.6% from the previous financial period balance of \$28 534 to the current year balance of \$55 877. This may have been caused by lack of robust debt collection mechanisms since some of the debts date back to 2010.

Risk/Implication

Failure to collect outstanding revenue prejudices the Government of the much needed funds and also if it takes too long, the debts may never be recovered.

Recommendation

The Ministry should put in place effective revenue collection systems in compliance with the requirements of Treasury Instruction 0501.

Management Response

The Trade Measures Fund operates on accrual basis and most of the invoices were issued during year end hence the increase in outstanding revenue. However, measures will be taken to ensure that reconciliations are done to establish payments made to date and follow ups will be made by May 19, 2017 on the outstanding amounts.

3 MANAGEMENT OF ASSETS

3.1 Non- recording of Assets

Finding

The Ministry procured four Nissan NP300 vehicles from Nissan Clover Leaf Motors for \$119 636 on September 08, 2016 but at the time of audit these motor vehicles had not been recorded in the register contrary to the requirements of Appendix I 2(b) of the Treasury Instructions which states that assets received by way of purchase must be recorded in the asset records.

Risk/ Implication

Assets may be difficult to trace if they are not in the Ministry's records.

Recommendation

All asset purchases must be recorded in the asset records in terms of Appendix I 2(b) of the Treasury Instructions to ensure completeness of asset records.

Management Response

The Ministry will ensure that all assets purchased are recorded in the register as per Treasury Instructions.

4 MANAGEMENT AND IMPLEMENTATION OF GOVERNMENT PROGRAMMES

4.1 Results Based Management Plans

Finding

The Ministry did not submit Quarterly Reports for Results Based Management Programme as required by Audit Circular No. 1 of 2016. As a result, I could not evaluate the extent to which the Ministry achieved the goals laid out in the Ministerial Integrated Performance Agreement.

Risk/ Implication

In the absence of quarterly reports, it is difficult to monitor progress made towards the achievement of the Ministry's objectives.

Recommendation

The Ministry should prepare quarterly reports so that it can monitor the implementation of its programs and take corrective action on time if need be.

Management Response

The Ministry engaged Results Based Management trainers on completion of the quarterly reports during the 2017 strategic planning workshop in order to be able to properly prepare the reports.

5 PROCUREMENT

5.1 Violation of Procurement Procedures

Finding

The Ministry procured 10 195 litres of petrol costing \$13 457 and 22 300 litres of diesel costing \$26 537 from Petrotrade (Pvt) Ltd on December 24, 2016. This required Informal Tender procedures to be followed, however, there was no evidence that this was done. Instead, the purchase was split into three transactions for each fuel type processed on the same date. This amounted to tender splitting as this was done to avoid purchasing through an informal tender as required by Section 42 (1) of the Procurement Act [Chapter 22:14] read in conjunction with the State Procurement Board (SPB) Circular No. 1 of 2015 and Procurement (Amendment) Regulations, 2015 (No. 18) which requires that goods and services above \$10 000 be procured through informal tenders.

Risk/ Implication

Failure to abide with procurement thresholds may result in uneconomic buying or tenders being awarded to suppliers without the capacity to deliver the required quantities.

Recommendation

The Ministry should abide by procurement regulations that are meant to ensure an efficient and transparent procurement system.

Management Response

The Ministry procured fuel coupons from SPB registered retail suppliers licenced by Zimbabwe Energy Regulatory Authority (ZERA) in line with ZERA Act [Chapter 13:23] on “as and when” required basis in line with S.I. 184 of 2014 and General Notice 290 of 2016. The quantities procured are inclusive of reimbursement to Standards Development Fund and these requests were done separately. Furthermore, due to limited time that was available to process payments we saw it prudent to process the requests in batches. Petrotrade is a state owned enterprise and has been supplying fuel without challenges whilst at the same time offering low price compared to other suppliers.

Evaluation of Management Response

S.I. 184 does not address the issue raised. The Ministry should follow procurement procedures as required.

5.2 Statement of Public Financial Assets

Finding

The Ministry did not disclose, as required by Audit Circular No. 1 of 2016, Public Financial Assets relating to a loan amounting to \$3 310 000 given to CAPS Holdings through the Reserve Bank of Zimbabwe thereby understating the balances on the Statement of Public Financial Assets return.

Risks/ Implications

Non-disclosure of all transactions pertaining to loans and investments results in material misstatement of the Statement of Public Financial Assets. Further, without full disclosure, the performance of the loan may never be monitored.

Recommendation

The Ministry should disclose all loans provided to State Enterprises under its administration to promote transparency and accountability and to ensure that their performance is monitored.

Management Response

The Ministry requested for guidance from Treasury on treatment of the loan amounts issued to Caps Holdings on resuscitation including supporting details to enable preparation of the return and capturing of expenditure in the system. Treasury advised the Ministry that they are working on modalities to handle the loans and we await directions.

6 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

6.1 Management and Implementation of Government Programmes- Milano Expo

The Ministry held a meeting with the Business partner during his visit and he advised that the receipts cannot be retrieved from tax authorities because the expo organisation was created for the event and no longer in existence. In future, the Ministry will ensure that books of accounts are maintained at all times to ensure full accountability of public resources.

6.2 Fuel Management

The outstanding 3 660L diesel fuel coupons worth US\$4 998 procured on March 10, 2015 was collected from Redan Petroleum and recorded in the fuel register as 3 580L based on the current price. Tight control measures have been taken to avoid recurrence of such in future.

6.3 Audit Committee

The Ministry has since appointed an Audit Committee in terms of Section 84 of the Public Finance Management Act [*Chapter 22:19*].

STANDARDS DEVELOPMENT FUND 2015

OBJECTIVE OF THE FUND

The Fund was established for the development and promotion of standardisation and quality control of commodities and services.

I have audited the financial statements of the Standards Development Fund for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly in all material respects, the financial position of the Standards Development Fund as at December 31, 2015 and its financial performance for the year then ended.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Internal Controls

Findings

Treasury Instruction 0432 requires the Head of Office to frequently compare entries in cashbooks, copies of receipts and any other relevant documents so as to ensure completeness and accuracy of the transactions and avoid errors. There was no evidence that the work of the subordinates was being checked by supervisors.

In the 2015 financial year, the Fund acquired three motor vehicles at a total cost of \$128 700. According to the asset register one vehicle was transferred to Mutare Regional Office and the other two vehicles were transferred to Bulawayo Regional office. However, there was no evidence to confirm the transfer in the form of issue vouchers. This was contrary to Section 4.5(4) of the Accounting Procedures Manual which requires that transfer of assets be made by means of an issue voucher.

Risks/Implications

Errors may go undetected if supervision by seniors is not carried out regularly.

Absence of supporting documentation may result in the Fund not being fully accountable for its assets thereby exposing them to misuse and theft.

Recommendations

Management should check work performed by subordinates for accuracy and completeness as required by Treasury Instruction 0432. This will enable the Fund to monitor the work of subordinates to avoid unwarranted errors.

An issue voucher should be used whenever there are transfers of assets or consumables to regional offices as required by the Accounting Procedures Manual.

Management Response

The observation is noted. Acknowledgements of receipts for transfer of vehicles to regional offices were used.

1.2 Accounting Officer's Instructions

Finding

The Fund was operating without Accounting Officer's Instructions contrary to the provisions of Treasury Instruction 0706 which stipulates that the Accounting Officer should issue detailed instructions governing the conduct of financial business and control of public monies and property for which they are responsible. As a result, there were inconsistencies in the treatment of transactions.

Risk/Implication

The reliability of the Fund's financial statements may be compromised as basic accounting principles may be ignored in the absence of explicit instructions.

Recommendation

Accounting Officer's Instructions should be issued to facilitate the smooth operation of the Fund. This would enable uniformity in the execution and recording of transactions and serve as a training tool for officers thereby reducing processing errors.

Management Response

The Fund is in the process of finalising the Standards Development Fund handbook manual. The draft is waiting for clearance within the Ministry. The next stage is to submit it to the Accountant-General's Office for approval.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Provision for Bad Debts and Debt Management

Audit recommendations are being implemented as outstanding levy debtors were handed over to the Civil Division as evidenced by a letter written on July 20, 2016. A letter was also sent to the Ministry of Local Government, Public Works and National Housing on July 11, 2016 requesting for assistance in the recovery of the outstanding debts from local authorities.

2.2 Investments

The Fund acquired a new building as an Investment in Bulawayo at a cost of \$518 250 at the end of December 2015.

VOTE 8.- AGRICULTURE, MECHANISATION AND IRRIGATION DEVELOPMENT

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Agriculture, Mechanisation and Irrigation Development for the year ended December 31, 2016.

Opinion

In my opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Agriculture, Mechanisation and Irrigation Development as at December 31, 2016.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

ADMINISTRATION AND GENERAL

1.1 Statement of Other Capital Liabilities

Finding

I was not availed with supporting documents for the total amount of \$156 741 600 disclosed in the Statement of Other Capital Liabilities under the agricultural inputs programme.

Risks/Implications

Irregular repayments for Other Capital Liabilities may be processed in future.

It may be difficult to verify Outstanding Other Capital Liabilities in the absence of supporting documents.

Recommendation

Statements should be availed for audit and creditors' reconciliations should be done.

Management Response

Other than budget support letters received from Treasury, the Ministry was not availed with any other documentary evidence in respect of supplies amounting to \$101 518 651.

Other Capital Liabilities amounting to \$55 222 949 relate to the grain procured prior to the dollarization whose contracts were between the suppliers and the

Reserve Bank of Zimbabwe. The suppliers have since handed over their cases to court and have ceased to send statements of account.

Evaluation of Management Response

The Ministry must consider approaching Treasury and Reserve Bank of Zimbabwe to obtain contractual agreements which support the reported figure for other capital liabilities.

1.2 Statement of Contingent Liabilities

Finding

Supporting documents for the total of \$66 051 500 disclosed in the Statement of Contingent Liabilities were not availed for audit inspection. I could not therefore satisfy myself that Contingent Liabilities were properly accounted for.

Risk/Implication

Users of financial statements may make decisions based on inaccurate financial statements.

Recommendation

The Ministry should ensure that documentary evidence to support the Contingent Liabilities is availed for audit.

Management Response

The documentary evidence relating to the amount of \$66 051 500 is with the clients. We are making an effort to collect the information for transmission to your office.

1.3 Unreconciled Expenditure Figures

Finding

According to the Appropriation Account, capital transfers had a total expenditure of \$477 496 978 while the Public Finance Management System printout reflected the figure as \$479 496 978. As at the time of concluding the audit, the variance of \$2 000 000 had not been reconciled.

Risk/Implication

Inappropriate decisions may be made based on misstated financial statements.

Recommendation

Management should ensure that all figures are captured correctly and reconciled.

Management Response

The uploading and releasing of funds by Treasury for expenditure relating to the 2016 financial year is distorting the expenditure both for the PFMS printout and the Appropriation Account and as such the figure relating to GMB might have varied due to the above mentioned action by Treasury. However, investigations regarding the variance of \$2 000 000 are in progress and once ascertained, corrective action will be instituted.

HOWEVER, below are material issues noted during the audit:

1 PROCUREMENT

ADMINISTRATION AND GENERAL

1.1 Payment for Goods not Requested

Finding

I observed that the Ministry paid a total of \$46 920 in three payments of \$12 810, \$10 650 and \$23 460 to Printflow P/L for order forms with security features against an approved requisition of \$650 resulting in unapproved purchases of \$46 270.

Risk/Implication

Payment of goods and services not requested and approved may result in misappropriation of funds.

Recommendation

There is need to process payments for goods and services listed on the approved requisition.

Management Response

Payments to Printflow were a result of Agriculture input programme release order forms. All the forms were used and that shows that the forms were requested and were a necessity for the programme.

Evaluation of Management Response

The issue has not been resolved since the Ministry could not avail for audit inspection authority to incur excess purchases amounting to \$ 46 270.

RESEARCH SERVICES DIVISION

1.2 Procurement of Fuel

Finding

My examination of payment vouchers for the year under review revealed that the Ministry did not adhere to procurement regulations as evidenced by the procurement of fuel worth \$29 991 from Petrotrade without a direct procurement clearance from SPB during the financial year ended December 31, 2016.

Risk/Implication

There is a risk in that value for money may be compromised in the procurement process.

Recommendation

The Ministry should always ensure that supply of goods and services fully complies with Procurement Regulations.

Management Response

Petro Trade (Pvt) Limited is a Government of Zimbabwe state enterprise just like CMED (Pvt) Company. In future we will seek SPB direct purchase authority.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

ADMINISTRATION AND GENERAL

2.1 Public Financial Assets

The matter was not addressed. The Ministry did not provide a loan agreement in respect of Public Financial Assets with Farmers' World.

2.2 Unvouched Expenditure

There was an improvement as vouchers were compiled for payments made during the year under review.

2.3 Advance Payments

There was no recurrence of similar cases of advance payments for crop inputs that remained undelivered.

DIVISION OF TSETSE CONTROL SERVICES

2.4 Fuel Management

There was an improvement as fuel was now distributed to stations instead of non-runner vehicles.

2.5 Commuted Travel and Subsistence and Domestic Travel Allowance

There was no improvement as the amount of outstanding commuted travel and subsistence and domestic travel allowances continued to increase.

DIVISION OF VETERINARY SERVICES

2.6 Unreconciled Year-end Balances

The issue was not resolved as the financial statements were not adjusted.

DIVISION OF LIVESTOCK PRODUCTION AND DEVELOPMENT

2.7 Direct Payments Made by Treasury on Behalf of the Division

There was an improvement during the year under review as direct payments had supporting invoices and receipts.

ADMINISTRATION AND GENERAL

2.8 Understatement of Employment Costs

The issue was not resolved as the financial statements were not adjusted.

DEPARTMENT OF IRRIGATION DEVELOPMENT

2.9 Flouting of Tender Procedures

There was an improvement. There were no new cases noted during the year under review.

DIVISION OF RESEARCH SERVICES

2.10 Absence of Plant Quarantine Services

There was an improvement as a vehicle had since been provided and four officers with airport IDs (Identity cards) were now manning the Joshua M. N. Nkomo International Airport.

ADMINISTRATION AND GENERAL

2.11 Failure to Adhere to Contractual Agreements on Crops Input Scheme

There was no improvement.

2.12 Oversupply of Crop Inputs

There was no improvement.

2.13 Crop Inputs not Accounted for

The report on the investigations carried out had not yet been issued.

DIVISION OF LIVESTOCK PRODUCTION AND DEVELOPMENT

2.14 Cement at the Quarantine Farm

A board of inquiry to look into the issue had been appointed.

DEPARTMENT OF IRRIGATION DEVELOPMENT

2.15 Long Outstanding Travelling and Subsistence Allowances - Domestic

There was no improvement during the period under review.

DIVISION OF VETERINARY SERVICES

2.16 Misappropriation of Funds - Masvingo Province

There was no improvement as the amount misappropriated had not been recovered.

VOTE 8.- AGRICULTURE, MECHANISATION AND IRRIGATION DEVELOPMENT

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Agriculture, Mechanisation and Irrigation Development for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects the financial position and performance of the Ministry of Agriculture, Mechanisation and Irrigation Development as at December 31, 2015.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

ADMINISTRATION AND GENERAL

1.1 Public Financial Assets

Finding

The agreement submitted for audit inspection regarding Lending and Equity Participation in Farmers World was signed between the Reserve Bank of Zimbabwe on behalf of Farmers World and Export-Import Bank of China for a loan amounting to \$60 million. However, Farmers World defaulted on its payment obligations resulting in Government, as guarantor, paying \$34 577 911 on behalf of Farmers World. However, I was not provided with a loan agreement in respect of Public Financial Assets between the Ministry of Agriculture, Mechanisation and Irrigation Development and Farmers' World as directed by the Ministry of Finance in their minute referenced A/26/11 dated December 29, 2015. As a result, no recoveries have been made.

Risk/Implication

The loan might not be recovered.

Recommendation

The Ministry must enter into an on-lending agreement with Farmers World as directed by the Ministry of Finance.

Management Response

The Ministry has since written to Ministry of Finance and Economic Development advising it of the request by Farmers' World to have a meeting involving all three parties.

1.2 Unvouched Expenditure

Finding

An examination of the Ministry's Sub PMG bank statement for the year under review revealed that total payments worth \$150 000 were made to Progene Seeds without supporting vouchers. I was unable to determine whether the amount was a proper charge against public funds. The table below refers:

Date	Details	Amount (\$)
30/06/15	Progene Seeds	30 000
28/12/15	Progene Seeds	120 000
Total		\$150 000

Risk/Implication

Without supporting documents, there is a risk that improper payments may have been processed.

Recommendation

Management should ensure that all payments processed have supporting documents attached to the payment vouchers in accordance with Treasury Instruction 1215.

Management Response

The observation has been noted. The figure relates to expenditure incurred by the Ministry's Department of Irrigation

1.3 Advance Payments

Finding

I was concerned by the reported cases in the 2014 to 2015 agricultural season Internal Audit reports of advance payments amounting to \$7 306 039 for crop inputs that were not delivered by various suppliers as reflected in the table below:

Supplier	Amount paid US\$	Value of inputs delivered US\$	Value of inputs to be delivered US\$
Zimbabwe Fertilizer Co,	12 770 557	11 586 357	1 184 200
Windmill	18 429 262	12 791 488	5 637 774
Nico Orgo	781 868	305 915	475 953
Progene	56 000	47 888	8 112
Total	\$32 037 687	\$24 731 648	\$7 306 039

Risks/Implications

There is a risk that the outstanding deliveries may never be supplied and amounts paid in advance not recovered.

The suppliers may request double payment upon delivery of goods.

Recommendation

The Ministry should adhere to the requirements of Treasury Instructions 0907 and 0908 by ensuring that the goods are eventually supplied or the money recovered.

Management Response

As alluded to above, advance payments were meant to trigger deliveries as the suppliers wanted cash for logistics and related costs. The deliveries were not completed as the suppliers wanted to receive payment for inputs delivered during the previous season or get their 10% down payment. A payment amounting to \$10 000 000 was released for all suppliers; seed houses advance was 5% and for fertiliser companies the advance was 10%, to enable them to complete the deliveries.

Evaluation of Management Response

The documentary evidence supporting subsequent deliveries is still to be availed.

DIVISION OF TSETSE CONTROL SERVICES

1.4 Commuted Travel and Subsistence and Domestic Travel Allowance

Finding

An examination of records revealed that the division owed 450 employees deployed in its nine field stations namely Doma, Gokwe, Kotwa, Lisulu, Makuti, Save, Mashumbi, Rushinga and Rekomichi an amount totaling \$397 267 dating back to the year 2012 in commuted field allowances. According to the Public Service Commission Circular number 7 of 2008, commuted field allowance is payable to members who are away from their home stations for periods of six months or more per year or periods that are intended to exceed six months per year.

Risk/Implication

Non-payment of such allowances may demoralize employees and the mandate of the division won't be achieved if employees continue to work under such conditions.

Recommendation

The Ministry should prioritize payment of such allowances.

Management Response

The Division is obliged to pay its employees their allowances in accordance with the Public Service Commission Circular number 7 of 2008. The division, however, failed to honour its obligations due to budgetary cuts and non-release of funds by Treasury since 2012 to date. Requests were presented to Treasury for the release of funds to clear the outstanding allowances but no funds were released. The Ministry is going to recommend to the Ministry of Finance that payments to clear these amounts owed to staff be staggered and an allocation be made whenever a release is made to the Ministry.

DIVISION OF VETERINARY SERVICES

1.5 Unreconciled year-end balances

Finding

An examination of the Public Finance Management System expenditure report revealed that the expenditure for the year was \$15 301 911 yet the Appropriation Account balance was \$15 324 914 giving a difference of \$23 003. The two figures were not reconciled.

Risks/Implications

The expenditure for the year may be misstated or unreliable. Furthermore, expenditure may have been incurred outside the Public Finance Management System in violation of the Public Finance Management Act [*Chapter 22:19*].

Recommendation

The Department of Veterinary Services should investigate the imbalance in order to enhance accountability and reliability of the financial statements.

Management Response

The observation is noted; however, the error might have been caused by the reversal of non-fundable documents which were not deducted from the Appropriation account balance hence the variance with that of Public Finance

Management System. In addition, the total amount on our Provision or Bluebook differs with that of Public Finance Management System, as well as a balance figure of \$16 483 which appears on domestic allowances for the cost centre and expenditure of the same amount but we have an authorised Virement from the same general ledger and cost centre.

Evaluation of Management Response

The variance should be investigated as the virement referred to did not adjust the Appropriation Account balance and hence the imbalance in the sum stated remained unresolved.

DIVISION OF LIVESTOCK PRODUCTION AND DEVELOPMENT

1.6 Direct Payments

Finding

I was unable to verify expenditure amounting to \$258 224 on utilities, goods and services as well as maintenance since the bulk of it was incurred through direct payments by Treasury. This was caused by the absence of source documents such as invoices, statements and journal vouchers whose purpose is to introduce such expenditure into the system. Furthermore, there were no receipts from TelOne, Rainbow Towers and the Zimbabwe Electricity Supply Authority as proof that such payments were effected.

Risk/Implication

There is a possibility of dual payments and overcharging by suppliers may go undetected.

Recommendation

The Ministry should ensure that all expenditure whether direct payments or paid by the division is appropriately supported by relevant documents as required by Treasury Instruction 1215.

Management Response

Audit observation is noted. The Division will ensure that all direct payments by Treasury are appropriately supported by relevant documents and reconciliations between invoices, statements and payments are prepared. Journal vouchers will be used to introduce set-offs into the system.

2 EMPLOYMENT COSTS

ADMINISTRATION AND GENERAL

2.1 Understatement of Employment Costs

Finding

The Ministry disclosed Employment Costs worth \$68 413 667 whereas SSB revealed \$74 541 408 giving a difference of \$6 127 741. This could have been caused by the Ministry's failure to capture the December 2014 bonus amounting to \$6 083 223. The difference of \$44 518 was not reconciled. The deliberate omission was because the overall saving by the Ministry of \$627 102 could not absorb the excess expenditure of \$6 127 741.

Risk/Implication

The Ministry's expenditure was misstated.

Recommendation

The Ministry should perform salaries reconciliations between the figures indicated in the SAP system and SSB schedules in order to detect and correct employment cost misstatements.

Management Response

SSB schedules for the period under review amounted to \$74 643 489 and \$68 458 185 was paid to SSB. The amount paid covered eleven months for the 2015 financial year leaving a balance of \$6 185 304 which was for the December 2015 salary bill. The bill was however settled in 2016. The total amount payable for the 2014 bonus was \$1 823 075 as shown by the SSB bonus calculations.

Evaluation of Management Response

Please note that the observation relates to the 2014 bonus amounting to \$6 083 223 that was paid in 2015 but was not disclosed in the Appropriation Account for the period under review. The Appropriation Account had an amount of \$68 413 667, SSB had an amount of \$74 541 408 and not \$74 643 489.43 according to management's response. Other sub-votes admitted that they had not included the 2014 bonus in the 2015 Appropriation Account except the Administration and General sub-vote.

3 PROCUREMENT OF GOODS AND SERVICES

DEPARTMENT OF IRRIGATION DEVELOPMENT

3.1 Flouting of Tender Procedures

Finding

The Division of Irrigation Development procured a Faw Tipper Truck for \$85 000, Horse Truck for \$80 000 and an Excavator for \$213 672 from Southern Region Trading which had specifications different from those specified in the tender document. This was in violation of section 28 of Statutory Instrument number 171 of 2002, which stipulates that where procurement is done through formal tenders, supplies shall be systematically inspected, sampled and tested by the procuring entity and shall not be accepted unless they comply with specifications. The Division took delivery of incorrect, inferior quality or incomplete assets.

Furthermore, I noted that Southern Region Trading did not submit its tax clearance certificate before opening of tender documents. The adjudication process recommended not to select that company since it had failed to provide the tax certificate. I could not ascertain whether the company was tax compliant since the certificate was not provided for audit inspection.

Risk/Implication

The equipment could fail to perform to the required standards.

Recommendation

The Division should comply with the requirements of Section 28 of Statutory Instrument number 171 of 2002 whenever procurement is done.

Management Response

On the issue of the excavator the tender specifications were that we needed an excavator with capacities of 1.50-1.60 cubic meters but the supplier supplied us with an SY 335C model with bucket capacities of 1.50 cubic meters. Under these circumstances the observation is correct.

As per tender specification we needed an excavator with an operating weight of 35.300 to 37.500 kilograms but the supplier provided an excavator with an operating weight of 33.500 kilograms. The observation is correct since the operating weight is less by 1 800 kilograms. However, it should be noted that the supplied excavator can still perform the required work.

The 10 tonne tipper supplied did not meet the specified specifications since it was a 280 HP instead of 340 HP and was an 8 speed instead of a 9 speed. However

please note that the delivered tipper was repaired to meet required specifications.

The horse truck that was delivered did not meet the specifications since it was a 420 HP instead of 480 HP, was a 12 speed instead of 16 speed. Southern Region Trading was going to replace the horse truck with one that meets specification by June 30, 2016. If not the contract was going to be terminated.

In terms of the tender specifications suppliers were expected to submit valid tax clearance certificates. Under these circumstances the observation is correct. Southern Region Trading was asked to submit the tax clearance certificate after considering value for money. As a corrective measure the Department's Procurement Committee is now checking the validity of tax clearance certificates on opening of tenders. The Department is now engaging technical departments during adjudication to minimize similar errors.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

ADMINISTRATION AND GENERAL

1.1 Failure to Adhere to Contractual Agreements on Crops Input Scheme: 2014/15 Season

Finding

The Ministry did not exercise its right to cancel various contractual agreements on crop inputs deliveries by various suppliers for reasons of under or non-performance. In terms of the provisions of respective agreements where under or non-performance had been cited the Ministry was authorised to cancel and enter into agreements with those suppliers with the capacity to perform. This resulted in various inputs being delivered well after the farming season and could not be distributed to intended beneficiaries. The table below refers:

Product	Amount delivered after farming season
Ammonium Nitrate Fertilizer	10 321.35Mt
Compound D Fertilizer	17 353.85Mt
Maize Seed	10.7Mt
Sorghum	6.254Mt
Pearl Millet	1.907Mt

Risk/Implication

There is a risk that the Ministry may end up failing to meet agreed targets of distributing farming inputs on time.

Recommendation

In future the Ministry should exercise its right as provided for in various agreements with suppliers and do away with non-performing suppliers.

Management Response

The season 2014/2015, started late and to stop deliveries in the middle of the season could have caused problems as the process of procurement is long and had to pass through the State Procurement Board. It was considered ideal for the companies to continue with deliveries than to terminate contracts thus affecting production.

1.2 Supply of Crop Inputs

Finding

Omnia Fertilizer company had a contract to supply a maximum of 18 100mt of ammonium nitrate but delivered 23 610mt resulting in excess supply of 5 510mt valued at \$3 967 200. This was in violation of the State Procurement Board authority referenced SPB/A/18. There was no prior authority sought to vary the quantity supplied from the State Procurement Board and an attempt to obtain authority in retrospect was turned down by the State Procurement Board.

Risk/Implication

There is a risk that the value of ammonium nitrate which was over and above the contract value may be unauthorised expenditure.

Recommendation

The Ministry should look into this case and ensure that the matter is regularised.

Management Response

Omnia had requested for additional allocation to their tonnage. The Ministry in support of the request wrote to the State Procurement Board for an additional tonnage on March 2, 2015. The State Procurement Board wrote twice requesting for additional information which was duly submitted. Later, on April 10, 2016 the State Procurement Board turned down the request at a time when Omnia had already transferred its stocks to Ministry of Agriculture, Mechanisation and Irrigation Development. However, this transaction was later reversed and Government had not paid for the inputs.

DIVISION OF LIVESTOCK PRODUCTION AND DEVELOPMENT

1.3 Cement at the Quarantine Farm

Finding

I observed that there were over 200 bags of cement which had crystallised in one of the storerooms at the Quarantine farm in Matabeleland North province. The storeroom, where the cement was being kept was locked and the officer with the keys was operating from Bulawayo.

Risk/Implication

The Ministry could have wasted scarce financial resources by buying cement when they were not ready to utilize it. At the current price of \$12 per bag, the Ministry wasted a minimum of \$2 400.

Recommendation

There is need to conduct an inquiry into what caused the cement to crystalize and the custody of keys at the provincial office.

Management Response

Audit observation noted. The 200 bags of cement were procured during the hyper-inflationary period of 2006-2007. During that period, Treasury faced challenges in releasing funds for projects. Due to non-release of funds and the subsequent non-payment of contracted casual workers by the Department of Public Works, the casual workers abandoned the project and surrendered the keys for the cement store room at the Provincial Offices in Bulawayo. A team has been assigned by the Director to conduct a board of survey.

Evaluation of Management Response

There was poor management of public resources by the division in violation of Section 298 and 308 of the Constitution of Zimbabwe Amendment (No 20) Act 2013.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

DEPARTMENT OF IRRIGATION DEVELOPMENT

2.1 Outstanding Domestic Travelling and Subsistence Allowances

Findings

The Division authorised and processed advances in respect of domestic travelling and subsistence allowances totalling \$23 316 between 2013 and 2015. Of this figure, only \$5 527 was either acquitted or recovered leaving a balance of \$17 788 as at December

31, 2015. From the total outstanding domestic travelling and subsistence \$15 446 relates to advances processed during the year under review and only \$3 332 was acquitted or recovered from this amount giving a recovery or acquittal rate of 21.58%. Therefore, the terms and conditions regulating the issuance and recovery of advances were not complied with as provided by Treasury Instruction 1504.

Furthermore, I was concerned by the Division's failure to adhere to the provisions of Treasury Instruction 1505 which requires the Accounting Officer to authorise the deduction from salary of the whole amount of an advance that has remained outstanding after one month of an officer's return to his home station. If the salary is insufficient to meet such advance, the outstanding balance shall be charged to any subsequent month's salary until the whole advance is cleared.

Risk/Implication

The Division may fail to recover the outstanding advances thereby depriving funding for other operations.

Recommendations

Stop order deductions should be effected in terms of Treasury Instruction 1505.

For members who left the Ministry, concerted effort should be put to recover the advances from the terminal benefits through Pension Office or Civil Division of the Attorney General's Office.

Management Response

The audit observation is noted. After the reporting date December 31, 2015 the department has recovered US\$9 501.50 leaving a balance of US\$8 287.00. The outstanding list has been handed over to Human Resources for recovery. On a monthly basis the Director will check and ensure that all advances are recovered.

DIVISION OF VETERINARY SERVICES

2.2 Misappropriation of Funds- Masvingo Province

Finding

According to an Internal Audit report referenced DVS/DFS/2013/03 dated March 23, 2014 and my follow-up minute dated February 24, 2016 pertaining to the above issue, I was concerned that no progress had been made towards the recovery of the misappropriated amount of \$13 365. Furthermore, I was not provided with minutes of the disciplinary procedures taken against the perpetrators. Below is a table of the misappropriated amounts:

Details	Amount (\$)
Misappropriation of public funds	10 372
Undelivered goods	2 993
Total	\$13 365

Risk/Implication

The delay in instituting recovery action may result in the loss of the misappropriated amount and the cases may be difficult to prove through passage of time as evidence may be tempered with.

Recommendation

The department should institute recovery and disciplinary action should be taken against the offenders without delay.

Management Response

Please note that the former Accounting Assistant at the Provincial Office who was suspected to have been involved in the misappropriation absconded in the face of misconduct charges. Police are hunting for him. He is believed to have skipped the border into South Africa.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

GOVERNANCE ISSUES

ADMINISTRATION AND GENERAL

3.1 Public Financial Assets

The loan agreement in respect of the Public Financial Assets totalling \$23 million between the Ministry of Agriculture, Mechanisation and Irrigation Development and Farmers World has not yet been produced.

The Ministry requested Treasury to facilitate a meeting with Farmers World.

3.2 Other Capital Liabilities

Documentary evidence for \$21 879 543 pertaining to input suppliers, transporters and subscriptions to International Organisations was not availed for audit examination, as a result I could not verify the correctness of the return figure amounting to \$193 464 382.

Part of the debt amounting to \$116 million was assumed by Ministry of Finance as Public Debt. Documentary evidence for the remaining balance is still to be provided.

EMPLOYMENT COSTS

3.3 Employment costs

The differences between the Appropriation Account which had a total of \$4 124 782 while totals on payment vouchers and pay sheets were \$3 816 824 and \$1 169 145 respectively had not been reconciled.

PROCUREMENT

ADMINISTRATION AND GENERAL

3.4 Direct payments

The direct payments have now been captured in the Appropriation Account.

AGRICULTURAL REVOLVING FUND 2014

OBJECTIVE OF THE FUND

The Objective of the Fund is to provide additional resources to the Ministry's sub-votes to enable them to supplement their operations with regards to the maintenance and improvement of essential equipment, purchase of drugs and consumables required to improve the level and quality of departmental service.

I have audited the financial statements for the Agricultural Revolving Fund for the financial year ended December 31, 2014.

Opinion

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 audit evidence to provide a basis of an opinion. Accordingly, I do not express an opinion on the Agricultural Revolving Fund financial statements for the year ended December 31, 2014.

Basis for Disclaimer of Opinion

1 GOVERNANCE ISSUES

1.1 Non preparation of Financial Statements

Finding

I observed that no accounts were maintained in respect of the operations of all Provincial Veterinary Offices, contrary to the provisions of Section 3.1 of the Agricultural Revolving Fund's Accounting Officer's Instructions Manual, which provides that, "The books of accounts shall be maintained on an accrual basis in accordance with International Accounting Standards". This was so despite the fact that there was an accounting establishment that included the post of an Accountant at provincial level.

Risk/Implication

It may be difficult to ascertain the financial performance of all Provincial Veterinary Offices.

Recommendation

The Ministry should ensure that financial statements are prepared in respect of the operations of all Provincial Veterinary Offices in line with the provisions of Section 3.1 of the Agricultural Revolving Fund's Accounting Officer's Instructions Manual.

Management Response

The observation is noted. The Ministry will ensure that all the provinces will now prepare the final accounts in line with the requirements of section 3.1 of the Agricultural Revolving Fund's Accounting Officer's Instruction Manual.

1.2 Disclosure of Debtors

Findings

I could not place reliance on the financial statements presented for audit due to the variances noted on receivables in particular on Agricultural Education and Farmer Training, and Division of Research and Specialist Services where totals of \$19 153 and \$2 047 were reported as outstanding debtors respectively. However, a visit to three colleges and Matopos Research Institute revealed that the total outstanding debtors for the three Colleges were \$256 166 while for Matopos it was \$17 440. The Table below refers:

Name of College	Amount Outstanding (\$)
Esigodini Agricultural College	224 495
Rio Tinto Agricultural College	11 288
Mlezu Agricultural College	20 383
Parks and Wildlife Authority (<i>Matopos Research</i>)	8 830
Douglas Chivere (<i>Matopos Research</i>)	1 992
Nkosana Moyo (<i>Matopos Research</i>)	3 678
Chinhamo (<i>Matopos Research</i>)	1 608
Dube Adolph (<i>Matopos Research</i>)	402
Various staff members (Electricity) (<i>Matopos Research</i>)	930
Total	\$273 606

Furthermore, due to the absence of a debtor's management policy and billing system, I noted that invoices and statements were not issued for an aggregated debtors figure of \$256 166 stated above. This was a violation of Section 4.2.4 of the Agricultural Revolving Fund's Accounting Officers' Instructions Manual which states that all debtors must be invoiced and statements should be issued to debtors.

The Fund was also owed \$290 929 in meat grading fees as at December 31, 2014 with some amounts dating back to 2009. Various abattoirs in Matabeleland province were being licensed despite owing a total of \$51 710 in inspection fees while in Masvingo Montana Meats refused to pay the new carcass inspection fee of \$2 resulting in a debt of \$6 013.

Risks/Implications

Failure to properly disclose the debtors outstanding may result in wrong decisions being made by stakeholders.

Some monies will not be recovered if not invoiced and in the event of the abattoirs closing.

Recommendations

The Ministry should ensure that all debtors are included and properly disclosed in the financial statements.

Management should come up with a policy that prohibits licensing of abattoirs that are in arrears and efforts should be made to ensure that all the outstanding inspection fees are collected. There is also need to come up with penalties to be levied on non-paying abattoirs as a way of discouraging non-compliance.

Management Response

For Esigodini College, the observation has been noted. The billing system is now in place and recovery action is in progress. The outstanding debtors figure is now at \$ 107 159. Observation noted for Rio Tinto Agricultural College. For the Department of Research and Specialist Services (DR&SS), the observation has been noted. Journals will be prepared and all ledger books will be updated to include all the information on debtors in the financial statements. The debt for Montana Meats was paid in full. Montana Meats and Carswell Meats merged into MC Meats in 2015 and other payments were made under the merged company.

Evaluation of Management Response

On the Montana Meats debt, the Division of Veterinary Services failed to provide copies of invoices and receipts pertaining to the payment of the debt and simply availed a listing of all payments made during the period in question.

1.3 Suspense Account

Finding

I could not rely on the financial statements for the year ended December 31, 2014 because a breakdown of an amount of \$52 614 disclosed in the Statement of Financial Position as Suspense Account could not be provided.

Risk/Implication

The suspense account could be used to conceal fraudulent activities

Recommendation

The Fund management should investigate the suspense amount of \$52 614 and make necessary adjustments to ensure that the statement of financial position is fairly stated.

Management Response

Management did not respond.

1.4 Missing Cattle Stock Cards

Finding

Cattle Stock Cards worth \$9 221 were missing at various stations. I was concerned about the serious weaknesses in the recording and management of security items as there were no handover and takeover procedures of cattle stock cards from Head Office to Province down to ward level.

Risk/Implication

The reported missing cattle stock cards could have been misappropriated and sold while proceeds were not accounted for.

Recommendation

Investigations should be carried out in order to ascertain the correct position regarding missing cattle stock cards. Furthermore, the officials responsible for the store rooms should ensure all security items are secure.

Management Response

The stated missing cattle stock cards have been accounted for by use of an issue voucher from National Stores to Provincial Veterinary Office (PVO) Mashonaland East on issue voucher number 913938 F dated 20/11/13. PVO Mashonaland East then issued to Mudzi district, issue voucher 161191 G dated 13/08/14.

Evaluation of Management Response

Cattle stock cards for Midlands, Matabeleland North, Manicaland and Mashonaland East have still not been accounted for.

1.5 Non-disclosure of Cash and Bank Balances

Findings

I observed that cash and bank balances for Matabeleland North Provincial Veterinary Office amounting to \$28 879 as at December 31, 2014 were not included in the consolidated financial statements for the financial year under review. Table below refers:

Item	Details	Amount \$
Cash on hand	Expenditure account	12 536
Cash at bank	Expenditure account	16 343
Total		\$28 879

I was also not provided with bank statements for the period ending December 31, 2014 for Midlands Provincial Veterinary Office. I was therefore not able to verify the correctness of the amount disclosed in the financial statements for the period under review.

Risks/Implications

Users of financial statements may make wrong decisions based on inaccurate financial statements. In the absence of Bank Statements and omissions of other balances, it may be difficult to determine the accuracy of the consolidated bank balance disclosed in the financial statements.

Recommendations

The Ministry should ensure that all balances are included in the consolidated financial statements. The Midlands Provincial Office must request for bank statements and avail them for audit examination

Management Response

The observation was noted. In future, bank statements will be availed timeously to auditors. The cash on hand amounting to \$12 536 was recorded in the cash register as awaiting payment of utility bills. The bank balance of \$16 343 consisted of retention amount disbursed from Head Office.

1.6 Creditors (Mlezu Agricultural College)

Finding

Prepayments relating to students who paid fees in advance for the 2015 financial year amounting to \$18 073 were not disclosed in the financial statements for the year ended December 31, 2014.

Risk/Implication

Users of financial statements may make wrong decisions based on inaccurate financial statements.

Recommendation

The Ministry must adjust the financial statements and ensure that all transactions are accounted for in the preparation of financial statements.

Management Response

The amount was included in the statement of financial position under current liabilities, however it was not disclosed in the notes and this will be rectified in future.

Evaluation of Management Response

The statement of financial position submitted for audit does not reflect any current liabilities, hence the amount remains unaccounted for.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Foreign Exchange Losses

Finding

I noted that for the financial year under review some District Veterinary Offices collected dipping fees in South African Rand amounting to R531 670 which was converted at the rate of \$1.00: R10 and reported accordingly in the financial statements. The actual rate varied between \$1.00: R10.90 and R11.90 and the exchange translation losses were not reported in the financial statements at consolidation for the year under review.

Risk/Implication

Users of financial statements may make wrong decisions based on inaccurate financial statements due to overstatement of revenue.

Recommendation

The Ministry should ensure that other currencies are converted to the reporting currency at consolidation and any currency translation gains or losses are reported in the financial statements in line with the requirements of International Accounting Standard Number 21 (The Effects of Changes in Foreign Exchange Rates).

Management Response

The Department was still using the initial Government stipulated rate of 1:10. We are a government institution who cannot change things to suit a section of our service clientele without authority from Treasury. However, authority has thus been sought to the change rate at least monthly in line with bank rates prevailing at that date.

2.2 Cattle Auctions

Finding

I was concerned with the Ministry's failure to supply me with documentary evidence in respect of proceeds from cattle auctions and services rendered by staff from the Livestock Production and Development (C.S.C Bulawayo). I was therefore unable to determine whether the 3% due to the Agricultural Revolving Fund from livestock grading services had been remitted to the Agricultural Revolving Fund for the year under review.

Risk/Implication

The Agricultural Revolving Fund may lose revenue due to misappropriation.

Recommendation

Proceeds from cattle auctions must be supported by documentary evidence from the local authorities and the cattle auctioneers.

Management Response

CSC has provided a written commitment to settle the debt. Recovery processes have been initiated. CSC pledged to start paying by the end of August, 2016. However, as at the end of August, 2016 no payments had been made. Follow up on CSC payment plan is currently in progress.

3 MANAGEMENT OF ASSETS

3.1 Loss on Valuation of Biological Assets

Finding

The loss on valuation of biological assets (cattle) of \$703 385 charged to the Statement of comprehensive income was different from the net movement of \$625 346 in the Statement of Financial Position. The difference of \$78 039 was not explained.

Risk/Implication

The financial statements may be misleading and the amount could have been inserted as a balancing figure.

Recommendation

The Ministry should provide credible evidence and a reasonable explanation of the sharp decrease in the value of Biological Assets.

Management Response

Management did not respond.

3.2 Biological Assets at Matopos Research Station

Findings

For the second year in succession, I noted from a physical count at Matopos Research Station that one thousand four hundred and fifteen (1 415) biological assets were missing, some of them for more than eight years, and no effort was made to write off those considered irrecoverable. The table below refers.

Category of Biological assets	Quantity
Cows	754
Heifers	138
Steers	328
Female calves	93
Male calves	81
Bulls	21
Total	1 415

Furthermore, I was unable to determine with any degree of accuracy the biological assets for the Agricultural Revolving Fund at Matopos Research Station as the assets for research purposes and the Agricultural Revolving Fund were recorded in one register without identifying them separately. The Station did not disclose biological assets in the statement of financial position for the year under review.

Risk/Implication

The records of the Station were carrying a misleading figure by including missing assets which could overstate the biological assets value.

Recommendations

More effort should be put to follow up on the missing animals and where there is no possibility of recovery, management should seek write off.

Management should separately identify and record biological assets for the Fund.

Management Response

Observation noted. However, classification will be done and separate registers will be maintained. Guidance will be sought from Head Office to value, classify and disclose the biological assets in the financial statements.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Collection of Revenue by Non-Civil Servants

Finding

I was concerned that dipping fees for the financial year under review for Matabeleland North, Midlands and Mashonaland East Provinces were collected by Committee members of the Livestock Development Committees (LDCs) who were not Government employees and not duly appointed in terms of the provisions of the Public Service Regulations. Furthermore, there were no receipts issued upon receipt of cash in some instances in violation of Section 4.2.1.1 of the Agricultural Revolving Fund's Accounting Officer's Instructions Manual read in conjunction with Treasury Instruction 0411 and in some instances receipt books which were used by the Committees were not the ones prescribed by Treasury Instructions 0200 and 0201.

Risk/Implication

It may be difficult to prefer disciplinary charges against the Committee members of Livestock Development Committees (LDCs) and public funds may be misappropriated without recourse.

Recommendations

The Ministry should ensure that all revenue is collected by Government employees.

Cash receipts must be issued for all cash received in line with the requirements of Treasury Instruction 0411 and all cash receipts must be supplied by Printflow (Private) Limited in line with Treasury Instructions 0200 and 0201.

Management Response

Livestock Development Committees are voluntary representatives of farmers at dip tank level who are being democratically chosen by farmers in the presence of the local Dip Attendant and Veterinary Extension Worker (VEW). Their role includes among others, collection of dipping fees which is not considered as public funds until it is surrendered to the local VEW. On surrendering the money to Vet office, the receipting officer issues individual receipts for the money received, hence no violation of the Accounting Officer's manual by Government employees. The use of LDCs has reduced misappropriation of funds through non-receipting and carbon fraud by VEWs. The LDCs have been trained and alerted on these fraudulent activities and the system has benefited the Division through increased revenue inflows.

1.2 Non-remission of 5% Retention for Livestock Development Committees

Finding

I noted that the Mashonaland East Provincial Veterinary Office collected \$268 404 in dipping fees but there was no evidence that the 5% retention amounting to \$13 420 was remitted to Livestock Development Committees for the financial year under review in violation of the Secretary's Circular dated March 02, 2010.

Risk/Implication

Dip tanks in the Province may lag behind in terms of maintenance and rehabilitation as the 5% meant to meet the administrative costs of Livestock Development Committees is not being remitted.

Recommendation

The Ministry must ensure that the 5% due to Livestock Development Committees is remitted in order to meet the administrative costs of Livestock Development Committees and to meet the costs of rehabilitation and maintenance of dip tanks.

Management Response

The dipping levy remitted to the LDCs was not proportionate to the amount collected for dipping fees as some of the dip tanks do not have the LDCs so they could not have the 5% transferred back to them.

Evaluation of Management Response

The Ministry should remit the dipping fees to those dip tanks with LDCs as this had not been done at the time of audit.

1.3 Absence of Plant Quarantine Services (Joshua M. N. Nkomo International Airport Bulawayo)

Finding

A visit to Joshua M. N. Nkomo International Airport on August 27, 2015 revealed that Plant Quarantine Services did not have personnel stationed there at. This meant that the consignments/cargo passing through the airport that required inspections in accordance with section 7, 8, 9 and 10 of the Plant Pest and Disease Act were not being inspected. This was against the Department`s mandate of controlling and reducing the introduction, establishment and spread of plant pests and diseases within the country and through regional and international trade.

The head of Plant Quarantine Services in Bulawayo attributed the non-deployment of personnel to the airport to lack of transport. She indicated that the station did not have transport and as a result could not send staff to the airport. The Director promised to send a vehicle to the Bulawayo station after the destruction of tobacco/cotton exercise was complete.

Risks/Implications

In the absence of Plant Quarantine Inspectors at the port of entry, the country was at risk of importing plant pests and diseases.

The lack of transport meant that the Plant Inspectors at the station were not being fully utilized as they did not cover the whole area under their jurisdiction.

Recommendations

There is an urgent need to deploy staff at the above-mentioned port of entry to ensure that the mission statement which is to ‘contribute towards national food security through production and trade of pest free plant products through research and services’ is achieved.

A vehicle should be allocated to the station to enable the officers fulfill the Department`s mandate.

Management Response

Non-deployment of personnel to the airport was due to lack of transport. The Ministry provided a motor vehicle registration number GAGR 4011 in November 2015. Four Plant Quarantine Officers with airport IDs have been manning the International airport since April 2016.

1.4 Panel Beating and Repair of Motor Vehicles

Finding

Matabeleland North Provincial Veterinary Office made payments worth \$6 920 and \$2 150 to Grape Cluster Investments for panel beating and repairs of vehicles GAGV 3026, a new Nissan NP300 and a Mazda BT “50” registration GAGV 2940 respectively. A further examination of the payment voucher for \$2 150 revealed that there was no evidence of the supplier being tax compliant. I was also concerned by the evidence of poor workmanship performed on the Nissan NP300 where painting was substandard, the fitted bonnet was not suitable for vehicles with a turbo engine while the engine itself remained a non-runner despite a payment of \$6 920.

Risk/Implication

The Provincial Office may be assisting those suppliers who are not tax compliant to evade payment of taxes. Also the Provincial Office may have failed to comply with procurement regulations.

Recommendation

The Province should desist from giving business to suppliers who are not tax compliant and efforts should be made to ensure the procurement process is done in compliance with laid down procedures in order to realize value for money.

Management Response

During the time of repair, the panel beater did not have the correct type of the bonnet of a turbo engine vehicle NP300 (GAGV 3026) and he promised to replace it after procuring the correct type. At the time of audit, the vehicle was still grounded waiting for mechanical service. The tax clearance certificate for the supplier Grape Cluster Panel Beaters is now available for audit examination.

Evaluation of Management Response

The finding relates to transactions for the year ended December 31, 2014 whereas the tax clearance certificate copy referred to was for the year ended December 31, 2013.

1.5 Drugs Management

Finding

I was concerned by the continued presence of expired drugs at various District and Provincial Veterinary Offices despite this matter having been raised in my previous audits. The details of expired drugs and the respective stations are in the table below:

Date of Expiry	Station	Description	Quantity expired
June 2010	Kwekwe DVO	20% Tetinil	467 000 millilitres
November 2010	Manicaland PVO	10% Tetinil	14 800 millilitres
July 2010	Midlands PVO	10% Tetinil	2 070 200 millilitres
July 2010	Midlands PVO	20% Tetinil	558 600 millilitres
June 2012	Midlands PVO	Beta Tick Grease	2 000grammes
June 2011	Makonde DVO	Beta Tick Grease	201 500grammes
January 2014	Marondera DVO	Newcastle Disease Vaccine	23 400 doses

Risk/Implication

Expired drugs may be used for stock balancing purposes in exchange for active drugs and these may end up being administered to animals.

Recommendation

All expired drugs should be removed from the storeroom and subsequently destroyed using the authorised method of destruction.

Management Response

Expired Drugs in all provinces are to be transported to Head Office for disposal and a board of survey is to be set.

Evaluation of Management Response

Veterinary Services Head Office should inform audit about progress made towards the destruction of the expired drugs

1.6 Invigilation and Marking Claims

Finding

My examination of the payment vouchers at Mlezu Agricultural College revealed that an amount of \$88 487 was paid to Mlezu Agricultural College officials without appropriate supporting evidence. The payment was said to be for marking, invigilating and moderating. As a result, I was not able to confirm whether the expenditure incurred was a proper charge against public funds for the year under review.

Risk/Implication

In the absence of proper supporting documents, fraudulent payments may be made.

Recommendation

All payment vouchers must be supported by proper sufficient documents before any payment is made.

Management Response

Supporting documents are now being attached on claims i.e. invigilation and marking schedules.

Evaluation of Management Response

The stated improvement in controls is commendable. However, the college should still avail audit with supporting documentation pertaining to the above stated amount so that an assessment can be made on whether the expenditure was a proper charge against public funds.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Sale of Fake Stock Cards

Finding

An Internal Audit report dated March 2013 reported 87 members of staff as having been involved in the sale of fake stock cards to farmers at Masvingo Provincial Veterinary Office. I could not ascertain the action taken by the Ministry to recover the amount it had been prejudiced and the disciplinary action taken against the perpetrators.

Risk/Implication

Government could be prejudiced of revenue. Furthermore, failure to take disciplinary measures is a violation of part VIII of the Public Service Regulations 2000.

Recommendation

The Ministry should institute a board of enquiry and implement the relevant authority's recommendations in line with the stipulations of part VIII of the Public Service Regulations.

Management Response

The Division is still working on modalities since the other fake stock cards in some districts were destroyed before full investigations were carried out.

Evaluation of Management Response

The Ministry should prioritise this matter as procrastinating it could lead to further loss of evidence

3 MANAGEMENT OF ASSETS

3.1 Unregistered Motorbikes

Finding

I was unable to ascertain the title, rights and obligations relating to the motor bikes in Masvingo and Matabeleland North Provincial Veterinary Offices which had 45 and 36 unregistered motor bikes respectively which were acquired in December 2012.

Risk/Implication

It may be difficult to account for the motorbikes.

Recommendation

Management should ensure that all motorbikes not yet registered are registered in order to enhance accountability.

Management Response

The motorbikes were donated from China without chassis numbers and they cannot be registered with the CVR but we maintain a register.

Evaluation of Management Response

The Ministry failed to provide documentary evidence from CVR indicating such a position.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

4.1 Preparation of Financial Statements of Agricultural Colleges from cash books instead of ledger accounts

The Fund management made a commitment to rectify the anomaly, however my visit to Mlezu Agricultural College revealed that nothing had changed as the financial statements were still being prepared from the cashbook.

4.2 Unauthorized CBZ loan agreement at Kushinga Phikelela Agricultural College

Management was claiming that the loan had been cleared, however they failed to provide supporting evidence to that effect. The bank statement availed dated September 1, 2016 showed an uncleared balance of \$26 338.

4.3 Payment of rentals for Plant Quarantine Research Station Officers who were receiving housing allowances from Salary Services Bureau (SSB)

The situation remained the same as no recoveries were being made.

4.4 Fraudulent payments for goods not supplied and services not rendered

The situation remained unchanged as no recoveries had been made

4.5 Non-consolidation of bank balances of other currencies at year end

Bank balances from other currencies are now consolidated.

4.6 Cash withdrawals which were not acquitted (Mashonaland East Animal Health Management Centres)

The issue remained unresolved as the copies of payment vouchers and receipts were not availed.

4.7 Non-maintenance of cash books (Mashonaland East Province Animal Health Management Centres)

There has been an improvement as cash books are now being maintained.

4.8 Suspense account of \$115 427

The amount disclosed in the suspense account had not been cleared.

4.9 Absence of Debtors and creditors management policy

My visit to Mlezu Agricultural College revealed that there had been no progress since no debtors' management policy and billing system for students had been put in place. Debtors in the form of students who owed the College money and creditors in the form of students who paid fees in advance were not disclosed in the financial statements for the financial year ended December 31, 2014.

4.10 Expired drugs at Matabeleland South Provincial Office

The expired drugs had not been disposed.

4.11 Misappropriation of revenue through sale of fake stock cards (Mashonaland East Province Animal Health Management Centres)

The Board of Inquiry had not been done.

4.12 Misappropriation of \$27 015 revenue by meat graders

The three members were discharged from service. Two of the members have since appealed against the dismissals and the Division of Livestock Production and Development awaits the court's determination. The third person absconded after being ordered to pay restitution by the Magistrate Court.

4.13 Non-disclosure of Biological assets at Matopos Research Station

The Division of Livestock Research has since made proposals to the Ministry on classification of livestock for the Fund separately from those of the Appropriation Account.

4.14 Biological assets worth \$870 745 at Animal Health Management Centres

The Veterinary Services Division could not provide a satisfactory explanation of the valuation method used.

4.15 Non-disclosure of non-current assets in the financial statements (Mlezu Agricultural College)

The situation remained unresolved as the assets remained undisclosed.

VOTE 9.- MINES AND MINING DEVELOPMENT

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Mines and Mining Development for the year ended December 31, 2016.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Mines and Mining Development for the year ended December 31, 2016.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Fraudulent Activities

Finding

The Internal Audit unit reported fraudulent use of unofficial receipt books by employees in the Mining Promotions department resulting in the Ministry losing at least \$5 500. The extent of the loss to the Ministry could be much higher as only five receipts were produced and examined out of a total of 200 receipts. The other 195 receipts had not been accounted for at the time of completing the audit.

The value of minerals sold and the extent to which the Ministry was prejudiced had not been fully established. I am concerned about the state of weak internal controls at the Ministry Head Office.

Risk/Implication

The Ministry would continue losing revenue due to weak internal control systems for revenue collection.

Recommendation

The Ministry should strengthen the preventive internal control systems for processing of export permits to avoid revenue leakages.

Management Response

The anomaly was detected by the Finance people, signifying the existence of internal checks and controls. However, the Ministry is in the process of introducing more secure Export Permit certificates with security features which we think will be difficult to counterfeit. Fraud by its nature is designed to deceive. The Ministry is launching a full investigation to unearth the extent of the fraud.

Evaluation of Management Response

If adequate controls existed, the use of fraudulent receipts could not have occurred.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Outstanding Revenue

Finding

The Ministry failed to disclose outstanding revenue from debtors in respect of mining and inspection fees amounting to \$6 244 026. The total amount related to only three provinces out of a total of eight. The debtors figure for the other provinces could not be determined. This limited the audit scope to establish the extent to which the Ministry was owed by clients.

Risks/Implications

Absence of information on debts due to the Ministry could result in understatement of revenue.

Failure to disclose outstanding revenue may render the financial statements submitted for audit unreliable.

Recommendations

Revenue records and returns should disclose all revenue owing from miners.

The Ministry should expedite the process of Computerisation of Mining Titles System so that all revenues due from mining activities can be easily ascertained.

Management Response

The Ministry is in the process of computerising all its Mining Titles System whereby a database of all mines will be created. Currently, there is no accurate database, hence we do not want to give a figure that either understate or overstate the revenue outstanding. It should also be noted that although the number of mines appear to be large, there is need to ascertain all redundant

mines as some may have been abandoned. The amount for outstanding revenue will be validated before final posting into the data base.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Return not Submitted

Finding

According to section 35 (6) (b) (i) of the Public Finance Management Act [*Chapter 22:19*] read in conjunction with Audit Circular Number 1 of 2016, all Ministries are required to submit statutory returns for audit. Contrary to these regulations, the Ministry failed to submit the Public Financial Assets return for audit thereby limiting the scope of the audit.

Risk/Implication

If the Public Financial Assets return is not submitted for audit, it could be difficult to ascertain the extent to which investments and loans to parastatals administered by the Ministry have been accounted for.

Recommendation

The Ministry should submit all annual returns for audit in compliance with the Standing Instructions.

Management Response

Treasury released additional funding for Hwange Colliery Company Limited in 2017 for the year 2016 under Current Transfers. The Ministry is of the opinion that the funds be recorded under Equity and Lending Participation. A letter to this effect was written to Treasury, which we await feedback. By so doing, it means the Public Financial Assets return would be affected and hence correctly prepared to reflect a true and fair view of the Government shareholding in Hwange Colliery Company Limited.

Evaluation of Management Response

The return is for the year ended December 31, 2016 and the additional funding will affect the 2017 returns.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Lack of Computerised Mining Titles System

The issue relating to computerisation of Mining Titles System has not been addressed. The Ministry still uses the manual system which is not up to date. In 2014 the Ministry stated that the project relating to computerisation of Mining Titles system had commenced. However, three years after the Ministry had committed to undertake the project, the system had still not been computerised.

2.2 Outstanding Revenue

The issue has not been resolved as this persisted during the year under review.

2.3 Dividend Received

The issue recurred during the year under review as the Ministry again failed to disclose Government interests in Minerals Marketing Corporation of Zimbabwe (MMCZ) so that the basis for the calculated dividends could be determined.

MINING INDUSTRY LOAN FUND 2015

OBJECTIVE OF THE FUND

The Fund was established to assist the mining industry and promote the production of minerals, in such a manner as the Minister of Mines and Mining Development, in consultation with the Minister of Finance shall from time to time determine.

I have audited the financial statements of the Mining Industry Loan Fund for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Mining Industry Loan Fund as at December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Unsupported Expenditure

Finding

In violation of Treasury Instructions (TI) 1215 and 1216 the Fund Administrators incurred expenditure totaling \$31 650 without sufficient supporting source documents such as receipts, delivery notes, competitive quotations and service level agreements. Consequently, I was not able to establish whether the expenditure was a proper charge to the Fund.

Risks/Implications

Irregular or fraudulent payments may be processed if expenditure is not fully supported by source documents.

Uneconomic buying can be made if suppliers are not subjected to competition with others in the procurement process.

Recommendations

The Ministry should ensure that the expenditure of the Fund is fully supported by all relevant supporting documents to prevent the processing of irregular and fraudulent payments.

The requirements of TIs 1215 and 1216 should be adhered to when making payments for goods and services.

Management Response

The audit observation is noted. Documents supporting expenditure will be availed for audit inspection in future.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Recovery of Debts

Findings

The debtors of the Fund continued to increase unabated as they stood at \$710 160 (2014: \$260 332). Audit observed that debt management was very slow with only 18% of the total debt due in 2015 having been recovered as at December 31, 2015. Of the amount recovered in 2015, \$155 898 (97.8%) was for the current year and was comprised of internal debtors. There was no evidence that effort was being made by the Ministry to recover the long outstanding amounts. The age analysis of debtors including recoveries made as at December 31, 2015 is as detailed below:

Year	Grand total amount as at December 31 (\$)	Amount Recovered in 2015 (\$)	Outstanding balance as at December 31, 2015 (\$)
2011	81 086	0	81 086
2012	160 228	1 100	158 128
2013	222 278	0	222 278
2014	35 508	2 414	33 094
2015	370 473	155 898	214 575
Total	\$869 572	\$159 412	\$710 160

Risks/Implications

Failure by Administrators of the Fund to collect long outstanding debts may result in Government losing funds through irrecoverable debtors.

The Fund may also experience liquidity challenges which may hinder the achievement of its objective of promoting the development of small to medium scale miners.

Recommendation

The Ministry should make efforts to recover all the outstanding debts to enhance efficient revolving of funds that are used to promote development of small and medium scale miners.

Management Response

The audit observation is noted. Corrective action is being taken to reduce the debtors' figure as the Ministry is now following debtors through the use of its own vehicle purchased recently for that specific purpose.

3 EMPLOYMENT COSTS

3.1 Unauthorised Employment Allowances

Findings

Public Service Commission Circular Number 1 of 2011 on Subsistence Rates read in conjunction with Public Service Regulations 2000 stipulates allowances payable to members of the Civil Service. Contrary to these regulations, management of the Fund paid allowances not provided for in these regulations totaling \$23 175 for overtime in the form of lunch and dinner allowances. The table below shows unauthorised payments made:

Date	Details	Payment Voucher Number	Amount (\$)
24-08-15	Staff overtime	118	5 030
27-07-15	Staff overtime	66	5 815
07-06-15	Staff overtime	53	7 035
10-06-15	Staff overtime	94	5 295
Total			\$23 175

Risk/Implication

The payment of unauthorised allowances may result in misappropriation of funds or fraud, which may negatively affect the achievement of the objectives of the Fund.

Recommendation

The Administrators of the Fund should adhere to the requirements of the relevant circulars and regulations when making decisions on payment of allowances. Public Service Commission Authority should be sought to pay such allowances from the Fund's resources.

Management Response

Allowances totaling \$23 175 were approved by the Accounting Officer as the members were carrying out a change of accounting process from manual to pastel accounting which has since been completed smoothly.

Evaluation of Management Response

The payment of overtime allowances requires Public Service Commission and Treasury authority not Accounting Officer authority.

4 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

- 4.1** The Fund's debt management process had not improved as the debtors' figure has continued to increase unabated as the balance stood at \$710 160 (2014: \$260 332).
- 4.2** The Fund managed to submit for audit an approved budget for the 2015 financial year. The issue has now been resolved.
- 4.3** The Ministry managed to put in use mining equipment that was lying idle at its Harare Workshop. The issue has now been resolved.

MINES AND MINING DEVELOPMENT FUND 2015

OBJECTIVE OF THE FUND

The Fund was established to support and sustain the operations of the computerised mining titles system, the development of the mining industry through provision of services for the growth of the sector and the necessary capacity for the sustainable management of the computerised mining titles including other professional and technical services provided by the Ministry of Mines and Mining Development.

I have audited the Mines and Mining Development Fund Account for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Fund Account present fairly, in all material respects, the financial position of the Mines and Mining Development Fund as at December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Donated Money

Finding

The Ministry received donated funds amounting to \$1 287 764 from the Minerals Marketing Corporation of Zimbabwe (MMCZ) which is a public entity administered by the Ministry. The money was received without authority from Treasury and was not recorded in the register of donations maintained by the Ministry in violation of Treasury Instruction 2012. The money was used to meet various expenses of the Ministry.

Risks/Implications

If entities under the administration of the Ministry donate money to parent Ministries without control and authority from Treasury, it creates a situation of related party transactions which results in poor corporate governance practices. Resources could also be misappropriated or misapplied because of absence of control by Treasury.

Recommendations

The Ministry should ensure that all revenue received from entities under its administration is surrendered to Treasury and deposited into the Consolidated Revenue Fund. There was also need to avoid related party transactions in cases where

the Ministry receives large sums of money from a public entity under its administration.

The Ministry should seek Treasury condonation for the money that was received as donation and for related expenditure.

Management Response

The audit finding is noted and agreed to. The Ministry will take corrective measures to prevent the recurrence of the same matter.

2 PROCUREMENT

2.1 Unsupported Expenditure

Finding

In violation of Treasury Instruction 1215 and 1216 and for the third year in succession, expenditure totaling \$87 586 (2014: \$746 299) was incurred without sufficient supporting source documents such as receipts, three competitive quotations and acquittal documents. I was not able to establish whether the expenditure formed a proper charge to the Fund.

Risks/Implications

Irregular or fraudulent payments could be processed if supporting documents are not obtained and attached to support payment vouchers.

Failure to obtain three competitive quotations may result in uneconomic buying.

Recommendations

Management should ensure that all payments are fully supported by relevant documents to prevent the processing of fraudulent or irregular payments.

The requirements of Treasury Instruction 1215 and 1216 should be adhered to when making payments for goods and services.

Management Response

The audit observation is noted. Corrective measures have been taken to avoid repetition of the same in future.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Computerisation of Mining Titles System

Finding

For the fourth year in succession, the administrators of the Fund failed to put in place a computerised Mining Titles System as required by Section 2 of the Constitution of the Fund. I made the same observation on page 149 of my report for the year ended December 31, 2015. Fourteen years after the establishment of the Fund, the Computerization of Mining Titles System has not been completed, suggesting that the objectives of the Fund may not be realised in the foreseeable future as evidenced by the continued decline in revenue collections.

Risk/Implication

If the Mining Titles System is not computerised, the Ministry would experience revenue leakages because the information used to collect revenue may not be credible.

Recommendation

The administrators of the Fund should ensure that the Mining Titles System is computerised so that the basis for which revenue is collected can be accurately determined.

Management Response

The Ministry started the computerisation of the Mining Titles System in 2015. A deposit payment was made to the consultant after going through all the preliminary requirements in 2015. Since this is a big project, fruitful results can start to be realised in the second half of 2017 if everything goes according to the set plan.

2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Lack of Budgetary System

The issue was resolved as the Ministry produced a budget for the Fund during the year under review.

2.2 Diesel Motor Vehicles Drawing Petrol Fuel

The issue has been resolved as the issue did not recur during the financial year under review.

2.3 Unauthorised Expenditure

The issue recurred during the year in three dimensions where the Ministry paid for Consultancy Services Fees to a Law Firm for remuneration to Mining Affairs Board members and for the Construction of Pan African Minerals University of Science and Technology without competent authority. The issue had not yet been resolved.

2.4 Unsupported Expenditure

Expenditure totalling \$87 586 (2014: \$746 299) was incurred without sufficient supporting source documents such as receipts, three competitive quotations, acquittals and goods received notes. The issue had not yet been resolved.

SPECIAL GOLD UNIT FUND 2015

OBJECTIVE OF THE FUND

The Fund was established to mobilise and manage financial, human and material resources for the purpose of curbing mineral leakages, particularly gold.

I have audited the Special Gold Unit Fund Account for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Special Gold Unit Fund as at December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Travelling and Subsistence Advances

Finding

In violation of Treasury Instruction 1504 which requires that efficient controls and accounting records be maintained in respect of all advances made, advances for Travelling and Subsistence totaling \$60 670 were not acquitted. The advances were paid out without completion of application forms and members only signed against each beneficiary's name. Furthermore, the Travelling and Subsistence register was still not up-to-date by the time of concluding the audit.

Risks/Implications

Without the advance application and acquittals, it will be difficult to determine whether the monies were used for the purposes intended.

Failure to follow the procedures in the acquittal of Travelling and Subsistence advances, defeats the control purposes which they should serve.

Recommendations

The Fund should strengthen the internal control system by ensuring that Travelling and Subsistence allowances are acquitted correctly, recorded and processed.

Records should be updated in accordance with Treasury Instruction 1504.

The Ministry should initiate recovery action from all members who would have failed to acquit their advances as required by Treasury Instruction 1505.

Management Response

The observation is noted. Travelling and subsistence allowances had anomalies on their acquittals due to errors by officers on completion of claim forms. Most of the officers were not aware on how the claim forms should be completed, hence they need to be assisted. However, corrective action has been taken to avoid repetition of the same in future.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Cash Transactions

Finding

In violation of Section 6 (iii) of the Fund's Constitution which prohibits making cash transactions, the administrators of the Fund made cash payments amounting to \$81 400 instead of using cheques or bank transfers. In my final management letter for the year ended December 31, 2014, I highlighted the same weakness. I am concerned with the recurrence of the same weakness.

Risk/Implication

Processing of payments using cash may result in loss of cash or misappropriation of funds.

Recommendation

The Ministry should adhere to the requirements of Section 6 (iii) of the Fund's Constitution by ensuring that prescribed methods of payment such as cheques and bank transfers are used to guard against losses, fraud or misappropriation of funds.

Management Response

The observation is noted. Cash withdrawals were necessitated by the nature of operations undertaken by Officers of the Special Gold Unit, as most of the trips were undertaken at short notice because of the nature of assignments.

2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

In my report for the year ended December 31, 2014, I observed that twenty-three motor vehicles were not registered with the Central Vehicle Registry. The issue has now been resolved as the registration has now been done with CVR.

VOTE 10.- ENVIRONMENT, WATER AND CLIMATE

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Environment, Water and Climate for the year ended December 31, 2016.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Environment, Water and Climate for the year ended December 31, 2016.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Outstanding Amounts to Suppliers of Goods and Services

Finding

For the second year in succession, the Ministry had outstanding debts owed to suppliers amounting to \$1 940 718 (2015: \$1 878 022) as at the end of the financial year under review. This was contrary to the provisions of Treasury Instruction 1204 which requires all claims against Government to be settled promptly.

Risks/Implications

Failure to pay suppliers of goods and services in time may result in strained supplier-customer relationship with suppliers unwilling to provide further supplies of goods and services. Legal action can be taken against the Ministry which could lead to litigation costs.

Recommendation

The Ministry should pay the suppliers of goods and services promptly as required by Treasury Instruction 1204.

Management Response

This was beyond our control. Efforts were made with relevant authorities to secure funding to clear the outstanding balances but in vain.

HOWEVER, below are other material issues noted during the audit:

1 MANAGEMENT OF ASSETS

1.1 Departmental Assets

Finding

On page 167 of my 2015 report, I observed on twelve (12) motor vehicles and four (4) motor cycles registered at the Central Vehicle Registry which were not entered in the Ministry`s assets register. Ten (10) motor vehicles and four (4) motor cycles were eventually entered in the register. The matter has not been fully resolved as the Ministry has not established circumstances surrounding the two (2) missing motor vehicles which were part of the twelve (12).

Risk/ Implication

The assets may be lost or converted to personal use without detection if the register is not properly maintained and assets not properly accounted for.

Recommendation

The Ministry should expedite the investigations and determine circumstances surrounding the motor vehicles that have not been accounted for.

Management Response

We got information from the Central Vehicle Registry which indicates that the motor vehicles belonged to the former Ministry of Environment and Tourism so there is need for us to go back to the records of the former Ministry to establish the circumstances of the motor vehicles.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Budgetary Control

The issue on excess expenditure had now been resolved.

2.2 Late Submission of Returns

The Appropriation Account and the supporting returns were submitted early for audit.

2.3 Departmental Assets

The matter relating to missing motor vehicles was still outstanding and has been reported in current year.

2.4 Audit Committee

The Audit Committee is now in place some effort has been done.

2.5 Outstanding amounts to Suppliers of Goods and Services

There was no improvement on this issue as the outstanding figure to suppliers of goods and services increased compared to the previous year.

LAKE KARIBA FISHERIES RESEARCH INSTITUTE 2016

OBJECTIVE OF THE FUND

The Institute is established in terms of the Public Finance Management Act [*Chapter 22:19*]. Its mandate is to foster the sound development of a fishing industry and ancillary activities in the Lake Kariba area through investigations into the limnological, technological and economic aspects of the fisheries potential and setting up of demonstrations and training programs in fishing and related activities. The Institute is administered by Parks and Wildlife Authority.

I have audited the financial statements of Lake Kariba Fisheries Research Institute for the year ended December 31, 2016.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Lake Kariba Fisheries Research Institute as at December 31, 2016 and its financial performance for the year then ended.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Committee Fees and Allowances

Finding

The Institute paid sitting allowances for two members of the Committee of management amounting to \$515. However, there was no evidence of approval of sitting fees from the parent Ministry. There was no signature appended to the schedule availed for audit and the rates listed were not agreeing with the amount paid to committee of management members. Therefore, I could not rely on the information given. In addition, withholding tax on sitting allowances was not deducted as per the Income Tax Act [*Chapter 23:06*].

Risks/Implications

Unauthorised expenditure may be incurred.

There may be financial loss through penalties and interest for non-compliance with the Income Tax Act [*Chapter 23:06*].

Recommendation

Management should ensure that Committee member fees are authorised and subjected to withholding tax in compliance with the Income Tax Act [*Chapter 23:06*].

Management Response

Audit observation noted. Board members' sitting allowances will be subjected to withholding tax.

1.2 Declarations of Interest Register

Finding

I noted that the Institute was not maintaining declaration of interest register to enable the committee members to declare their interests before meetings. Best practice requires that Committee of management members should declare interest if any, before a committee meeting.

Risks/Implications

Objectivity may be compromised when decisions on issues that committee members have an interest are made.

There may be financial loss arising from impaired objectivity.

Recommendations

The Institute should comply with the provision of corporate governance framework and implement declarations of interest register.

Members should declare their interests and declarations must be documented in the declaration of interest register.

Management Response

The observation is noted. A Management Committee declaration of interest register will be put in place in the following year.

1.3 Value Added Tax (V.A.T)

Finding

The Institute was not registered for VAT despite its revenue for the year exceeding the US\$60,000 annual threshold required for registration by the Value Added Tax Act [*Chapter 23.12*]. In addition, the Institute was withholding VAT without remitting to ZIMRA.

Risk/Implication

There may be financial loss due to penalties and interest.

Recommendation

The Institute should register for VAT as required by the Value Added Tax Act [*Chapter 23.12*].

Management Response

The observation is noted. The Institute is in the process of registering with ZIMRA. Payments had been done centrally at Head Office and now the institute is registering as a stand-alone.

Evaluation of Management Response

In the records of Zimbabwe National Parks and Wildlife Authority, there is no evidence of payments of VAT relating to Lake Kariba Fisheries Research Institute.

1.4 Title Deeds

Finding

I noted that the Institute acquired land and constructed five (5) residential buildings and occupied them in 2012. The Institute did not obtain a certificate of occupancy in order for it to get the title deeds. There was no evidence of follow-up on the documents to support why this issue had remained outstanding.

Risk/Implication

There may be financial loss in case of a dispute.

Recommendation

The Institute should complete the processes that enable them to obtain title deeds.

Management Response

The stands have now been fully developed and occupied by staff members. Immediate follow up will be done with a view to attaining the necessary certificates of occupation and title deeds.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Accounting Management System

Finding

The asset register was being prepared on excel spreadsheets which were neither password protected nor cell formula locked to maintain a record of asset movements, serial numbers, and asset location.

Risk/Implication

Errors and misstatements may occur as calculations are done outside the system.

Recommendation

Management should consider upgrading to versions with asset modules so that there will be less chances of manipulation. There will also be audit trail for the assets within the Institute.

Management Response

The latest version of pastel that was procured does not have an inventory nor asset module. The institute will have to acquire the version with an asset module once it is available.

There is however a manual asset register that has more details than which is shown on the excel one. Asset registers are balanced to the general ledger and printed every year to check that all assets are still in place. Asset physical checks frequency will be increased as per audit recommendation.

2.2 Cash Receipting

Finding

The cashier assigned to operate in Nyamhunga Town Centre was not operating in a secure place. The cash was receipted in an open space and the cash receipted was kept in a hand bag. The cashier walks around with cash when she goes for lunch because she cannot leave it unattended.

Risk/Implication

There may be financial loss due to robbery.

Recommendation

A secure office should be considered for the cashier.

Management Response

The receipting point has a cash box assigned to it, but the cashier had just left it on the day of audit visit. The institute has done an application to the local authority for the allocation of a stand to build a revenue collection office. The setting up of a temporary revenue collection base in Nyamhunga was arrived at in order to maximize revenue inflows and plug revenue losses.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Unapproved Budget

The budget was sent to Head Office for onward transmission to the Parent Ministry.

3.2 Oversight Role

The Committee met twice during the year under review. The Trustee had since appointed a representative.

3.3 Review of the Institute's Constitution

The exercise to review the Constitution was still work in progress

3.4 Insurance of Assets

Motor vehicles had since been insured through CBZ Bank Insurance. Other high value assets like buildings would be considered as funds become available.

3.5 Cell Phone Allowances

There was no improvement on ensuring that the Institute benefits are authorized and taxed as per Income Tax Act [*Chapter 23:06*].

METEOROLOGICAL SERVICES FUND 2015

OBJECTIVE OF THE FUND

The Fund was established to facilitate the provision of weather related services and products and to undertake projects that enable the smooth running of the Meteorological Services operations. The Fund also provides additional funding for importation of equipment and raw materials not available in Zimbabwe.

I have audited the financial statements of Meteorological Services Fund for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Meteorological Services Fund as at December 31, 2015 and its financial position performance for the year then ended.

Basis for Qualified Opinion

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Trade Debtors

Finding

In violation of Treasury Instruction 0501 which requires steps to be taken to collect revenue due to the Government, the Fund's debt management system remained ineffective as revenue due from Airline Operators remained uncollected. The outstanding amount in the debtors' records totalled \$1 684 443 (2014: \$1 406 526) which represents 92% of the total assets of the Fund. I am concerned with the ineffectiveness of the debt management system. I made the same observation on page 176 of my report for the year ended December 31, 2015.

Risk/Implication

The Fund's liquidity position and its ability to sustain operations could be adversely affected by failure to recover outstanding amounts. Failure to take recovery action may also result in irrecoverable or bad debts.

Recommendation

The administrators of the Fund should put more effort to collect outstanding amounts owing from debtors and ensure that the debt management system is effective.

Management Response

The debtors who owe the Fund the bulk of the money are Air Zimbabwe and South African Airlines. The Ministry has engaged lawyers to recover money from South African Airlines and the issue is being dealt with by the courts. As regards Air Zimbabwe, discussions to recover the amount owed have been made but the airline cannot pay at the moment as it is nearly insolvent. Efforts are being made to recover money owed by the other airlines.

2 GOVERNANCE ISSUES

2.1 Suspense Account

Finding

The financial statements revealed a suspense account balance of \$2 149 (2014: \$2 138). The suspense account has featured in the financial statements since 2013 financial year. The existence of a suspense account affects the credibility of information disclosed in the financial statements. I made the same observation on page 175 of my report for the year ended December 31, 2015.

Risk/Implication

Failure to investigate and clear the suspense account balance may lead to misstatement of the financial statements and puts accuracy and credibility of the same in doubt.

Recommendation

The suspense account figure should be investigated and appropriate adjustments should be made to clear it.

Management Response

The observation is noted and agreed. We are making effort to reduce and clear the suspense account balance as the balance was huge since we took over from Ministry of Transport. The issue is to do with the manual system and personnel who are not accounting professionals.

3 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Unsupported payments

The Fund made payments to suppliers of goods and services which were not adequately supported in the previous year and in the current year all payments to suppliers were adequately supported by source documents.

3.2 Budgetary Control

The Fund operated without an approved budget in the previous year and in the year under review the issue has been resolved.

3.3 Purchase of equipment not delivered

The issue of the hydro generator has not been addressed. Funds have not been released to pay off the creditors ie Meteo France.

3.4 Suspense Balance

There was no improvement on the issue of suspense account balance since the Ministry failed to clear the suspense account balance during the year under review.

3.5 Trade Debtors

There was no improvement on this issue as the debtors' figure continued to increase to \$1 684 443 (2014: \$1 406 526).

NATIONAL CO-ORDINATING UNIT FUND 2015

OBJECTIVE OF THE FUND

National Coordinating Unit (NCU) is a Secretariat of the National Action Committee (NAC) which was established by the Government of Zimbabwe in 1985 following the United Nations Declaration–International Decade for Drinking Water and Sanitation (1981-1990) focusing mainly on rural areas which had been marginalized during the colonial era. The main objective of National Action Committee is to coordinate water and sanitation matters in rural areas through its secretariat.

I have audited the National Coordinating Unit Fund Account of the Ministry of Environment, Water and Climate for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all respects, the financial position of the National Coordinating Unit for the year ended December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

GOVERNANCE ISSUES

1 PROCUREMENT

1.1 Procurement Committee

Finding

Section 14 (2) of Statutory Instrument 171 of 2002 requires all procurement of goods and services to be done by the Procurement Committee in compliance with the provisions of the Procurement Act [*Chapter 22:14*]. Contrary to this regulation, the administrators of the fund engaged in procurement of goods and services without involving the Procurement Committee.

Risk/Implication

There could be lack of economic buying and occurrence of underhand dealings due to the absence of an independent body that superintends over procurement processes.

There is risk that the persons involved in the procurement processes may engage in transactions which are not in the best interest of the Fund.

Recommendation

The administrators of the Fund should allow the procurement decisions to be done by the Procurement Committee.

Management Response

The observation is noted. The Ministry has since taken over all procurement functions from NCU.

1.2 Flouting of State Procurement Board (SPB) Tender Procedures

Findings

The Ministry procured T-shirts for sanitation and Hygiene Taskforce and local consultants worth \$142 609 without following Informal Tender procedures. The acquisition of T-shirts amounting to \$65 161 was split to circumvent the procurement procedures contrary to the requirements of Section 30 of the Procurement Act [*Chapter 22:14*] and Statutory Instrument 159 of October 12, 2012. The practice of splitting supplies was in violation of Treasury Instruction 1005 (6) (b) which states that a supply or service shall not be subdivided in order to bring the total estimated value below informal tender threshold.

Section 6(3) of the Statutory Instrument 171 of 2002 states that the Ministry shall record its decision on comparative schedule which shall be retained by the department for audit purposes and a copy shall be transmitted to the Board. Contrary to that, there was no evidence that the Ministry had transmitted to the State Procurement Board its decisions on informal tenders that were processed during the year under review.

Risk/Implication

Non-adherence of the procurement regulations could result in uneconomic buying and occurrence of underhand dealings.

Recommendation

The administrators of the Fund are recommended to follow standing procurement procedures and regulations to avoid uneconomic buying, wasteful expenditure and underhand dealings.

Management Response

The observation is noted and accepted. The Ministry has since taken over all procurement functions from NCU and more training will be given to the procuring department.

1.3 Unsupported Expenditure

For the second year in succession, the Fund administrators continued to violate the provisions of Treasury Instruction 1216, by making payments amounting to \$101 547 (2014: \$6 988) that were not supported by source documents such as Procurement Committee minutes, receipts, goods received notes and comparative schedules. Consequently, I was unable to determine whether the expenditure was a proper charge to the Fund.

Risk/ Implication

If payments are made to suppliers of goods and services without adequate supporting source documents, the expenditure may not be incurred for the intended purposes and fraudulent payments may also be processed.

Recommendation

Management should ensure that all payments are supported by relevant source documents to prevent the processing of fraudulent or irregular payments.

Management Response

The observation is noted. The Ministry shall follow up on receipts from suppliers of goods and services. The reason for preferring Redan was due to its geographical spread as well as their coupon system that was more convenient.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Constitution of the Fund

Finding

The Public Finance Management Act [*Chapter 22:19*] Section 18 (2) requires Treasury to draw up a Constitution that regulates the affairs of the Fund. Contrary to this regulation, the Ministry was operating without an approved Constitution of the Fund. I could not establish whether the activities of the Fund were done within its mandate.

Risk/Implication

Without a Constitution, the Fund may fail to fulfill its mandate as a result of lack of guidance and policy direction.

Recommendation

The Ministry should finalise the issue of the Fund's Constitution by ensuring that it is put in place as required by Section 18 (2) of the Public Finance Management Act [*Chapter 22:19*].

Management Response

The National Coordinating Unit uses government procedures, it has no separate accounting manuals. Work is in progress to draft the Constitution and a draft shall be available by September 2016.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

The Ministry did not address the issue of unsupported expenditure mentioned in previous report and there were some payments that were processed without adequate supporting documents during the year under review.

RHODES NYANGA ESTATE FUND 2016

OBJECTIVE OF THE FUND

Rhodes Nyanga Estate Fund is an organisation which was established in Zimbabwe by an Act of Parliament, Rhodes Estate Fund Act [*Chapter 20.14*]. It is mainly engaged in the operation of sustainable conservation. Other activities of the Fund include trout fish farming.

I have audited the financial statements of Rhodes Nyanga Estate Fund for the year ended December 31, 2016.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Rhodes Nyanga Estate Fund as at December 31, 2016, and its financial performance for the year then ended.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Insurance of Assets

Finding

I noted that the assets of the Fund were not insured against potential risks which included fire, damages, accidents, theft, or any other unforeseen disasters.

Risk/Implication

Financial loss in the event of theft or damage of the asset without insurance cover.

Recommendation

Management should consider insuring its assets against insurable risks with the guidance of a reliable insurance broker.

Management Response

Audit observation has been noted. Currently the Fund's assets are not insured because of the prohibitive cost of insurance and the fact that the Fund is experiencing cash flow challenges. Management will come up with a risk model for insuring assets. The Fund will consider insuring its cash generating assets such as lodges. Currently there are some other risk mitigatory measures such as fireguards that are in place.

1.2 State of Infrastructure

Finding

The storeroom at Mare Camp and the hatchery building at Mare fisheries was now in need of renovation. The hatcheries building wall paint and plaster were peeling off while the storerooms wooden walls were leaking, damaged, broken and roof falling. Upon enquiry, it was indicated that the repairs could not be effected due to budgetary constraints.

Risk/ Implication

Failure to timely repair the buildings may increase the financial resources needed to repair and refurbish the buildings in future.

Recommendation

The Fund should ensure that all the buildings that are in poor state are renovated.

Timely repairs should be effected.

Management Response

We concur with the audit observation. Currently repairs are taking place at a slow pace and /or some have been deferred due to cashflow challenges which the Fund is experiencing. There is however a refurbishment plan which management designed and is following to address these challenges.

The Fund will also try to source for funding to complete the refurbishment plans.

1.3 Fleet Management

Finding

The Fund had five (5) motor vehicles, four (4) of which were very old and these were limited-runners during the period under review. The Fund incurred maintenance costs of these vehicles amounting to US\$19 418 which were considered high and these costs exceeded the carrying amount of the vehicles which was zero at the time of audit.

Risk/Implication

Efficiency and effectiveness of the operations may be compromised due to shortages of resources.

The costs of maintaining an aged fleet may outweigh the benefits realisable from the continued use of such vehicles.

Recommendation

The Fund should put in place a motor vehicle replacement plan and acquire new vehicles to capacitate its operations.

Management Response

The audit observation has been noted. The Fund has a motor vehicle replacement plan in which under normal circumstances, these should be replaced after the end of every five years. However, this plan has been difficult to abide by owing to limited resources which the Fund is generating. In essence the Fund procured a vehicle in 2015 to augment its ageing fleet.

Management will keep on sourcing for more resources in order to abide by the vehicle replacement plan. In the meantime, management will consider disposing off those vehicles whose repairs and maintenance outweighs the benefits which are derived from their usage.

1.4 Fire Prevention Measures

Finding

I noted that the lodges and the storeroom at Mare Camp had no fire extinguishers at the time of audit. The store room contained blankets, sheets, tissues, beds mattress and other consumables for use at lodges and these are susceptible to fire. The storeroom and some of the lodges were built with wooden walls which are highly flammable.

Risk /Implication

There may be financial loss due to damage of goods in the event of fire.

Recommendation

The Fund should put the fire extinguishers in place.

Management Response

The audit observation has been noted. Currently there are fireguards which management believes may mitigate the risk of fires.

Management will obtain the fire extinguishers for the storeroom. The Fund also has plans to insure revenue generating assets against the risk of fires.

1.5 Lease Agreements

Finding

The lease agreement between the Rhodes Nyanga Estate Fund and Nyanga Experiment Station expired in March 2012 and was not renewed as at December 31, 2016. Furthermore, the Fund had no lease agreement with Allied Timbers which was operating in its Estates as at December 31, 2016 and subsequent to the year end.

Risk/Implication

The Fund may have no recourse in the absence of valid lease agreements in the event of a dispute.

Recommendation

Management should ensure that valid lease agreements with all sitting tenants are in place.

Management Response

The audit observation has been noted. Lease agreement for Rhodes Nyanga Experimental Station is work in progress. There were sticking points on the amount of lease rental to be paid by the tenant annually. For the lease agreement with Allied Timbers, there are challenges regarding the lease and the Ministry is working to address them. Management is hopeful that once resolved, a lease agreement will be drawn up.

Follow up on the outstanding lease agreement with our Head Office Legal Department will be done and we will continue to engage the Ministry for finalisation of Allied Timbers dispute.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Outstanding Receivables

Finding

From the debtor's age analysis, debtors amounting to \$246 467 had been outstanding for over 365 days as at December 31, 2016. Out of this amount due, \$37 237 was from debtors which had closed operations. The table below highlights significant debtors in the age analysis that had been outstanding for over 365 days and some of which have seized operations;

Debtor	Status	Amount \$
AT001	Operating	203 583
BE001	No longer operating	1 394
CM001	No longer operating	3 482
CH001	Operating	1 350
DI001	No longer operating	3 545
EL001	No longer operating	7 242
HT001	No longer operating	669
JT001	No longer operating	5 979
LT001	No longer operating	3 872
MD001	Accommodation	400
MH001	Operating	3 157
MV001	Operating	740
ONL001	No longer operating	825
RS001	No longer operating	814
RH001	No longer operating	4 038
SS001	No longer operating	2 472
TW001	No longer operating	2 653
MON001	No longer operating	252
Total		\$246 467

Risk/Implication

Potential cash flow problems arising from long outstanding debtors.

Recommendation

The credit control procedures must be strengthened and appropriate action should be taken for timely review and follow up of all outstanding debts. Amounts likely not to be recovered should be written off as an expense.

Management Response

The audit observation has been noted. Some of these debtors were handed over to our Head Office legal department for them to institute legal processes for recovering debts. For some that already underwent legal processes, the Fund found nothing tangible to attach.

Management will prepare a list of those debtors whose recoverability is highly unlikely in order to obtain approvals to write them off. As of now an allowance for credit losses has been provided for in the financial statements.

3 EMPLOYMENT COST

3.1 Statutory Deductions

Finding

I observed that Rhodes Nyanga Estate Fund was not deducting National Social Security Authority (NSSA) contributions from all its casual employees during the period under review.

Risk/Implication

Financial loss due to penalties that may be charged by the relevant Authority.

Recommendation

The Fund should deduct and remit all contributions.

Management Response

Audit observation has been noted. Management will start deducting NSSA contributions immediately.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

4.1 Committee Fees

Belina Payroll has been installed at the Fund with a view of deducting taxes from Committee Fees. Management will ensure that the Committee fees are subject to withholding tax for all Committee members.

SECRETARY'S FUND 2015

OBJECTIVE OF THE FUND

The objective of the Fund shall be to encourage research in, and develop or conserve wild life (including fish, national parks, botanical gardens, sanctuaries, safari areas, recreational parks and natural resources) which the Ministry of Environment, Water and Climate or any of its departments may be entitled to administer.

I have audited the financial statements of Secretary's Fund for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Secretary's Fund as at December 31, 2015 and its financial position for the year then ended.

Basis for Qualified Opinion

1 PROCUREMENT

1.1 Violation of Tender Procedures

Findings

In violation of Section 44 (1) (a) (iii) of the Public Finance Management Act [*Chapter 22:19*] read in conjunction with the State Procurement Board Circular No. 1 of 2012 that requires procurement process to be transparent, fair, honest, cost-effective and competitive, the Fund procured a motor vehicle worth \$43 250 without following informal tender procedures.

Further to the above, the Fund incurred expenditure amounting to \$13 659 on procurement of goods and services without obtaining competitive quotations, comparative schedules and procurement minutes in violation of Treasury Instruction 1005 (3).

Risk / Implication

Failure to follow laid down procurement regulations may result in uneconomic buying as goods and services may not be purchased from the most competitive suppliers.

Recommendation

The administrators of the Fund should ensure that procurement of goods and services is done in compliance with laid down procurement regulations to ensure goods and services are purchased to the best economic advantage of the Fund.

Management Response

The procurement of a vehicle was done above board. The Ministry wrote to the Ministry of Transport and to the State Procurement Board seeking authorisation. The purchase was based on the circular from the Office of the President and Cabinet (OPC) authorising Accounting Officers to authorise the informal tender.

Procurement was done as per specific user requirements for purchases from RHB Import & Export and Adam Bede. Procurement from Becor was done because that was the only supplier who agreed to supply on credit terms.

Evaluation of Management Response

The circular from the Office of the President and Cabinet does not exonerate the Ministry from following tender procedures.

HOWEVER, below are other material issues noted during the audit:

- 1 GOVERNANCE ISSUES**
- 1.1 Income from Water Fund**

Finding

The Ministry transferred an amount of \$137 760 from the Water Fund to the Secretary's Fund without Treasury concurrence and it constituted 27 % of the total revenue of the Secretary's Fund. The Secretary's Fund was supposed to be funded by donations as per the Fund's Constitution.

Risks/Implications

Failure to adhere to authorization procedures in relation to transfer of funds could result in lack of financial discipline.

The Fund account whose resources were transferred to another may fail to achieve its objectives.

Recommendations

The administrators of the Fund should seek Treasury concurrence before transferring funds from one Fund account to another.

The Fund should get resources from its own sources instead of relying on another Fund.

Management Response

The observation is noted and agreed.

1.2 Budgetary Control

Finding

For the second year in succession, the Fund incurred expenditure amounting to \$501 988 without an approved budget. In addition, no commitment register was being maintained contrary to Section 47 of the Public Finance Management Act [*Chapter 22:19*]. I was therefore unable to make an assessment whether activities carried out were according to plan and whether funds were used effectively and for the intended purposes.

Risk / Implication

If an accounting system is not budget based, excessive or wasteful expenditure may be incurred due to absence of control mechanism and fiscal discipline.

Recommendation

The administrators of the Fund should ensure that all the expenditure incurred is based on a proper budgetary system to avoid wasteful expenditure and ensure financial discipline.

Management Response

The observation is noted and agreed. The Fund is used as and when the need arises. Therefore, the flow of funds is not predictable. However, the Fund accounts are subjected to review annually from both internal and external auditors.

1.3 Accounting Officer's Instructions

Finding

For the second year in succession, the Fund operated without approved Accounting Officer's Instructions that effectively ensure appropriate control systems are in place, identification of the material risks facing the Fund, ascertain potential financial impact and delegation of responsibility to control identified risks effectively. This was in violation of Treasury Instruction 0706 which stipulates that the Accounting Officer should issue detailed instructions governing the conduct of financial business and control of public monies and property for which they are responsible.

Risk / Implication

If employees operate without Accounting Officers' Instructions, this may result in employees failing to get good and effective guidance on management of the resources of the Fund.

Recommendation

The Ministry should develop and implement an Accounting Officer's Instructions for the Fund to guide employees on key processes and controls.

Management Response

The observation is noted and agreed. The Ministry is now in process of drafting the Accounting Officer's Instructions.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Travelling and Subsistence Advances

The Fund administrators managed to address the issue of travelling and subsistence advances not cleared mentioned in my previous report.

2.2 Procurement

There was no improvement on the issue of procurement as there were some payments that were processed without adequate supporting documents during the year under review. Some purchases were also done without following procurement procedures.

WATER FUND 2015

OBJECTIVE OF THE FUND

The Fund was established for the purpose of providing for the development and utilisation of the water resources of Zimbabwe; establishment of powers and procedures of the Catchment Councils and Sub-catchment Councils, grant of permits for the use of water, control of the use of water when water is in short supply, acquisition of servitudes in respect of water, protection of environment and the prevention and control of water pollution, approval of combined water schemes, matters relating to dam works, to repeal the Water Fund Act [*Chapter 20:22*] and to provide for matters incidental to or connected with the foregoing.

I have audited the Ministry of Environment, Water and Climate - Water Fund Account for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Water Fund for the year ended December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Accounting Policy

Finding

Contrary to the provisions of Section 37 of the Public Finance Management Act [*Chapter 22:19*] which states that the financial statements should be prepared in accordance with generally accepted accounting practice, the administrators of the Fund did not disclose the amount of revenue receivable from debtors in the financial statements.

Risk/Implication

Revenue could be lost if debtors are not disclosed in the financial statements.

Recommendation

The administrators of the Fund should ensure that all revenue due to the fund is properly accounted for and disclosed in the financial statements.

Management Response

The observation is noted and agreed. The 2015 Water Fund financial statements were prepared using the accrual accounting basis. There were neither debtors nor creditors reported in the statements. In future we are going to include the notes.

2 PROCUREMENT

2.1 Unsupported Expenditure

Finding

In violation of Treasury Instruction 1216 which requires payment vouchers to be adequately supported by relevant source documents, expenditure amounting to \$4 062 was not supported by relevant source documents such as procurement committee meeting minutes, three competitive quotations, purchase orders and receipts. As a result, I was not able to determine whether the expenditure formed a proper charge to the Fund.

Risk/Implication

Expenditure may not be incurred for the intended purpose and fraudulent payments may also be processed.

Recommendation

The Ministry should ensure that payments are adequately supported, and that all source documents are attached to payment vouchers.

Management Response

The observation is noted. Effort is being made to make sure that supporting documents are attached on every transaction undertaken.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Audit Committee

Finding

Contrary to the provision of Section 84 (1) of the Public Finance Management Act [*Chapter 22:19*], the Ministry has not yet established an Audit Committee whose responsibilities should be to liaise with External Audit, supervise Internal Audit and review the internal controls of the entity.

Risk/ Implication

Audit recommendations by External Audit and Internal Auditors might not be implemented and the internal audit might not get the necessary support from management which could affect their effectiveness.

Recommendation

The Ministry should establish an Audit Committee in order to improve its capacity to address audit findings and implementation of audit recommendations.

Management Response

The issue of Audit Committee is noted. However, the Ministry is waiting for guidance from Ministry of Finance on the composition of members of the committee.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Budgetary Control

In the previous year the Fund operated without an approved budget and in the year under review the Fund operated with an approved budget in place.

2.2 Travelling and Subsistence Advances not Cleared

Ministry officials failed to acquit advances for foreign travel expenses amounting to \$2 074 in 2014. However, the issue has now been resolved as there were no advances not acquitted in 2015.

VOTE 11.-TRANSPORT AND INFRASTRUCTURAL DEVELOPMENT

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account and supporting returns for the Ministry of Transport and Infrastructural Development for the year ended December 31, 2016.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Transport and Infrastructural Development as at December 31, 2016.

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

1 GOVERNANCE ISSUES

1.1 Unpaid Invoices

Finding

Treasury Instruction 0913 states that the Accounting Officer should within a reasonable time process payment in order to prevent arrear claims from being made long after the services have been rendered. The Ministry had unpaid invoices amounting to \$2 595 156 for services rendered. This was due to a liquidity crunch and failure to prioritize expenditure commitments.

Risks/Implications

There is reputational risk and possible litigation by creditors if the Ministry fails to clear outstanding bills.

There is also a risk of committing government on programs that are not funded.

Recommendation

The Ministry should come up with a payment plan to reduce its liabilities.

Management Response

The Ministry was allocated \$2 million by Treasury in the budget for 2017 to clear the outstanding invoices.

1.2 Public Financial Assets

Finding

Section 72 (2) of the Public Finance Management Act [*Chapter 22:19*] states that, annual and monthly reports on State loans should be prepared. However, there were no reconciliations undertaken during the year under review resulting in variances amounting to \$26 149 781, between the Ministry's records and those of its Parastatals.

Risk/Implication

The value of Public Financial Assets may be materially misstated in the absence of reconciliations from parastatals and related entities.

Recommendation

The Ministry should reconcile loans and investments held by Parastatals.

Management Response

The Ministry will engage the individual Parastatals and Treasury in an effort to reconcile the differences.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Revenue Collecting Stations

Finding

The Ministry collected revenue amounting to \$21 320 276 during the year under review and had 29 outstations that were collecting revenue. Only 8 stations were connected to SAP and all of them were not using the system for receipting revenue, although training had been provided to staff at four stations. I could not establish why there was a low uptake on the use of the system in view of fraud associated with manual receipting. Three cases of fraud amounting to \$4 805 involving manipulation of receipts were reported by internal audit. Cases of fraud have been recurring in the Ministry because of manual receipting.

Risk/Implication

Manual receipting is prone to fraudulent activities and it takes time to discover it, especially where collection points are spread around the country.

Recommendation

All stations connected to SAP should use the system to receipt and the Project Office should be requested to connect all stations to SAP, to enhance revenue collection.

Management Response

The Ministry has since engaged Central Computing Services under Ministry of Information Communication Technology to put connectivity infrastructure at all remaining revenue collecting stations. The 8 stations already connected to SAP will be operationalised to enable issuing and printing of receipts using the system.

Evaluation of Management Response

The Ministry has not responded on why stations connected are not using SAP system for receipting

3 EMPLOYMENT COSTS

3.1 Vacation Leave

Finding

Treasury Instruction 2400 states that Accounting Officers or Receivers of Revenue should ensure that any officer whose duties have a direct bearing on the receipting, recording, custody or disposal of public moneys should take his/her leave when it becomes due. From an analysis of pay sheets for December 31, 2016 the Ministry had 88 officers who had accumulated 90 days' vacation leave, made up of 51 officers from Administration and General and 37 officers from the Department of Roads. The Human resources department had no vacation leave plan in place to ensure that officers who had accumulated almost 90 days proceeded on leave.

Risks/ Implications

Failure to take vacation leave may have adverse effects on the well-being of officers and consequently affect their productivity.

Where accounting staff do not take leave they may be concealing fraud or irregular activities.

Recommendation

In order to protect productivity and wellness of staff, vacation leave should be taken at least once a year.

Management Response

The observation has been noted and remedial action has been taken. A minute has since been written to Heads of Departments encouraging them to regularly plan vacation leave schedule.

3.2 Signing of Official Secrecy Certificate

Finding

Section 6 (8) (c) paragraph 6 of the Public Service Regulations states that when a member of staff is appointed to the Public Service he has to complete an Official Secrecy Certificate which is a declaration that prohibits him/her from disclosing information connected with his official duties to unauthorised persons. Contrary to the Public Service Regulations, 8 officers who were appointed in 2016 had no Official Secrecy Certificates in their personal files as proof that they were aware of the Official Secrecy Act.

Risk/Implication

Members who may be unaware of the official secrecy provisions may divulge sensitive information to the public and damage the reputation of government.

Recommendation

All staff in the Ministry should sign the Official Secrecy Certificate, before they commence their duties.

Management Response

The observation has been noted with great appreciation. Action has been taken to correct the anomaly.

4 MANAGEMENT OF ASSETS

4.1 Departmental Asset Certificate

Findings

An Annual Departmental Asset Certificate is meant to confirm whether all assets held by the Ministry's stations as required by Treasury Instruction 2004 were properly accounted for. However, nine (9) Provincial Offices did not submit departmental assets certificates to the effect that all surpluses were taken on charge and that deficiencies, damaged and unserviceable items had been dealt with in accordance with Treasury Instruction 2004. There were no assessment reports on the adequacy and suitability of assets for Departmental requirements in respect of both quantity and quality.

The Ministry's Master Asset Register was not up to date at the time I conducted a physical verification of movable assets at Head Office. As a result, I could not place reliance on the annual Asset Certificate submitted by the Accounting Officer.

Risks/Implications

Failure to submit provincial offices asset certificates and reports may indicate deficiencies in management of assets.

Without an updated record of all assets the Ministry may not be able to effectively monitor the recording, utilization, and existence of assets.

Recommendations

All the assets held by the Ministry should be recorded in the Master Asset Register.

Also existence and condition of assets should be checked at least once a year by all stations and certificates to that effect should be sent to Head Office.

Management Response

The observation has been noted, the anomaly will be rectified in future.

The assets were numbered, however the ink used could have been illegible. A better method of numbering will be used.

4.2 Maintenance of Vehicle Records

Findings

Vehicle files provide evidence of history of the vehicle from acquisition until its disposal. The Ministry did not maintain files for all its vehicles. This was caused by lack of formal procedures on control of motor vehicles.

There were twenty-four (24) motor vehicles which were listed as non-runners. These vehicles had no record of any deficiency or damages nor technical reports from CMED or VID attesting to the fact that they were non-runners.

Two Mazda 323 sedan vehicles with registration numbers VED 0019, and VED 0065 and a Nissan Hard body, registration number VED 0057 were disposed of by way of auction in 2014 although they were still appearing in the master asset register. Thirty-one (31) motor vehicles were not recorded in the Master Asset Register. This was an indication that the register was not being updated and checked by a senior member of staff.

Risks/Implications

The correct status of vehicles held by the Ministry cannot be ascertained with a degree of accuracy.

Vehicles that could be in sound condition may be disposed of resulting in loss of public funds.

Thirty-one (31) vehicles that were not recorded in the master asset register may disappear without trace.

Recommendations

The Ministry should maintain vehicle files that contain comprehensive information about each vehicle.

Technical reports should be obtained before classifying vehicles as non-runners.

The Ministry should update the master asset register whenever there is a new acquisition, movement and disposal of assets, capturing all relevant details such as serial numbers or asset numbers.

Management Response

Vehicle files are opened at head office after an accident and majority of vehicles are managed and serviced by various VID depots where they are stationed.

The mentioned 24 non-runner vehicles are beyond economic repair. The Vehicle Inspectorate Department will provide confirmation of all non-runners.

The Ministry does not have vehicles purchased through the Appropriation Account. However, all the vehicles observed by auditors belong to Statutory Funds and are recorded in the Fund's respective Master Asset Registers.

Evaluation of Management Response

All assets belonging to the Ministry should be recorded in the Master Asset Register. Assets belonging to Statutory Funds should be recorded in separate asset registers.

4.3 Vehicle Issue Vouchers

Finding

The Accounting Procedures Manual section 4.3 lays down procedures on how to issue and receive goods from one station to another within a Ministry and between Ministries. An issue voucher should be prepared by the transferee and signed by the receiver of goods or assets. On the contrary, the Ministry was issuing out vehicles without issue vouchers from the period 2010 to 2016. In the absence of Issue Vouchers, I could not verify whether 76 vehicles that were reportedly issued were

indeed received by the intended recipients at Vehicle Examination Department (VED). The anomaly may have been caused by failure to comply with standing procedures.

Risks\Implications

Without issue vouchers, the Ministry may not be able to confirm whether vehicles were being issued to the officers who are entitled to them.

Also it may be difficult to establish accountability in the event that a vehicle is lost or damaged.

Recommendations

All motor vehicles issued should have a signed issue and receipt voucher.

The Ministry should regularise the transfer of motor vehicles that were issued to VED staff from the year 2010 to 2016.

Management Response

The observation has been noted. Issue vouchers were not normally used as the Ministry used a designed handover/takeover certificates which also included checking the condition of vehicle and accessories. Issue vouchers will now be used for all new vehicles bought by the Ministry. The issue voucher will be complemented by the handover/takeover certificates.

Evaluation of Management Response

The designed handover/takeover certificates were not availed for my verification. There was no response regarding regularisation of 76 motor vehicles issued to VED staff.

5 MANAGEMENT AND IMPLEMENTATION OF GOVERNMENT PROGRAMMES

5.1 Results Based Management

Findings

In the Results Based Management (RBM) documents and Ministry Integrated Performance Agreement Plan (MIPA), it is stated that the Ministry's main goals or purpose in life is, providing and managing transport and transport related services. The RBM quarterly report that was availed to auditors reflected that the Department of Roads regravelled 1 752kms of roads in 2016, without disclosing the names of the roads.

Further, statistical outputs that should have been reported by the Ministry in 2016, such as the number of accidents that occurred, motor vehicles inspected, drivers tested, vehicles licensed, drivers trained in defensive driving, permit routes issued and environmental impact assessments conducted, were not availed for my verification.

Risks/ Implications

Failure to provide names of regravelled road network may indicate that the reported output was not factual.

The Ministry may fail to improve on its performance if it does not maintain statistical information.

Recommendation

The Ministry should maintain information on its performance to aid on policy formulation and future planning.

Management Response

MIPA is a broad macroscale and does not dwell on micro aspects which issues are dealt with in the DIPAS of the various departments within the Ministry. Details on Roads works are found within the Department of Roads DIPA, and statistics for accidents, motor vehicles inspected and drivers tested these are dealt with in the DIPA of VID. Information on vehicles licensed and drivers tested in defensive driving are under ZINARA and Traffic Safety Council of DIPAS.

Evaluation of Management Response

Statistics for the outputs disclosed in the Ministry's MIPA should have been availed.

6 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

6.1 Revenue Collecting Stations

The issue of fifteen revenue collecting stations not connected to SAP, five (5) stations who had no profiles, six stations where SAP was down had not been addressed.

6.2 Expenditure Incurred on Behalf of the Ministry by Statutory Funds

The Ministry had disclosed the value of the assistance received from its Statutory Funds.

6.3 Public Financial Assets

Six parastatals confirmed the value of loans and investments held as Public Financial Assets. The Ministry used the correct format.

DEPARTMENT OF ROADS FUND 2015

I have audited the financial statements of the Department of Roads Fund for the year ended December 31, 2015.

OBJECTIVE OF THE FUND

The Fund was established in terms of Section 25 of the Roads Act [*Chapter 13:18*] as read with the Public Finance Management Act [*Chapter 22:19*]. It was formed to provide financing of Road Development, Rehabilitation and Maintenance works.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Department of Roads Fund for the year ended December 31, 2015 and its performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Accounting for Construction Projects

Finding

The financial statements produced by the Fund did not disclose construction and rehabilitation costs that were incurred on different projects as required by best accounting practice. Project costs funded by ZINARA amounted to \$15 949 143. These were not assigned to the respective projects. Furthermore, the value of materials on hand for various projects at year end were not disclosed. The draft Accounting Officer's Instructions in use did not provide guidance on construction accounting nor disclosure requirements.

Risks/Implications

Failure to properly account for construction expenditure and inventory results in financial statements that are misstated and this may mislead users of financial information.

Failure to apply appropriate accounting systems for projects may result in stores materials going missing without trace.

Cost overruns and fraud may occur if proper accounting systems and controls are not implemented.

Recommendations

The financial statements should follow the principles of construction accounting as outlined in the International Public Sector Accounting Standard No. 11.

The Accounting Officer's Instructions should provide guidance on construction accounting.

The carrying amount of construction materials on hand should be disclosed in the financial statements and an inventory system should be put in place to record all construction materials on project sites.

Management Response

The observation has been noted. The Ministry will approach Treasury to seek guidance on how to do the Accounting for Construction Projects and will incorporate the input from Treasury into the Accounting Officer's Instructions.

1.2 Cash at Bank and Adjustments

Finding

The financial statements disclosed cash at bank balance of \$1 763 245 while certificates of balance from the Reserve Bank of Zimbabwe had a total of \$1 527 998, giving a variance of \$235 247, which was not reconciled. Following my audit query to the Accounting Officer, a new set of accounts with 29 further adjustments to the financial statements was resubmitted and the new cash balance was \$1 610 876. The magnitude of the proposed adjustments clearly showed that the books of accounts were unreliable.

Risk/Implication

Financial statements may be materially misstated due to numerous errors.

Recommendation

The accounting records should be maintained in accordance with Generally Accepted Accounting Practice and checked on a regular basis. Monthly reconciliations should be carried out to trace and clear any imbalances.

Management Response

We have since re-computed our financial statements to accommodate the bank balances for provinces as at December 31, 2015, which were erroneously omitted. The cash at bank is now \$1 610 876.

1.3 Non-disclosure of Accrued Liabilities

Finding

In terms of the accrual concept, accounting transactions and other events are recognised when they occur, therefore, transactions are recognised in the financial statements for the period to which they relate. Contrary to this concept, expenditure

amounting to \$762 594 incurred during 2014 was not accrued although it was paid during 2015. This was due to failure to record transactions as they occurred and apply the accrual concept.

Risk/implication

Liabilities may be understated, compromising the reliability and integrity of financial information.

Recommendation

Accounting transactions should be recorded and recognised in the year in which they occur.

Management Response

The observation has been noted. From now on the accrual concept will be complied with.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Fraud Involving Billboard Revenue

Finding

Two officers misappropriated Billboard revenue amounting to \$71 960 during the year under review. Following the discovery of the fraud the Accounting Officer constituted a Board of Inquiry into the circumstances surrounding the matter. The Board established that two provinces were affected namely, Mashonaland West and Matebeleland North which suffered losses of \$62 360 and \$9 600 respectively. The officers who committed fraud used fake receipt books and pocketed the money. The misappropriation of revenue was due to absence of written accounting policies, procedures for Billboards and failure to supervise work of subordinates.

Risk/Implication

Failure to implement effective controls and document policies and procedures may result in loss of public funds as staff can take advantage of the weaknesses.

Recommendation

Policies, procedures and controls should be put in place when new lines of business are introduced.

Management Response

The corrective action was taken to direct all billboard suppliers to make direct payments to provincial bank accounts using bank transfers or cash deposits. It was noted that all handling of cash should be done by accounting staff. All Provincial Offices are updating the billboard registers.

1.2 Travelling and Subsistence Allowances

Finding

In terms of Public Service Commission Circular No 1 of 2011 REF/C/209, paragraph 3 members who undertake trips from home station should produce proof of expenses incurred on return to the home station. However, travelling and subsistence advances amounting to \$299 694 were not acquitted by several officers. I therefore, could not confirm whether advances were used for the intended purpose.

Risk/Implication

Failure to acquit advances travelling and subsistence may result in unauthorised expenditure going through.

Recommendation

All advances travelling and subsistence should be acquitted on return to home station, failure of which deductions should be made from the pay sheet.

Management Response

In our view allowances paid to officials were not advances as they were paid based on attendance registers at the venue. However, if auditors still feel that acquittals are necessary in this case relevant officials will be asked to complete the forms.

Evaluation of Management Response

The allowances paid should have been acquitted by filling in travelling and subsistence claims.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Reconciliation of ZINARA Receipts

Disbursements received by the Fund from ZINARA were not reconciled, resulting in a variance of \$2 201 660. ZINARA confirmed disbursements of \$9 409 285, while the financial statements disclosed disbursements amounting to \$11 610 945. A balance of \$764 080 remained unreconciled.

2.2 Salaries and Wages

The salaries and wages amounting to \$620 623 which had been understated were subsequently posted to the ledger account.

2.3 Procurement

The Department of Roads Fund purchased an “eco-roads soil stabiliser,” at a cost of \$320 000 without floating a formal tender. The copy of the condonation letter was not availed.

NEW LIMPOPO BRIDGE FUND 2015

OBJECTIVE OF THE FUND

The Fund was established to finance the maintenance, rehabilitation of old and new Limpopo Bridges, and the roads linking to the Bridges on the Zimbabwean side.

I have audited the financial statements of the New Limpopo Bridge Fund for the year ended December 31, 2015.

Opinion

In my opinion, except for the 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 New Limpopo Bridge Fund for the year ended December 31, 2015 and its performance for the year then ended.

Basis for Qualified Opinion

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Revenue Collected by Zimbabwe National Road Administration (ZINARA)

Findings

ZINARA was authorised to levy and collect tolls fees on vehicles using Limpopo Bridge in terms of Statutory Instrument 100 of 2014, read in conjunction with Beitbridge (Tolling) Regulations, 2014. The Fund relied on the bank statements and deposit slips supplied by ZINARA to come up with the revenue figure reported in the financial statements. In my last report I mentioned that the receipts for revenue were banked in the ZINARA Beitbridge (BBG) bank account instead of the New Limpopo Bridge Fund bank account, this practice continued during the current period under review. There were no duplicate copies of receipts and monthly summary of revenue collected, which would have enabled the Fund to carry out independent reconciliations against the bank statements. Consequently, the revenue of \$13 850 422 could not be independently confirmed in the absence of receipts and monthly summary of revenue collected.

During the period of January to August 2015, ZINARA was deducting agency fees at source. The management of the Fund failed to avail documentary evidence to support the make-up of the agency fees of \$1 704 419 retained by ZINARA. I could not confirm whether the agency fees retained were accurate.

Risk/Implication

Revenue can be misstated and misappropriated if receipts and monthly returns from the collecting agents are not submitted for verification.

Recommendations

The management of the Fund should use source documents to prepare books of accounts rather than rely on bank statements and deposit slips which might not be complete and accurate.

The Accounting Officer should ensure that monthly reconciliations are carried out and that all revenue due is received and accounted for.

Management Response

The Department received deposit slips as source documents that introduced the funds into our bank statements. ZINARA submitted deposit slips and monthly revenue collection summary. ZINARA's accounting system does not produce more than one receipt which is given to the client. The Department of Roads is to furnish ZINARA with Master Receipt Books and sub-collectors schedule which will then be submitted on a weekly basis for reconciliation purposes.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Subcontracting Services

Finding

I noted that payment vouchers for security services amounting to \$52 624 were not supported by charge sheets for the services rendered in various provinces. I also could not establish if the Fund had offices in Matabeleland North province to warrant payment of \$33 000 and \$32 890 to Kelvin Processing Unit in Bulawayo for security services.

Risk/Implication

Payments could have been made for services not rendered.

Recommendations

Payments should only be made when there are adequate supporting documents to justify the expenditure.

The Accounting Officer should ensure that all expenditure incurred is within the mandate of the fund as specified in the constitution

Management Response

The Matabeleland North Provincial Offices are situated in Bulawayo city along Khami Road and this links Beitbridge-Bulawayo and Victoria Falls which is along the North South Corridor. Therefore, the expenditure incurred was

constitutional as the constitution provides that the fund shall be to finance the maintenance, rehabilitation of old and new Limpopo bridges and the roads linking to the bridges on the Zimbabwean side.

Evaluation of Management Response

Management did not comment on the reasons why charge sheets from security companies were not being attached to payment vouchers.

1.2 Maintenance of Accounting Records

Finding

Treasury Instruction 0422 requires that total receipts should be posted to the cash book daily or at such other intervals as the receiver of revenue or accounting officer may prescribe. Contrary to the above, entries from the bank statements were used to update the cashbook, hence compromising the reliability, integrity and accuracy of the financial statements. As a result, the management of the Fund failed to carry out monthly bank reconciliations. The same issue was raised in my previous report and no effort was made by the Fund's management to rectify the situation.

Risk/Implication

Failure to post receipts to the cash book may result in errors and omissions going undetected.

Recommendation

The management of the Fund should adhere to the requirements of Treasury Instruction 0422, by ensuring that all receipts are posted to the cashbook and bank reconciliations are performed monthly.

Management Response

The Department received Deposit slips as source documents that introduced the funds into our bank statements. We emphasise upon ZINARA to furnish the Department with copies of source documents that show the summary of daily, weekly and monthly revenue collected.

The Department of Roads is to furnish ZINARA (Beitbridge) with master receipt books and sub-collectors schedule which will then be submitted to the Department of Roads together with deposit slips on a weekly basis for reconciliations.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Unsupported Payments

The outstanding expenditure returns and pay sheets were submitted for audit examination.

2.2 Accumulated Fund

The source of the Accumulated Fund figure of \$722 562 reflected in the Income and Expenditure was not provided.

NEW VEHICLE SECURITY REGISTRATION NUMBER PLATE REVOLVING FUND 2015

OBJECTIVE OF THE FUND

The Fund was established to import blank registration plates of the specifications stipulated in the vehicle registration and licensing regulations and incidental materials, for the production of vehicle registration number plates, and to sell plates to vehicle owners.

I have audited the financial statements of the New Vehicle Security Registration Number Plate Revolving Fund for the year ended December 31, 2015.

Opinion

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of the New Vehicle Security Registration Number Plate Revolving Fund for the year ended December 31, 2015 and its financial performance for the year then ended.

Basis for Adverse Opinion

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Sales Reconciliations

Findings

The Sales Revenue figure of \$14 654 990 disclosed in the financial statements was not reliable as it was compiled from returns supplied by agents who did not provide source documents such as receipts.

Cumulative sales as at December 31, 2015 from six Zimbabwe Revenue Authority (ZIMRA) stations were \$6 211 624, whereas the Fund sales ledgers for the same stations had a total figure of \$5 730 160, resulting in a variance of \$481 464. There was no reconciliation carried out to establish the source of the variance.

Number plates are sold on a cash basis, however, the sales figure from twelve ZIMRA and Zimbabwe Posts (ZIMPOST) agents was \$802 031 higher than the cash remitted to the Fund. The financial statements did not reflect cash in transit of that magnitude.

Risk/Implication

The financial statements may be misstated due to errors and mispostings going through undetected, due to lack of monthly reconciliations.

Recommendations

The Fund should perform monthly sales reconciliations and agents should submit receipts together with sales returns.

The Fund should advise the agents who did not remit cash to do so.

Management Response

The observation has been noted. The sales reconciliation submitted for audit, erroneously under declared our sales by \$481 464, although the same amount was banked by ZIMRA.

Reconciliations were made of the amounts deposited against stock reconciliation certificates, and as such, recovery of the said money is in progress.

1.2 Sales Commission

Findings

Section 49 (1) (a) of the Public Finance Management Act [*Chapter 22:19*] states that an accounting authority for a public entity shall keep full records of the financial affairs of the public entity. The Fund did not maintain Sales Commission ledgers for agents, throughout the year under review. Therefore, the completeness and accuracy of the Sales Commission figure of \$582 779 disclosed could not be validated as commission rates for agents were not uniform.

Risk/Implication

If accounting records for Sales Commission are not maintained, fraud and errors may occur without detection and financial statements may be materially misstated.

Recommendation

Sales Commission records should be maintained to ensure accuracy, completeness and reliability of the balance disclosed in the financial statements.

Management Response

The sales figure was derived from number plate reconciliation certificates. We then resultantly used the same to calculate the sales commission figure since there is a co-relationship of the sales figure, commission figure and debtors figure. When we reconciled the actual deposits made against our sales reconciliation certificates, we then noted that other revenues were understated in the Stock Certificates, yet the deposits were made. To this end, the adjustments affected the sales figure, commission figure and the debtors figure.

1.3 Trade Receivables

Finding

There were no individual debtor records during the year under review, casting doubt on the reliability of debtors figure disclosed in the financial statements. The take on balance for trade receivable of \$883 558 as at January 01, 2015 was different from the closing balance of \$1 071 655 as at December 31, 2014. There were no records or documents availed to support the decrease of debtors by \$188 097. As a result, I could not ascertain the existence, accuracy and completeness of trade receivables amounting to \$1 238 089 disclosed in the financial statements.

Risks/Implications

The financial statements may be materially misstated if debtor's records are not maintained and reconciled.

Without accurate records, some debts may remain uncollected.

Recommendations

The Fund managers should maintain up to date debtors' records and carry out monthly reconciliations.

Management Response

Individual debtor records are now being maintained and can be furnished to the auditors. We noted that there was an oversight on take-on balances for trade receivables of \$883 558 as at January 01, 2015 which was different from the one in 2014 by \$188 097. Corrective measures will be effected thereof.

1.4 Cash at Bank

Finding

A complete set of financial statements should include a statement of cash-flow (among other statements) as per the Generally Accepted Accounting Practice. However, there was no Cash-Flow Statement submitted for my audit.

Consequently, the source of the increase of bank balance by \$903 338 from \$1 273 687 in 2014 to \$2 177 025 in 2015 could not be established, as Sales Revenue decreased by \$2 818 248 and trade receivables increased by \$223 330 as at December 31, 2015. Ordinarily the increase in cash at hand should have been influenced by more sales revenue and less trade receivables and inventories.

Risk/Implication

Failure to disclose cash movement for the year may compromise the integrity of the financial statements and it affects decision making.

Recommendation

The Fund should prepare a cash flow statement in order to fully disclose cash receipts and payments that occurred during the financial year.

Management Response

The sales reconciliation submitted to auditors, had erroneously under declared our sales as per our reconciliation by \$481 464 although the same amount was banked by ZIMRA. The net effect of the mistake gave rise to an increase of cash at bank and debtors figure.

1.5 Transfers to Treasury

Findings

Transfers to Treasury during 2014 amounted to \$1 300 000. From the evidence gathered, the amount was neither repaid nor written off but only the current transfer of \$200 000 was disclosed in the statement of financial position. This was caused by failure to apply the substance over form accounting concept in the recording of transfers to Treasury.

Risk/Implication

There is risk that the transfers to Treasury were wrongly classified resulting in misstatements of financial statements.

Recommendation

Transfers to Treasury should be classified appropriately in the financial statements.

Management Response

The observation has been noted. Proper treatment of transfers will be effected in our financial statements by restating the previously omitted transfer of \$1 300 000 from 2014 financial year which would give a cumulative amount of \$1 500 000 in 2015 up until we get guidance on how to treat such transfers.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Agency Contract with Zimbabwe Revenue Authority (ZIMRA)

Finding

Treasury Instruction 0102 states that the receivers of revenue may appoint collectors of revenue to assist them in carrying out their functions and such collectors shall comply with all lawful instructions and directions as may be issued. The Fund engaged ZIMRA to collect revenue on its behalf, however there was no contract or agreement, outlining the rights and obligations of both parties. ZIMRA was withholding 5% commission since the inception of the Fund in 2005. Absence of a contract made it difficult to verify whether the correct rate of commission applied by ZIMRA was legally binding.

Risk/Implication

If there is no written contract disputes and problems may arise between the agent and principal that may impact on the service delivery and financial obligations.

Recommendations

The Fund managers should enter into a written contract with ZIMRA so that terms and conditions of the parties are clearly stated.

Management Response

The observation is correct. To date we have not been able to finalise an agreement with ZIMRA, due to disagreements on some contentious clauses contained therein. We have been exchanging draft agreements with them on a number of times, the latest being on December 29, 2016.

1.2 Administration of the Fund

Finding

Section 3(a) of the New Number Plate Revolving Fund Constitution states that the Fund shall be administered by a Management Committee appointed by the Accounting Officer which shall be responsible for the day-to-day running of the Fund. The Fund has been operating without guidance from a Management Committee since its establishment in 2005.

Risk/Implication

Failure to put in place a Management Committee may result in poor performance due to lack of policy guidance and decisions taken by Fund managers may not be independent.

Recommendation

The Accounting Officer should put in place a Management Committee to promote efficiency and good corporate governance.

Management Response

The Chairman of the Management Committee has been pursuing his studies and the role was taken over by the Registrar, who would consult with respective Head Office Principal. The Management Committee is going to be reconstituted given the observation raised as alluded to Public Accounts Committee on February 13, 2017 by the Accounting Officer.

1.3 Suspense Account

Finding

The financial statements disclosed a suspense account balance of \$3 568 817 (2014: \$3 573 953) which was written off from the books of accounts of the Fund, and was subsequently re-instated in the financial statements. I was not provided with

evidence to support the write off neither was prior Treasury concurrence sought, in view of the magnitude of the suspense balance.

Risk/Implication

A suspense account may be an indication that the financial statements are misstated.

Recommendation

Management of the Fund should obtain Treasury concurrence prior to writing-off the suspense balance and all relevant documentation should be availed.

Management Response

The Fund is in the process of engaging the Accountant General with a view to write-off the suspense account.

1.4 Loans to Air Zimbabwe

Finding

The Fund advanced \$7 578 660 to Air Zimbabwe for its operational expenses, and total loans amounting to \$36 492 777 have been issued to date. The Constitution of the Fund has no provision for issuance of loans to related parties. Air Zimbabwe has over the years been unable to make any repayments towards the reduction of the debt.

Risk/Implication

The accumulation of the Air Zimbabwe debt poses a financial albatross to the Fund and may have a negative effect on its operations.

Recommendation

The Fund's management should avoid straying from its core business and the loans made to Air Zimbabwe should be recovered.

Management Response

Loans to Air Zimbabwe made during the year under review were done with the blessings of Ministry of Finance.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Maintenance of Accounting Records

The Fund had not migrated to Pastel despite having purchased the Software.

2.2 Payments on Behalf of the Parent Ministry

The Fund paid \$185 395 for travelling and subsistence on behalf of the parent Ministry during 2015. The practice has not been addressed.

TRAFFIC AND LEGISLATION FUND 2015

OBJECTIVE OF THE FUND

The Fund was established to provide additional resources for the registration, licensing, inspection and weighing of motor vehicles, survey of vessels, driver testing and certification, examination of vessel handling competency and certification, licensing of public service vehicles/vessels and processing and enforcement of transport legislation.

I have audited the financial statements of the Traffic and Legislation Fund for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements fairly present, in all material respects, the financial position of the Traffic and Legislation Fund for the year ended December 31, 2015 and its performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Non-disclosure of Accrued Liabilities

Finding

In terms of the accrual concept, accounting transactions and other events are recognised when they occur, therefore, transactions are recognised in the financial statements during the period to which they relate. However, expenditure amounting to \$210 275 incurred in 2014 was not accrued in the financial statements, although it was paid during 2015, resulting in an overstatement of expenditure by the same. This was due to failure to record transactions as they occurred and apply the accrual concept.

Risk/ Implication

Liabilities may be understated, compromising the reliability and integrity of financial information.

Recommendation

Accounting transactions should be recorded and recognised in the year in which they occur.

Management Response

The observation has been noted. From now on the accrual concept will be complied with.

1.2 Suspense Account

Finding

The financial statements had a Suspense Account balance of \$2 611 147 (2014:\$2 569 197). I was unable to verify the source of the suspense account as supporting ledger accounts were not being maintained going as back as 2009, when the initial suspense account balance of \$2 499 758 was introduced into the financial statements.

Risk/Implication

A suspense account may be an indication that the financial statements are not reliable.

Recommendation

Managers of the Fund should seek guidance from the Accountant General on how the suspense account should be cleared.

Management Response

The observation has been noted. The Fund is in the process of engaging the Accountant General with a view to write-off the suspense account.

Evaluation of Management Response

As long as the suspense account has not been cleared the financial statements cannot be considered to be true and fair.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Revenue Received

Findings

The cashbook was updated using revenue transactions reflected on the bank statements instead of using receipts and summaries from sub-collectors' schedule. The cashbook, the sub-collectors schedule and the general ledger had different revenue figures at year end. The cashbook reflected a figure of \$4 966 588, while the general ledger had an amount of \$5 478 514 and sub-collector's schedule had deposits amounting to \$4 036 957. These figures were not reconciled to establish the correct revenue received during the year.

Although the Fund had acquired a Pastel accounting system, revenue information was still being processed manually and on Excel spreadsheets.

Risks /Implications

Financial statements may be materially misstated due to the variances that were observed.

Fraud may be perpetrated if the cash book is updated using information from the bank statements instead of receipts.

Using a manual system for recording transactions running into millions may result in errors of commission and omission.

Recommendations

The cash book should be updated using primary records. Monthly reconciliations should be carried out between the cash book and bank statements.

The Ministry should make full use of the Pastel accounting system to process transactions.

Management Response

The observation has been noted.

HOWEVER, below are other material issues noted during the audit:

1 MANAGEMENT OF ASSETS

1.1 Construction Works

Findings

Treasury Instructions 1207 states that a final payment under a contract shall be supported by a certificate of a duly authorised officer to the effect that the terms of contract have in every respect been satisfactorily carried out. Certificates of Completion for projects that have been implemented by the Fund, have never been produced to validate the projects. The Statement of Financial Position reflected construction works with a value of \$ 1 832 157.

The Fund's financial statements did not disclose the method used to determine stage of completion for its construction projects as required by International Public Sector Accounting Standards No. 11. This standard prescribes the accounting treatment for Construction Contracts. It also provides guidance on the recognition of construction expenses and the disclosure thereof. The draft Accounting Officer's Instructions used by the accounting staff did not provide guidance on construction accounting nor outline disclosure requirements.

Risks/Implications

Without certificates of completion the Fund may make payments for work that has not been completed.

Failure to properly account for construction expenditure may result in misstatement of financial statements.

Recommendations

The Fund should adhere to the provisions of Treasury Instruction 1207 and comply with principles of construction accounting.

The Accounting Officer's Instructions should provide detailed guidance on construction project accounting to enhance accountability and transparency.

Management Response

The observation has been noted. In future management will liaise with the Department of Public Works for assistance on that issue.

1.2 Repairs and Maintenance

Findings

Treasury Instructions 2302 states that an Accounting Officer shall institute an inquiry into any deficiency, damage or destruction reported to him. On the contrary, I noted that no Boards of Inquiry were convened for 2 accident damaged vehicles whose total repair costs amounted to \$6 543.

Risks/Implications

Delays in convening Boards of Inquiry may result in failure to recoup damages due to lapse of time.

Recommendation

Boards of Inquiry should be conducted in line with Treasury Instructions.

Management Response

The member who was involved in an accident with vehicle VED 0043 was discharged before a Board of Inquiry was held. The member who was in custody of minutes for the Board of Inquiry in respect of vehicle TMTG 005 did not surrender the minutes when he was transferred to another Ministry.

1.3 Assets Bought on Behalf of the Ministry

Finding

During the year the Fund bought assets valued at \$133 578 on behalf of the parent Ministry. The assets were neither recorded in the Master Asset Register of the Fund nor in the Ministry's assets register.

Risks/ Implications

The assets may be stolen or they may go missing without trace.

The assets may be omitted from the financial statements.

Recommendation

Assets purchased should be recorded in the Fund's asset register.

Management Response

The observation has been noted. The assets were delivered directly to the respective stations hence they were not recorded in the Master Asset Register. However, these have since been recorded in the Fund's asset register.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Advances to Treasury

In 2009 the Fund advanced \$888 678 to Treasury for the purchase of vehicle spare parts. This amount has been appearing in the Fund's Statement of Financial Position since then and no measures had been taken to clear the outstanding advance.

2.2 Travelling and Subsistence

The Fund managed to clear the outstanding advances for Travelling and Subsistence.

2.3 Long Outstanding Staff Debtors

The Fund did not have an effective debt recovery system as a result staff debtors increased from \$76 450 in 2012 to \$181 357 in 2013. However, significant recoveries were made in 2015 resulting in a 42% decrease.

2.4 Procurement on Behalf of the Ministry

The payment vouchers for fuel amounting to \$227 840 were compiled in retrospect.

2.5 Maintenance of an Assets Register

The Fund did not maintain a separate assets register. However, a separate assets register is now in place.

2.6 Depreciation

There were no ledger accounts for depreciation. The depreciation rates applied were different from those provided in the Accounting Officer's manual. Correct rates of depreciation were applied in 2015.

VOTE 12.- FOREIGN AFFAIRS

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Foreign Affairs for the year ended December 31, 2016.

Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Appropriation Account present fairly, in all material respects the financial position and performance for the Ministry of Foreign Affairs as at December 31, 2016.

Basis for Qualified Opinion

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Use of Revenue Generated at the Diplomatic Missions

Findings

Statutory Instrument No. 76 (4) (1) and (2) of 2013 provides that the Ministry of Foreign Affairs after consultation with the Accountant General shall retain such revenue at the end of each calendar month, as agreed by both parties. The statutory instrument was put in place as a control measure to ensure that releases made by the Treasury and revenue retained at missions did not exceed the approved budget. Contrary to the above, several foreign missions retained and utilized \$1 734 631 of revenue collected on behalf of other Government Departments. There were mission to mission transfers of revenue that were processed without seeking prior Treasury approval.

The Statutory Instrument cited above, provides that the Ministry of Foreign Affairs' Head Office shall on a monthly basis reconcile all information and monies received on behalf of other Ministries or Government Departments and submit such reconciliations to the Accountant General. The Ministry of Foreign Affairs did not submit returns detailing the amounts received on behalf of other Ministries or Departments in the manner prescribed.

Risks/Implication

The budget of the Ministry may be increased unconstitutionally and there is high risk of material misstatement of financial information.

Good tenets of budgetary control may be compromised.

Recommendation

The Ministry should submit monthly returns on revenue collected and retained by missions to Ministry of Finance to get approval to utilize the revenue and have the mission's releases aligned to the approved budget.

Management Response

The Minister of Foreign Affairs requested the Ministry of Finance to condone use and transfer of revenue at missions in his letter of March 27, 2017. In response the Minister of Finance requested for specific figures of the revenues and a narration of the transfers that took place for him to relate the condonation to specific figures and events.

Following previous observations from audit, the Ministry resolved not to utilize revenue at missions but to use Treasury resources only. Funding continued to come very late to an extent that in some instances our missions were forced to utilize revenue collected at missions without getting prior Treasury authority to avert imminent evictions from rented accommodation.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Public Finance Management System

Findings

The expenditure for Diplomatic missions reflected in the Public Finance Management System (PFMS) was \$24 118 625, while the expenditure disclosed in the Appropriation Account submitted for audit was \$29 256 847 resulting in a variance of \$5 238 222. At the time of finalizing the audit the Ministry had not yet provided a breakdown of the variance.

The sub-head of goods and services and maintenance under the Diplomatic Missions sub-vote had excess expenditure amounting to \$4 957 235, that was not covered by virements, contrary to government accounting procedures.

Risks/Implications

The financial statements may be misstated if payments made outside the PFMS are not processed on time.

Incurring unauthorized excess expenditure may widen the budget deficit.

Recommendations

All payments processed outside the PFMS should be uploaded into the system before the authorised cut off period in order to avoid variances at the end of the year.

The Ministry should apply for virement authority or follow other processes required before incurring excess expenditure.

Management Response

The disclosed figure of US\$29 356 847 for Diplomatic Missions reflects the correct expenditure that was incurred by missions, while the PFMS figure of \$24 118 625 captures Mission expenditure that was processed at the closure of the 13th period. The difference of \$5 238 222 arises from the fact that Treasury provided 2016 budget liquidity late hence its consumption was done after closure of the 13th period. In future the variance between the PFMS and actual Diplomatic Missions expenditure will be disclosed in the Appropriation Account as recommended by Audit.

Virements to cover over expenditure for Diplomatic Missions of \$4 957 042 were compiled after the closure of the 13th period. As a result, virements could not be processed in time. The provision of section 78 of the Public Finance Management Act in respect of excess expenditure shall be strictly observed in future.

Evaluation of Management Response

The 13th period is for adjustments only. The Ministry should seek guidance from the Accountant General on how it should report on expenditure incurred after the cut off period.

1.2 Unsupported Payments

Finding

Treasury Instruction 1216 requires that a payment voucher should be supported by invoices, goods received notes or appropriate authority where necessary. Due to weak internal controls, direct payments that were made to Telone and Rainbow Towers by Treasury on behalf of the Ministry for \$199 850 and \$44 483 respectively, had neither payment vouchers nor invoices. The Ministry was supposed to get receipts from the service providers. In the absence of vouchers and invoices, I was unable to establish whether the expenditure amounting to \$244 333 was a proper charge to the Vote.

Risk/Implication

Unauthorized and/or fraudulent payments may be made if payments are not supported by vouchers and invoices.

Recommendation

All payments should be supported by vouchers and invoices.

Management Response

The supporting documents for direct payments made on behalf the Ministry to Telone of \$199 850 and Rainbow Towers totaling \$44 483 are still outstanding. As soon as Telone releases it to the Ministry, a copy will be forwarded to auditors.

2 GOVERNANCE ISSUES

2.1 Revenue Received

Finding

According to Treasury Instruction 0101 receivers of revenue shall supervise and enforce the punctual collection and disposal of revenue and other public moneys in accordance with the laws, regulations, instructions or agreements relating thereto. The Ministry of Foreign Affairs collected authentication fees amounting to \$59 140 that were not supported by a Statutory Instrument authorising the fees or tariffs to be levied.

Risk/Implication

Government or members of the public may be short-changed if ungazetted fees or tariffs are levied.

Recommendation

The Ministry should engage Treasury to gazette authentication fees.

Management Response

Audit recommendations on aligning the collection of authentication fees in accordance with the laws relating to collection of statutory fees will be implemented with guidance from Treasury.

2.2 Fuels, Oils and Lubricants.

Findings

Public Service Circular 1 of 2012 paragraph 3.2 provides that a member who has been issued with a personal vehicle shall not be entitled to a transport allowance. Contrary to the above, three officers who were issued with Government motor vehicles for both official and personal use were also in receipt of transport allowances that amounted to \$3 600 as well as to 3 360 litres of fuel resulting in double dipping.

Risk/Implication

Paying unauthorised extra benefits to staff may result in increased public expenditure and does not promote good financial discipline.

Recommendation

The Ministry should recover amounts paid irregularly to the officers in respect of transport allowances.

Management Response

The officers have access to the vehicles as and when the need arises, taking into account that the officers are required to work beyond normal working hours. Provisions of transport would ensure the safety of these Officers.

Evaluation of Management Response

The Ministry should avail log books which show the usage of vehicles.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Mission Expenditure

The issue of expenditure for Missions reflected in the Public Finance Management System (PFMS) amounting to \$37 930 638 which, did not tally with that reported in the Ministry's Appropriation account of \$36 673 473 remained unreconciled.

3.2 Usage of Revenue Generated at Missions

No corrective action was taken regarding Revenue amounting to \$2 199 657 that was utilised at missions without following proper procedures.

3.3 Johannesburg Consulate-Bank Reconciliation Statement

Since 2012 the Johannesburg Consulate bank reconciliations have reflected receipts not deposited and direct deposits not receipted amounting to R4 734 514 and R671 072 respectively. The issue has not yet been cleared.

FOREIGN MISSIONS 2016

During 2016 my Office audited twenty (20) foreign missions and consulates namely: Beijing, Hong Kong; Tehran, New Delhi, Paris, London, New York, Washington DC, Stockholm, Moscow, Cairo, Addis Ababa, Dakar, Algiers, Abuja, Accra, Lilongwe, Nairobi, Cape Town and Johannesburg. The audit findings and the responses received from the Accounting Officer are summarized below:

1 EXPENDITURE CONTROL.

1.1 Expenditure Vouching

Findings

Expenditure at Zim-Hong Kong Consulate had last been posted from files to schedules of expenditure in June 2015. This limited the scope of my audit as I was unable to establish whether all expenditure incurred during the period July 2015 to October 2016 had been properly classified and recorded in the accounting records.

Lack of funding resulted in officials at New Delhi mission using their personal funds to make payments on behalf of the mission. An amount of US\$4 407 (Rupee 285 748) was paid on behalf of the mission by a member of staff and the money was reimbursed later.

At Cape Town Consulate payments amounting to \$72 868 (R757 556) were made on behalf of the Ministry's head office between 2015 and September 2016. The payments were made without seeking Treasury authority.

The Zim-Paris mission did not maintain books of accounts such as cashbooks and ledgers. The expenditure balances disclosed in the monthly reports were extracted from receipt books and bank statements. This was in contravention of section 35 (6) (a) of the Public Finance Management Act [*Chapter 22:19*] which states that proper books of accounts should be maintained. In the absence of proper accounting records, I was unable to verify the accuracy of the expenditure figure provided at the time of audit.

At Zim-Paris monthly reconciliations for the period January 2015 to October 2016 were not performed contrary to Treasury Instruction 1301 which states that reconciliations should be prepared and submitted to Treasury on or before the seventh working day of each month.

The Zim-New York mission engaged a company to carry out interior painting of the Ambassador's official residence at a cost of \$54 000 without following proper procurement procedures. I was not able to confirm that the expenditure was a fair charge to the Consolidated Revenue Fund.

There was no segregation of duties at the Zim-Abuja mission where an accounting assistant was doing receipting, banking and procurement functions.

Risks/Implications

Some payments may not be accounted for if accounting records are not maintained in a systematic manner.

Use of personal funds to pay for official expenses may compromise internal controls and blur lines of responsibility.

Failure to comply with procurement procedures may result in loss of public funds and lead to inefficiencies.

Failure to segregate incompatible duties may result in concealment of fraud.

Recommendations

Accounting records at missions should be maintained according to the accounting procedures manual for the ministry.

Private money should not be used to pay for government expenditure.

Competitive quotations should be obtained to enhance transparency in the procurement process.

There should be segregation of duties to safeguard public resources.

Management Response

Zim-Hong Kong's new accountant is already implementing the recommendations by Audit on proper recording of accounting transactions.

Zim-New Delhi officers, just like the situation at the other missions are forced by circumstances to use personal money to pay for expenditures that are supposed to borne by Government failure of which, certain services e.g. electricity and water may be disconnected.

Zim-Cape Town used revenue as observed by audit to pay for urgent legal fees in order to avoid sale of one of the Embassy's buildings.

The accountant at Zim-Paris will be instructed to maintain the books of accounts in an acceptable manner.

Zim-New York has been instructed to strictly follow tender procedures in future.

The recommendation by audit to ensure segregation of financial duties will be done at Zim-Abuja. Overall, due to Ministry's staff rationalisation abroad, missions are operating with bare and minimum levels. At times the desired segregation of duties may not be achieved.

1.2 Fuel Records

Findings

Section 44 (1) (a) of the Public Finance Management Act [*Chapter 22:19*] states that an accounting authority for a public entity shall ensure that the public entity establishes and maintains effective, efficient and transparent systems of financial risk management and internal controls. There was no evidence that the fuel register at Zim-New Delhi mission was checked by a senior official. There were no running balances, names of personnel issued with fuel and the purpose of journeys undertaken.

The fuel register at Zim-Tehran mission was being maintained on a computer. There was no indication that the register was regularly checked by a senior officer.

At Zim-London the purchase of fuel was done through use of fuel cards. At the end of the month the mission's bank account was debited with the value of fuel drawn for mission vehicles. I was not provided with records of fuel drawn and authorised limits for vehicles approved to draw fuel under the card facility. There was no documented fuel policy to curb abuse.

Risks/Implications

Failure to maintain records may result in abuse of fuel.

If fuel is not controlled and there is no documented system in place the fuel facility may be abused.

Recommendations

New Delhi mission should maintain fuel records to enhance accountability.

Missions should support payment vouchers with invoices or bills of the amounts being settled.

The Ministry should come up with guidelines on the recording of fuel purchased through electronic fuel cards.

Management Response

Proper systems of accounting for fuel at all our missions shall be put in place in 2017.

1.3 Travelling and Subsistence Acquittals

Findings

Expenditure vouchers at Zim-Algiers and New Delhi missions had no supporting documents contrary to Treasury Instructions 1216. The travelling and subsistence claim forms did not reflect breakdown of travel expenses. I could not therefore, establish whether these payments and claims for travelling and subsistence were a proper charge to public funds.

At Zim-Paris travelling and subsistence records reflected outstanding advance amounting to \$1 551, that had remained uncleared for more than five months.

At Zim-New York mission an overpayment of \$1 140 that was made in 2014 to the senior officer had not yet been recovered.

Risks/Implications

Irregular payments may be processed if payment vouchers and /or claims are not supported.

Long outstanding advances may become irrecoverable due to lapse of time.

Recommendations

Payment vouchers should be supported with adequate documentation.

Outstanding advances should be settled as soon as officers return from official trips.

Management Response

Zim-Paris has reported that the outstanding Travelling and Subsistence advance of US\$1 551 was for two (2) officers. The advance has now been partially cleared.

At Zim-New York, the Ambassador's Travelling and Subsistence advance of US\$1 140 was still outstanding.

1.4 Supporting Documents

Findings

Contrary to section 15.3.1 of the foreign mission's departmental accounting instructions manual and Treasury Instructions 1215 and 1216, payment vouchers at five missions, namely London, Abuja, Stockholm and New Delhi were not fully supported by invoices and receipts. At Zim-New Delhi a refund for school fees of US\$17 840 was made without attaching an invoice or receipt from the school. At Zim-London payments amounting to £11 832 were made without adequate supporting vouchers or bills. The payment was based on monthly statements.

At Zim-Abuja refunded claims were made for groceries and medication bought over the counter in pharmacies. Refunds for medical expenses were not supported by medical practitioners' prescriptions but were based on cash sale receipts that did not bear the name of the service providers making it difficult to authenticate their validity.

Risks/Implications

Reimbursements of unsupported claims may result in fraud.

Ineligible medical claims may be reimbursed resulting in loss of public funds.

Recommendation

Controls should be put in place to prevent reimbursing unsupported and ineligible claims.

Management Response

A circular that was sent out to all missions clearly indicates what has to be attached to payment vouchers in addition to Head Office authorities on refund of school fees paid by officers for their children.

Invoices or cash sale receipts that are not legible will not be refunded at Zim-Abuja. The mission has accepted the recommendations and will endeavour to improve systems.

2 MANAGEMENT OF ASSETS

2.1 Boarded Assets

Findings

Boards of survey are convened to consider and make recommendations on the disposal of redundant, unserviceable assets in line with the provisions of Treasury Instructions 2006. Most missions visited, had condemned assets which should have been boarded long ago. However, condemned assets were still being kept at missions. Ministry's Head Office was not responding timeously to requests to board the condemned assets.

At Zim-Abuja a board of survey convened on August 20, 2011 recommended that an old mission vehicle be sold through auction as it was no longer serviceable. At the time of audit in 2016 head office had not granted the mission permission to board the condemned assets. At Zim-Accra mission a board of survey report was sent to the Ministry's Head Office on September 09, 2014 and the mission had not received any instructions from Head Office.

A lot of assets at Zim-Stockholm and Zim-Tehran were recommended for write off after boards of survey had been conducted in 2002, but no further action had been taken to dispose of the condemned assets.

Most of the assets at all missions were no longer usable and may no longer have any salvage value.

Risks/Implications

Keeping and maintaining redundant and unserviceable assets may reduce usable space and project a negative image of the mission properties.

Delays by Head Office in responding to mission requests compromises proper management of assets.

Recommendation

Head Office should give timeous responses regarding disposal of redundant and obsolete assets at missions.

Management Response

Zim-Abuja and Zim-Accra boards of survey will be processed. The two missions may have to hold onto the boarded assets pending availability of funds to replace the assets.

Zim-Stockholm and Tehran were given authorities to dispose of redundant and unserviceable boarded assets. However, the missions continue to use the assets because Head Office has not been able to secure funds from Treasury to replace the disposed assets.

2.2 Asset Registers

Findings

The Master Asset Registers at missions were not being updated and could not be used to conduct physical asset checks. In some offices inventory lists were either missing or did not have a full list of assets. Missions visited did not adhere to the provisions of Treasury Instruction 2004 which states that assets should be physically compared against records at least once a year. As a result, there were no assessment reports on the adequacy and suitability of assets in respect of their quantity and quality.

At Zim-Moscow mission assets were last physically compared with records in 2014. At Zim-Addis Ababa mission the assets register did not indicate the condition of assets which were obsolete or redundant. At Zim-London, I observed that assets at the residences were last compared with the records in 2010.

Zim-Algiers mission did not maintain an asset register. Inventory lists posted on office doors did not reflect all the assets. Office furniture was not coded making it difficult to identify. The Assets register at Zim-Cairo mission was maintained on excel spreadsheet, which rendered it unreliable as it could be amended without audit trail.

Zim-New York and Washington DC missions received an assortment of second hand office equipment made up of desktops, monitors, computer keyboards from the United Nations, and two printers were received from a private individual. The donated assets were not recorded in the assets register, contrary to Treasury Instruction 2012 which requires that all gifts to Government be entered into the assets register immediately upon acceptance.

At the Zimbabwe Chancery in London, a refrigerator and two (2) microwaves that were not recorded in the assets register were said to be personal assets although there was no documentary evidence to prove that.

Risks/Implications

There is high risk of loss of assets at missions if their physical existence is not confirmed regularly.

Failure to conduct annual asset assessments may result in keeping redundant and unserviceable assets at excessive storage costs.

It may be difficult to differentiate mission assets from private owned assets and newer mission assets may be exchanged for old assets.

Recommendations

Annual asset checks should be conducted to safeguard and account for assets.

Inventory lists should be updated whenever there is acquisition or disposal/write off of assets.

The mission should avoid keeping personal assets together with mission assets.

Management Response

It is the responsibility of missions to keep an updated asset register for accountability of government assets. The Ministry takes note of the discrepancies observed by auditors on assets, inventories and asset registers. Head Office has been unable to have supervisory visits to missions to ensure that these discrepancies are corrected.

In 2013, Head Office requested all Missions to upload all assets on excel spreadsheets following a Treasury request for purposes of uploading these assets on PFMS. It was at that point that some Missions maintained excel spreadsheets. Missions will be reminded on the need to have manual asset registers. Officers at our Embassies will be reminded to declare personal assets and get written acknowledgement from the mission accountants.

Zim-New York will be engaged with a view to ensure that the proper procedure on handling donations and personal items is followed. All Missions will be reminded on the proper procedure of accepting and recording donations and personal items.

2.3 Maintenance of Properties and Rentals

Findings

The Johannesburg Consulate was not maintaining its properties in a habitable state resulting in one of the houses being declared unsuitable for human habitation. The officer who was occupying the condemned house had to move into a rented house.

Four (4) government houses including the Ambassador's residence in Washington DC were not recorded in the properties register. The title deeds to those properties were not available for my audit inspection. In Zim-Lilongwe title deeds for Chancery on Plot No.13/22 were not available for audit examination. I was therefore unable to verify whether the properties belonged to the Government of Zimbabwe.

At Zim-Washington DC \$25 000 was paid to a consulting firm without following proper procurement procedures and regulations. The consultants were paid for inspecting and producing quotations for the Ambassador's house and the Chancery.

The Zim-Stockholm mission last paid rentals for the official residence and other officers' houses in August 2016. This was despite clauses in the lease agreements that required rentals to be paid in advance. At the time of audit in November 2016, the rental arrears had accrued to \$123 666.

The Dakar mission rented both residential properties and the Chancery. At the time of audit on November 09, 2016 all of the property rentals were in arrears to the tune of \$66 467 and a notice of termination of contract for the Ambassador's official residence had been issued by the landlord.

Risks/Implications

Failure to maintain and keep mission properties in a habitable condition may be costly and hazardous to the health of occupants.

Non-compliance with procurement regulations may result in government being prejudiced.

Government may lose ownership of its properties if it has no registered title deeds.

Delays in paying rentals could result in landlords setting high rentals to cover against the risks of non-payment.

Recommendations

The missions should maintain their properties in habitable condition to safeguard the welfare of occupants and to enhance the image of the country.

State procurement procedures should be followed when transacting to realise value for money.

Copies of title deeds for all properties owned by the missions should be obtained and be recorded in the properties register.

The Ministry should prioritize payment of rental for missions' properties to avoid eviction of staff from their residences.

Management Response

The state of properties at our missions in particular at Zim-Johannesburg is of great concern. The properties continue to deteriorate due to lack of funding for minor repairs.

The Ministry has taken note of non-recording of government properties in the Zim-Washington DC and Zim-Lilongwe missions' property registers. However, the Ministry maintains a separate register for all government owned properties abroad. Title deeds to all these immovable government assets are under the custody of the Ministry of Local Government, Public Works and National Housing. The Ministry will instruct missions to maintain a register of government owned buildings.

Zim-Washington DC got authority to engage a consulting engineer after extensive consultations between the Ministry and the Ministry of Local Government, Public Works and National Housing. The part fees paid of US\$25 000 to the engineer was after guidance from the Ministry of Local Government, Public Works and National Housing.

3 REVENUE COLLECTION AND DEBT MANAGEMENT

3.1 Revenue /Income Received: Value Added Tax (VAT) Reimbursement

Finding

Treasury Instruction 0460 states that, no officer shall include any private moneys in an official bank account nor any public moneys in a private account and no officer shall permit any moneys other than public moneys to be kept in a Government cash-box, safe or strong room. However, the Beijing mission deposited VAT refunds for mission staff into the official bank account.

Risk/Implication

Public funds may be abused on the guise of reimbursing staff moneys deposited into an official bank account.

Recommendation

Private moneys should not be banked into an official bank account in order to promote accountability and transparency.

Management Response

In terms of the relevant instructions, it is true that public funds should not be mixed with personal funds, but in this instance, our Embassy in Beijing had to abide by the host Government's laws which only makes refunds to officers through the mission bank account.

3.2 Maintenance of Petty Cashbook

Finding

Zim-Abuja mission did not have a petty cash float register to record cash transactions. Since September 2015 the mission prepared monthly working papers to record petty cash expenditure. This could have been caused by lack of documented procedures.

Risk/Implication

There is a high risk of loss of audit trail which may result in misappropriation of funds going on undetected.

Recommendation

The mission should maintain a petty cashbook in order to track petty cash movement.

Management Response

Head Office will impress on the Zim-Abuja to maintain a petty cash float register

3.3 Revenue Receipting

Findings

Treasury Instructions 0421 and 0422 provide guidance on how receipts should be recorded in the cashbooks. The income schedule for Hong Kong Consulate was not maintained correctly as designated columns for visa and passport fees did not have entries, although the Consulate was collecting fees. Details of deposits were not entered in the schedule of income.

At Zim- New Delhi the mission did not apply approved fees for issuing emergency travel documents and passport forms, while at Zim-Tehran mission all the receipts were written in figures only and the mission used the same receipt book for revenue received in the local currency, Iranian Rials and the United States Dollar thereby complicating the recording of revenue received.

Risks/Implications

In the absence of accurate revenue records, I was unable to establish whether all income was accounted for and banked.

If receipts are not classified according to their nature and purpose, decision making and planning may be based on inaccurate information.

Charging ungazetted fees may result in fraud or corruption as it is subject to manipulation.

Recommendations

Books of accounts should be maintained as provided in the Treasury Instructions and Accounting policies and procedures manual.

Zim-New Delhi mission should charge gazetted consular fees.

The Zim-Tehran mission should use separate receipt books for different currencies to promote transparency.

Management Response

Head Office will instruct the Zim-Hong Kong mission to maintain proper and complete accounting records at all times.

Zim-New Delhi will be requested to charge approved consular fees.

Zim-Tehran has already advised that they will abide by the recommendations of the auditors as well as record different currencies in separate receipt books.

3.4 Utilisation of Revenue Collected

Findings

Statutory Instrument 76 (4) (1) and (2) of 2013 states that diplomatic missions may be subject to exchange controls of the host country and that the Ministry's Head Office in consultation with the Accountant-General may grant authority to missions to use the money at source. On the contrary, in 2015 up to September 2016, the Cape Town Consulate spent revenue it collected towards payment of rentals and other expenses without obtaining prior Treasury approval.

At the Hong Kong Consulate and Paris mission revenue amounting to US\$13 688 (HKD 106 236) and €25 707 respectively, collected on behalf of other departments was used by the missions to meet their expenses without Treasury approval.

Washington DC mission collected and retained revenue amounting to \$67 945 without the Accountant-General's approval.

Risk/Implication

Unauthorised use of revenue may result in abuse of public funds and it does not promote transparency and accountability.

Recommendation

Missions should only spend revenue after they have obtained authority from the Accountant General.

Management Response

The provisions of Statutory Instrument (S.I) 76 of 2013 shall be strictly adhered to on usage of revenue by Hong Kong, Paris, Washington and Cape Town. During the period under review, the Ministry had expected to receive normal monthly budget support from Treasury. However, due to delays in transmission of funds and threats from missions' creditors, our Ambassadors found themselves in an untenable financial situation and were forced, by circumstances beyond their control to utilise financial resources at hand.

4 EMPLOYMENT COSTS

4.1 Performance Appraisals

Findings

Performance appraisals are used to evaluate performance of staff against agreed work plans so that any deviations identified may be addressed by providing mitigatory measures or on the job training. There was no evidence to support that individual performance appraisals were conducted at seven missions for years 2015 and 2016. This was contrary to Public Service circulars on performance appraisals.

At Stockholm mission 3 members of staff were last appraised in 2013, while at Zim-Algiers there was no evidence that appraisals had ever been carried out. In Moscow only two staff members' performance appraisal forms were available for the year 2014 whereas other members of staff had no appraisal forms. At Johannesburg Consulate there was no evidence that individual performance appraisals were carried out for staff in 2015. The same situation prevailed at Addis Ababa and Cairo missions.

Risk/Implication

If performance appraisals are not carried out it may be difficult to assess whether the mission's goals and objectives are achieved.

Recommendations

Heads of missions should carry out performance appraisals on an annual basis to assess achievement of mission goals, objectives and performance of their staff. Quarterly reviews should also be done to help identify areas of improvement.

Management Response

The Ministry started rolling out Results Based Management (RBM) training programme in 2016 to capacitate staff at missions to undertake performance appraisals for employees. Due to financial constraints only Ambassadors have been trained and are expected to train the rest staff during 2017 to 2018.

4.2 Locally Recruited Staff

Findings

Locally recruited staff are persons employed by the missions to carry out duties like cleaning, gardening, housework, driving and clerical work. Employees are supposed to be citizens of the host country or legal immigrants who have valid work permits. Conditions of service and other benefits of local staff are regulated by the Public Service Commission and host country labour laws. In twelve missions namely, Stockholm, Paris, Beijing, Nairobi, New Delhi, Lilongwe, New York, Abuja, London, Algiers, Washington DC, Moscow and Accra there were breaches of labour laws of host countries.

At Zim-Stockholm there was no copy of authority to employ a relief driver during the period January 27 to February 25, 2016, and there were no attendance registers with information confirming the hours that the driver had worked and was paid for.

At Zim-Beijing mission the salary scale and allowances for the driver of the Defence attaché were not availed for audit inspection. An examination of personal files for six (6) locally recruited staff on the establishment revealed that five (5) of them did not have signed contracts of employment. At Zim-New Delhi a gardener did not have a signed contract as required by the Public Service Commission regulations.

Nairobi mission failed to remit pension contributions to a pension scheme as provided for in section 19 of the Kenyan National Social Security Fund Act No. 45 of 2013. The Mission was in pension arrears of 19 months which translated to US\$2 872.80 (KES 287 280).

The Zim-Paris mission was sued for unfair labour practices and was expected to pay damages estimated at €20 000 and wages for 10 months. At Zim-Lilongwe, local staff reported the mission to the Office of the President and Cabinet and Ministry of Foreign Affairs of host country for failing to pay arrear salaries and outstanding bonuses for 2015.

The Zim-New York mission terminated employment contracts of a maid and a cook in May 2016. Accounting records indicated that the maid and cook were paid up to June 2016. Their wages were collected by a senior officer who signed on behalf of the staff on an improvised pay sheet. No explanation was provided why the former workers did not sign for their wages. At Zim-Abuja mission a locally recruited driver resigned from his post on June 30, 2016, but that information reached the Ministry's Head Office on November 06, 2016. Consequently, the former employee remained on the payroll up to the time of audit in October 2016.

I observed that most of locally recruited staff at missions had not signed secrecy certificates when they were engaged. This was despite the fact that most of the local staff had been engaged for more than 10 years. This may have resulted from failure to comply with human resources policies issued by the Public Service Commission.

Four missions namely, Zim-London, Abuja, Algiers and Paris had no job descriptions for locally recruited staff as required by the Public Service regulations. Job descriptions communicate employer's expectations to staff and provide a clear understanding on responsibilities and roles. At Zim-Abuja all personal files for locally recruited staff had no copies of their national identity cards.

The general maintenance of personnel records at most missions was not complete and sufficient to assess the suitability of the staff.

Risks/Implications

Unresolved labour disputes may result in law suits and payment of damages to staff.

Failure to comply with local labour laws may tarnish the image of Zimbabwe Missions.

State confidential and sensitive information may be divulged to unauthorised third parties.

Job descriptions reduce the risk of staff carrying out duties and assignments that they are not authorised to perform.

Lack of documented job descriptions might result in inefficiencies and bad practices.

Recommendations

The Ministry should seek authority from the Public Service Commission before engaging relief staff at missions.

An overtime register should be maintained for casual workers who are paid hourly rates.

The senior officer should provide evidence that employees whose contracts were terminated subsequently received and signed for their wages.

Locally recruited staff should sign the declaration of secrecy forms as required by the Public Service regulations.

Job descriptions for locally recruited staff should be drafted to ensure that they are aware of their duties and responsibilities.

Management Response

The Ministry is in the process of preparing guidelines to facilitate operations at all missions including; procedures and recruitment of locally recruited staff; job descriptions; termination of contracts; adherence to host government labour laws and regulations and operational manuals.

Missions have been requested to complete and submit employee personal details forms to Head Office.

The Ministry is working at improving the contracts of locally recruited staff. Missions are not allowed to recruit until the contracts have been approved by Head Office.

The observation on job descriptions for locally recruited staff at London, Abuja, Algiers and Paris was noted and addressed.

Due to financial challenges the Ministry is not able to provide relief staff.

The Ministry noted the observation and instructed all missions to maintain overtime registers/ledgers for all affected employees.

Due to the prevailing financial challenges, the Ministry failed to provide funds for the pension and medical contributions as required by host countries' regulations including Kenya.

The Ministry took note of the anomaly and requested the Zim-New York mission to clarify the issues and provide proof that the locally recruited staff received their respective salaries.

The contracts signed by the employees include a clause of confidentiality of information. However, there is need to translate the PSC Official Secrecy Oath into various languages so that locally recruited staff fully understand its import.

4.3 Staff Establishment

Findings

Detailed staff establishment tables for missions are approved and issued by the Public Service Commission. The Ministry's detailed establishment table had approved posts which had to be filled at various missions including posts for locally recruited staff and home based staff. However, I found out that staff posts at most missions were at variance with approved structures.

Staff establishment for Zim-Stockholm mission did not have a post for a receptionist, to facilitate the smooth operations of the mission. There were six other missions which did not have the typist/receptionist post.

At the Zim-Dakar mission the new detailed establishment provided for eight locally recruited staff. However, the old structure had 13 staff members which meant that local staff were already above the new approved establishment by 5 members. The Commission did not state how the excess staff would be reduced. A similar situation prevailed at Zim- Johannesburg consulate where the new establishment provided for 9 employees while there were 11 staff in post. There was no evidence that the Ministry or the Public Service Commission provided guidance on how missions were to move forward regarding the excess staff vis-a-vis the new establishment numbers.

Risk/Implication

Employment costs at missions may remain high if rationalisation of excess staff is not implemented as envisaged by the Public Service Commission.

Recommendation

The Ministry should seek guidance from the Public Service Commission on how rationalization should be implemented at missions.

Management Response

The Ministry submitted to the Public Service Commission (PSC) a proposal on the rationalization of excess locally recruited staff. The Ministry identified missions with excess staff and those that are short staffed and made recommendations to PSC. The matter is being given due consideration.

5 MANAGEMENT AND IMPLEMENTATION OF GOVERNMENT PROGRAMMES

5.1 Public Sector Investment Programme (PSIP)

Findings

The Ministry of Foreign Affairs contravened the provisions of section 6 (1) (b) of the Public Finance Management Act [*Chapter 22:19*] which provides that Treasury should determine the manner in which public resources may be accounted for. The Zim-Addis Ababa mission utilized the Public Sector Investment Programme (PSIP) funds without prior Treasury approval. In 2012, the mission received funds amounting to \$200 000 under the PSIP to pay for land that had been acquired. However, at the time of audit \$182 407 had been applied towards other unrelated expenses leaving a balance of \$17 593. Additionally, files for the PSIP project were not maintained contrary to good project management practice.

The Zim-Paris mission received \$55 000 in December 2011, for a construction project. The funds were provided with specific instructions that they were for renovations of the Ambassador's official residence. An expenditure return on the project revealed that a total amount of \$29 688 (€19 632) was used for the replacement of the heating system and preparation of technical reports. The remaining balance of \$25 311 was used to meet recurrent expenditure for the mission. I was not provided with a minute for the mission to use PSIP funds to meet other expenditures.

At Zim-Accra four air conditioners and their respective installation kits that were acquired in 2008 had not been installed and were still lying idle.

Risks/Implications

Using funds to meet unauthorized expenditure may result in abuse of public resources.

Delays in implementing PSIP projects may result in cost overruns.

Failure to dispose of air conditioners that were purchased 8 years ago may result in their deterioration due to vagaries of weather and obsolescence.

Recommendations

Funds meant for PSIP projects should only be applied for the intended purposes.

Express authority should be obtained from Treasury to divert resources in cases of emergencies.

The Ministry of Foreign Affairs should dispose of the air conditioners before they deteriorate further.

Management Response

Zim-Addis Ababa always sought Head Office authority before utilising the PSIP funds. Head Office approved that some of the PSIP funds (US\$200 000) allocated to Zim Addis Ababa be diverted for use at the Embassy after requisite budget support was not availed by Treasury.

The observation at Zim-Paris has been noted. The PSIP funds were diverted to undertake urgent repairs of the heating system, payment for preparation of technical reports and installation of new sewer pipes at the official residence.

The air conditioners at Zim-Accra were purchased by the President's Department for a house that had been initially identified for their officer posted to that mission. Soon after purchasing the air conditioners, he signed a lease agreement for another house which had fitted air conditioners. Meanwhile efforts will be made to dispose of the air conditioners.

Evaluation of Management Response

The authority for Zim-Addis Ababa to use PSIP funds for other purposes was not availed for audit.

6 INADEQUATE SECURITY

6.1 Inadequate security at the Mission

Findings

There was inadequate security at Zim missions at Cape Town, Abuja, and Accra. This posed a great risk to mission staff and officials. The Zim-Cape Town Consulate had no perimeter wall around it. It had iron bars right round that did not provide an enclosure for staff. The scanner installed at the hall entrance was not functional, posing a security threat to staff.

Physical security at the Zim-Accra Chancery and at the Ambassador's residence was compromised, as the Chancery had inadequate numbers of security personnel. The security detail stationed at the gate of the Chancery during the day, did not conduct physical body searches to visitors. On the other hand, the Ambassador's residence had security lapses. As a result of inadequate security systems at the mission, computer consumables worth US\$503 were stolen on January 26, 2015.

At Zim-Abuja mission the security guard register was not being checked and signed by a designated official from the Chancery as confirmation that the federal police had reported for duty as required. The register was used as an attendance register as well as a record for transport claim allowances by Federal Police of Nigeria.

The Zim-Abuja mission purchased a real time electronic metal detector for N915 000 (approximately US\$3 611.88) on July 09, 2015. There was no evidence that the supplier of the security equipment had provided a warranty or an after sales support.

Risk/Implication

Inadequate security poses a risk to staff and property at missions.

Recommendations

There is need to improve security at the Chancery and Ambassador's residence. The host nation should be requested to provide the required security personnel.

Equipment acquired should be fully utilised to enhance security of the Chancery and the service provider should carry out repairs of equipment.

Management Response

Inadequate security at missions is largely due to lack of funds to put up appropriate perimeter walls.

At Zim-Abuja security breaches are partly due to lack of supervision of security personnel.

VOTE 13.- LOCAL GOVERNMENT, PUBLIC WORKS AND NATIONAL HOUSING

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Local Government, Public Works and National Housing for the year ended December 31, 2016.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Local Government, Public Works and National Housing as at December 31, 2016.

Basis for Qualified Opinion

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Outstanding Revenue Records

Finding

For the second year running, I observed that the Public Finance Management System (PFMS) reflected an outstanding revenue balance of \$5 253 239 whilst the return submitted for audit showed a balance of \$10 686 188, resulting in a variance of \$5 432 949. This was caused by lack of regular updating of the PFMS with the outstanding revenue and the inadequate configuration of the PFMS to the needs of the Ministry.

This was contrary to Treasury Instruction 0103 which states that receivers of revenue shall ensure that full and proper accounts are kept of the transactions for which they are responsible.

Risks/ Implications

The outstanding revenue may be materially misstated leading to wrong decision making by policy makers.

Following up on the debtors may be difficult.

Recommendation

The Ministry should regularly reconcile the Public Finance Management System (PFMS) outstanding revenue records in accordance with the requirements of Treasury Instruction 0103 to ensure that the returns submitted for audit are correct.

Management Response

The imbalance on the outstanding revenue return with the PFMS report was as a result of the following:

In 2016 the Projects Office suspended the creation of debtors in the PFMS to facilitate the creation of the new platform called Customer Relationship Management module (CRM) which became operational in January 2017.

Provincial Offices were not invoicing in the system because they were yet to be trained. The delay in training was caused by lack of financial resources to support both Projects Office officials and the Ministry Officials. Therefore, the figures could not agree because of the above.

The imbalance of \$5 432 933 was made up of \$3 662 151 and \$1 770 782 respectively for debtors and uninvoiced rentals due which were not created in the PFMS system.

Evaluation of Management Response

At the time of concluding the audit no reconciliations had been done.

1.2 Revenue Received

Finding

The Ministry did not reconcile the PFMS revenue received report which showed an amount of \$11 029 845 with the revenue received return submitted for audit which had a balance of \$10 991 679 resulting in a variance of \$38 166. This was caused by improper PFMS reconciliation processes by Ministry officials.

Risk/ Implication

The Revenue Received may be materially misstated leading to wrong decision making by policy makers.

Recommendation

The Ministry should regularly reconcile the PFMS reports with bank statements and hard copy returns submitted for audit in accordance with the requirements of Treasury Instruction 0103.

Management Response

The Ministry has managed to come up with the breakdown for the imbalance of \$38 166 and we are to seek guidance from PFMS Project Office on how to rectify the anomaly.

2 EMPLOYMENT COSTS

2.1 Unreconciled Salaries, Wages and Allowances

Finding

The Employment Costs for the Administration and General Sub-vote showed an amount of \$2 560 853 while the Salary Service Bureau payments for the same sub-vote amounted to \$2 985 418. I was not provided with the breakdown to show who was paid the difference of \$424 565 and where the money was paid from.

Risks/Implications

The Employment Costs disclosed could have been misstated.

The amount may have been paid to non bona fide employees.

Recommendation

There is need to reconcile the two figures and establish how the \$424 565 was financed.

Management Response

The background to the varying employment costs figures according to the Ministry of Finance is as a result of the ongoing rationalization exercise which is being carried out by the Public Service Commission.

On financing of the amount of \$424 565 which is in respect of employment costs outside PFMS, this was centrally done by the Ministry of Finance on behalf of all line Ministries. The Ministry's role was to regularize by uploading the expenditure into the PFMS.

Evaluation of Management Response

At the time of concluding the audit, the Ministry had not established how employment costs incurred outside the PFMS were financed.

3 MANAGEMENT OF ASSETS

3.1 Servicing of Loans

Finding

I observed with concern that out of the twenty (20) Urban Local Authorities that were advanced loans from the year 2011 to date, none had made an effort to fulfill their repayment obligations. Despite this, the Ministry went on to grant new loans amounting to \$1 025 000 to the already defaulting Local Authorities. This was

contrary to the requirements of Section 11 (1) (e) and (3) of the Public Finance Management Act [*Chapter 22:19*] read together with section 7.1 of the Loan and Performance Agreement.

The above was also in violation of Treasury Instruction 0501. The table below refers:

Local Authority	Total Cumulative Loan Amounts Owing as at January 1, 2016 \$	Loan Amount Issued in 2016 as shown in the PFMS \$
Chipinge Town Council	452 578	200 000
Chinhoyi Municipality	1 646 814	180 000
Gwanda Municipality	1 942 065	300 000
Hwange Local Board	938 553	345 000
Total	\$4 980 010	\$1 025 000

Risk/Implication

Outstanding loans may become irrecoverable due to failure by Local Authorities to maintain sinking funds.

Recommendations

The Ministry should desist from granting additional loans to Local Authorities before full settlement of the initial debt obligations in compliance with Section 3.5 and 7.1 of the Loan and Performance Agreement.

There is also need to adhere to the requirements of Treasury Instruction 0501 by recovering all moneys due to the State.

Management Response

Additional funds were disbursed to Local Authorities to finance work in progress. Repayments for the loans is thus made difficult if the projects are incomplete as they play a role in revenue generation for loan repayments.

The Ministry however, over the past years has invoiced the Local Authorities for the outstanding balances. The invoices are available for reference.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

4.1 Direct Payments

The outstanding amount of \$2 304 541 was reduced to \$252 801. However, the Ministry did not manage to obtain the required documentation from Treasury on the remaining balance.

4.2 Loan to Beitbridge Town Council

The recommendation had not yet been implemented as the funds amounting to \$800 000 are still with IDBZ.

4.3 Management of Resources

The Local Authority was promised land valued at \$400 000 in Harare, though no documentary evidence was produced for audit examination.

4.4 Revenue Records

The difference of \$373 250 on Outstanding Revenue had not been reconciled at the conclusion of this audit.

4.5 Revenue Received

The Public Finance Management System report had not been reconciled to the amount on the Revenue Received Return.

4.6 Loan Guidelines

The loan guidelines have not been formulated as yet.

HOUSING AND GUARANTEE FUND 2015

OBJECTIVES OF THE FUND

The Housing and Guarantee Fund gives guarantees in respect of loans made by Building Societies and Finance Houses to approved applicants for the purchase or construction of dwellings; making loans for approved housing schemes; and acquiring and disposing of properties in terms of this Act.

I have audited the financial statements of the Housing and Guarantee Fund for the Ministry of Local Government, Public Works and National Housing for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Housing and Guarantee Fund as at December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Advances

Finding

Section 5 (1) (b) of the Housing and Building Act [*Chapter 22:07*] stipulates that the Minister may advance moneys to any person for the purchase of land to construct a building for the accommodation of aged and handicapped persons.

However, in contravention of the aforementioned legislation, the Fund advanced a sum of \$153 816 during the financial year under review towards Appropriation, National Housing Fund and National Housing Fund Reconstruction expenses which were not related to the purpose for which the Fund was created. This amount remained outstanding at the time of concluding the audit. The Table below refers:

Details	Amount (\$)
NHF Reconstruction	130
Appropriation	80 419
National Housing Fund	71 214
Travelling and Subsistence Allowance	2 053
Total	\$153 816

Risk/Implication

Unrecovered advances may adversely affect the Fund's future sustainability.

Recommendations

The Ministry should ensure that financial resources of the Fund are only advanced for purposes specified under Section 5 (1) (b) of the Housing and Building Act [Chapter 22:07].

The Fund should put in place mechanisms to recover the outstanding amount of \$153 816.

Management Response

The observation is noted and please note that all such inter-fund transactions will be properly reconciled and necessary transfers/corrections shall be effected.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Debt Management System

Finding

Section 10 (1) of the Public Finance Management Act [Chapter 22:19] requires Accounting Officers to control and be accountable for all revenues and other public money received, held or disposed of, by or on account of a reporting unit. However, for the fourth year running, I observed that the Fund did not put in place effective measures to recover outstanding debts amounting to \$706 457 (2014: \$648 843) as at December 31, 2015. This was caused by inadequate planning systems.

Risk /Implication

Debts may become extinguished through lapse of time.

Recommendation

The Fund should take remedial action to ensure that all outstanding debts are expeditiously recovered.

Management Response

The Fund has since notified tenants through dunning letters to clear outstanding rentals. Tenants who failed to respond to the notices have since been referred to legal section of the Ministry for eviction and recovery of outstanding rentals.

STADIA REVOLVING FUND 2015

OBJECTIVE OF THE FUND

The objective of the Fund shall be to finance the costs of maintaining all Government owned Stadia.

I have audited the financial statements of Stadia Revolving Fund for the Ministry of Local Government, Public Works and National Housing for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Stadia Revolving Fund as at December 31, 2015 and its financial performance for the year then ended.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Submission of Returns

Finding

In terms of Section 4.2.11 of the Accounting Officer's Instructions, the Fund's Finance and Procurement Committee should prepare and submit the Fund's monthly, quarterly and annual returns to the Management Committee. However, Khumalo Hockey Stadium did not avail for audit inspection the above-mentioned returns for the year ended December 31, 2015. This limited the scope of my audit as I could not separately identify and validate expenditure and revenue attributable to Khumalo Hockey Stadium from the consolidated financial statements submitted for audit. This was caused by improper implementation of Government regulations.

Risk/Implication

Public financial resources may not be fully accounted for.

Recommendation

The Finance and Procurement Committee should ensure that all returns are submitted for audit in compliance with Accounting Officer's Instructions.

Management Response

The finance and Procurement Committee needs a Stadia Committee directive. The Comprehensive Income Statement is segmented clearly indicating the Khumalo Hockey Stadium.

1.2 Advertisement Policy

Finding

According to Section 3.2.1 of the Accounting Officer's Instructions for the Fund, the management committee should formulate policy decisions affecting the day-to-day operations of the Fund and advise the Accounting Officer of any irregularities of a serious nature.

The Fund did not avail for audit inspection a policy document to govern collection of revenue from advertising space within Government owned Stadia. Therefore, I could not satisfy myself whether or not the management committee had effectively discharged its function towards strengthening of internal controls and safeguarding the resources of the Fund. This was caused by non-compliance with laid down regulations.

Risk/Implication

The Fund may be exposed to financial prejudice.

Recommendation

The Fund should ensure that the management committee formulates a policy which should regulate the collection of revenue from companies engaging in the placement of advertisements within stadiums owned by the Government.

Management Response

Advertising policy is not yet in place because advertising has been inactive and advertisers at the stadiums were invited by Sports and Recreation Commission (SRC) who were managing the stadium. The policy will be put in place.

1.3 Advertising Contracts

Finding

The advertising contract between the Ministry of Local Government, Public Works and National Housing and Askeland Media Authorises the advertising agency to utilise advertising space only at the National Sports Stadium. However, I observed that no binding legal agreements were availed for audit inspection to support the erection of billboards by Askeland at Chitungwiza Aquatic Complex. This was caused by lack of proactive planning on the part of Fund officials.

Risk/Implication

The Fund may be deprived of potential revenue.

Recommendation

The Fund should come up and avail for audit inspection, contracts which empowered Askeland to erect billboards at Chitungwiza Aquatic Complex.

Management Response

Askeland was invited by the Sports and Recreation Commission (SRC) to advertise at Chitungwiza Aquatic Complex and National Sports Stadium (NSS). On takeover of the Stadiums by the Ministry of Local Government, Public Works and National Housing, Chitungwiza Aquatic Complex was left out by error. However, the tenant is paying for the Billboard to regularize the contract.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Disclosure of Property and Plant and Equipment

The assets amounting to \$9 240 have been disclosed in the financial statements.

2.2 Certificates of Completion on Contracted Work

The Ministry is yet to implement the audit recommendation despite my follow ups. The Ministry maintains that there is no need for a certificate of completion due to the nature of the contract. However, audit maintains that without certificates of completed work the payments made cannot not be authenticated.

2.3 Segregation of Duties

Segregation of duties were implemented at the depot.

2.4 Revenue from Advertising

Management engaged the services of an agent and they are now realizing income from Khumalo Hockey Stadium.

VOTE 14.- HEALTH AND CHILD CARE

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Health and Child Care for the year ended December 31, 2016.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Health and Child Care as at December 31, 2016.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Outstanding Amounts to Service Providers

Finding

Treasury Instruction 1204 stipulates that all claims against Government should be dealt with promptly, vouchers should be completed and paid without delay to prevent arrear claims being made long after the service has been rendered. Contrary to this provision, the Ministry had outstanding amounts to suppliers totalling to \$70 112 498 (2015: \$46 254 732). Some of the outstanding amounts date back to the 2012 financial year.

Risk/Implication

The Ministry could end up incurring litigation costs if suppliers take legal action. The supply chain may also be disturbed.

Recommendation

The Ministry should make effort to pay suppliers promptly as stated in regulations.

Management Response

Whilst the observation and recommendation are welcome, it should be noted that this problem has been worsened by the current economic conditions whereby the Ministry of Finance is not able to meet their obligations to fund line Ministries. Even though our hospitals have access to the Health Services Fund, this is still not sufficient to cover basic hospital operations.

1.2 Temporary Deposits

Finding

The Ministry submitted a return with a net debit balance of \$233 825 without a breakdown to show how the debit balance came about. The return was supposed to show a credit balance. I was not able to rely on the information disclosed in the return.

Risk/Implication

If a Temporary Deposits Account has a debit balance, it could reflect that over payments could have been made to creditors resulting in them becoming debtors.

Recommendation

The Ministry should investigate and produce a separate return showing actual amounts outstanding as credits in the Temporary Deposits Account.

Management Response

The observation is noted. The Ministry has developed some reconciliation tools to identify any missing information that would enable recovery of past debts and is in the process of implementing them. Please note that receipting in the past was done as a lump sum payment and this takes time to break and identify the individual debtor thus the need for reconciliation. Clearance of the receipted amount cannot be done until reconciliation and identification of each debtor on the receipt is made. A letter requesting the missing source documents from 2010 to 2016, of the completed and reconciled work done so far was sent to Paymaster General, SSB on April 4, 2017. The Paymaster General approved the request, and the recovery of the missing documents is in the process.

Once these documents are available, recovery and clearance of outstanding accounts in the Disallowance, Surcharge and Temporary deposit ledgers will be executed.

1.3 State of Accounting Records

Findings

Treasury Instruction 0454 requires all money received to be promptly receipted and banked intact. Daily cash collections should be cleared to a nil balance and all the receipts paid be deposited in the Exchequer Account. Contrary to this provision, the Ministry continued to have an accumulation of uncleared items in the cashbook

(113503) amounting to \$227 654 since 2015 financial year. The uncleared items represented amounts not banked by the Ministry into the Exchequer Account.

In addition, there were unexplained variances of \$86 506 between the returns submitted for audit and the Public Finance Management System as detailed below:

Name of Return	Return Balance	PFMS/Register Balance	Difference
	\$	\$	\$
Receipts and Disbursements- Commercial Bank of Zimbabwe	200 820	255 896	14 528
Revenue received	269 346	291 414	22 068
Temporary Deposit	233 825	247 753	13 928
Departmental Disallowance	329 928	316 014	13 914
Revenue Received	269 346	291 414	22 068
Total			\$86 506

The two sets of records were not reconciled. As a result, I could not verify the accuracy, completeness and validity of the transactions disclosed in the financial statements.

Risks/Implications

If there are variances between the manual system and the Public Finance Management System that are not reconciled, the correctness of the figures become questionable.

Errors can go uncorrected for too long.

Recommendations

Bank reconciliation statements should be prepared on a monthly basis, and reconciling items should be cleared timely to allow for prompt identification and rectification of errors.

Investigations should be carried out to identify sources and origins of uncleared items.

Management Response

The Ministry has taken note of the uncleared open items amounting to \$227 654 in the cashbook 113503 for periods 2015 and 2016 and will make an effort to clear the outstanding open items during the current year 2017.

Failure to clear open items was partly due to the document splitting technical error in the system that prohibited the complete processing of some transactions already captured in the system and non-posting of transfer journals to cashbook 113503 or 113506 in the system. In addition, we also state that technical shortcomings in relation to understanding some system processes were experienced due to inadequate training of users caused by staff turnover from the Ministry.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Receipts and Disbursements

Finding

The Ministry produced two Receipts and Disbursements returns whose transactions originated from the Reserve Bank of Zimbabwe (RBZ) and the Commercial Bank of Zimbabwe (CBZ). The Ministry's total collections from various sources amounted to \$797 083. Out of this amount, \$245 320 was deposited into the Exchequer Account. I could not verify the accuracy of the balance amounting to \$551 763 which represents deposits not receipted due to absence of a detailed reconciliation statement.

Risk/Implication

Failure to clear direct deposits timeously could conceal fraud or result in misappropriation of funds.

Recommendations

Monthly bank reconciliations should be performed to check whether funds are properly accounted for.

The Ministry should strictly adhere to the requirements of Treasury Instruction 0454 by ensuring that cash collected is banked within the approved time limits.

Management Response

The audit finding is acknowledged. The Ministry did not receipt amounts of \$498 082 and \$14 528 into the Exchequer Account in the PFMS cashbooks (RBZ 113900 and CBZ 113500) during the year under review. This was due to non-receipting of SSB, pension deductions and revenue deposits in the system by Head Office as well as non-receipting of some revenue deposits by Provincial Medical Directors (PMDs) and also non-transfer of receipts from 113503

cashbooks to 113506 or 113906 cash books to reconcile with deposits reflected on the bank statements.

We have since requested PMD's Offices to receipt all outstanding deposits not receipted in the system and to submit schedules of deposits receipted in the system monthly to Head Office for reconciliation purposes. We will embark on an exercise to clear the open items as soon as schedules are received as well as seeking guidance from Treasury and the Project Office where we are not clear about the technical processes.

2.2 Outstanding Revenue

Findings

The Ministry failed to take recovery action on outstanding revenue. The outstanding revenue return submitted for audit reflected a total of \$572 446 and the accounting records revealed a total of \$1 654 015 resulting in a variance of \$1 081 569 as at December 31, 2016. The balance did not include an amount of \$958 427 in respect of payments due from members of staff occupying the Ministry's houses resulting in the return being grossly understated. This was contrary to the provisions of Treasury Instruction 0101 which requires receivers of revenue to supervise and enforce the efficient collection systems of revenue due to the Government.

Risk/Implication

If revenue remains uncollected from debtors for too long, it may result in loss of revenue to Government.

Recommendation

The Ministry should constantly make follow ups to ensure that outstanding revenue is recovered timeously.

Management Response

The observation is noted and agreed.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Internal Audit Function

Finding

Section 80 (2) (a) of the Public Finance Management Act [*Chapter 22:19*] requires the Internal Auditor to monitor the administration and procedures of the Ministry to ensure that proper accounting records are maintained and that adequate internal

controls are observed through performance of planned audits. A review of the Internal Audit plans and achievements revealed that the Internal Audit Unit did not audit activities of the Appropriation Account for the year under review.

Risk/Implication

If the Internal Audit Unit does not carry out audits covering the Appropriation Account, weaknesses in the internal control system of the Ministry may not be identified and corrected.

Recommendation

The Internal Audit Unit should conduct routine audits of the Appropriation Account activities to ensure that the internal controls are regularly assessed and deficiencies identified are rectified.

Management Response

The observation is noted and agreed. The 2016 plan may have been too ambitious in the current situation. The Internal Audit now engages management in coming up with plan for audits. Head office will be audited annually as from 2017 onwards. However, areas considered to be of high risk will determine the focus in the main plan.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Maintenance of Records

Unreconciled balances between the Sub Paymaster's General Account and the Public Finance Management system have been resolved.

2.2 Late and Non-submission of Returns

The issue has been resolved. Statutory returns were submitted within the prescribed time frame.

2.3 Unsupported Expenditure

The issue has not been fully addressed but there was a great improvement since the figure of unsupported expenditure has decreased.

2.4 Outstanding Amounts to Suppliers

The issue has not been resolved, there was an increase in the figure for amounts owed to service providers.

2.5 Management of Assets- Targeted Approach

The issue of the equipment that was not installed at Ngomahuru Hospital has not been resolved since the equipment got damaged in transit and repairs have to be done before installation.

The issue of idle equipment at Mutare Provincial Hospital has not been resolved since the equipment was allocated to Mutare Provincial Hospital and after delivery the boilers at Mutare Provincial Hospital broke down and needed a complete overhaul, which was not anticipated. Tendering was done in 2016 and no competent bidders came up. The hospital is to re-tender in the current year 2017.

HEALTH SERVICES FUND 2015

OBJECTIVE OF THE FUND

This Fund was established for the purpose of collecting and administering hospital fees to supplement the health budget, both recurrent and capital for the development and maintenance of Health Services, programmes and related activities as may be approved from time to time by the Secretary responsible for Health and Child Care in consultation with Treasury.

I have audited the Health Services Fund for the Ministry of Health and Child Care for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Health Services Fund for the year ended December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Recovery of Debtors

Finding

For the fourth year in succession, the debtors figure has continued to accumulate standing at \$23 634 749 (2014: \$20 174 649) (2013: \$15 068 702) translating to 99% of the total assets of the Fund. This was due to failure to institute debtor follow-up measures, to take recovery action. I am concerned that the recovery rate of amounts due from debtors has continued to decrease adversely affecting the liquidity position of the Fund. I made the same observation on page 290 of my report for the year ended December 31, 2015.

Risks/ Implications

Continuous failure to recover amounts outstanding in the debtors account leads to loss of revenue. The liquidity position of the Fund would continue to be negatively affected and service delivery will be compromised.

Recommendation

The Fund Administrators should institute measures that will ensure effective recovery of outstanding debts and improve the liquidity position of the Fund.

Management Response

The observation is acknowledged and the Ministry is also concerned about the continued growth of the hospital fees debt despite implementing measures to mitigate the situation. The measures include among others the use of debt collectors, requesting patients to pay deposits upfront on admission and regular follow ups on Medical Aid Societies as well as Government Entities such as National Army, ZRP, Prison and Social Welfare to settle their outstanding debts. Recovery from Medical Aid Societies has been showing signs of improvement while government entities continue to be financially constrained due to the economic challenges facing the country. Also to take note is that the current government policy does not allow public hospitals to deny treatment to patients on account of failure to pay for the medical services. This resulted in hospitals accumulating debtors.

2 PROCUREMENT

2.1 Irregular Expenditure

Findings

Due to lack of clear policy direction, administrators at Mutare Provincial Hospital incurred total expenditure of \$45 975 (2014: \$57 411) for rented accommodation for medical doctors. The expenditure was incurred without the authority from the Health Services Board and Treasury concurrence. This was in violation of Section 4 (10) of the Health Services Fund Manual. I made the same observation that related to Masvingo Provincial hospital on page 291 of my report for the year ended December 31, 2015.

Further to the above, there was confirmed lack of consistency in the Ministry's health institutions on payment of accommodation allowances for doctors. Out of seven health institutions visited, six were not paying the allowance.

Risks/Implications

If allowances are paid without competent authority, the practice results in wasteful expenditure. Service delivery could be affected if employment benefits to medical doctors are paid selectively.

Recommendations

The Ministry should ensure that payments of allowances to employees are properly authorised.

There was also need to have a standard policy for accommodation allowances for the whole Ministry.

Management Response

The observation has been referred to the Medical Superintendent of Mutare Provincial Hospital to provide detailed explanation of what actually transpired and we shall avail the response to the Audit Office as soon as possible.

Authority is being sought and efforts are being made to have a policy that accommodates all our medical doctors in Government owned accommodation.

2.2 Unsupported Expenditure

Finding

In contravention of the provisions of Section 81 (2) (b) (iii) of the Public Finance Management Act [Chapter 22:19] read in conjunction with section 8.1 of the Health Services Fund Financial and Accounting Procedures Manual, the Fund administrators incurred expenditure amounting to \$299 287 (2014: \$304 693) that was not supported by source documents such as procurement committee meetings minutes, competitive quotations, requisitions, invoices, receipts and goods received notes. Consequently, I was unable to determine whether the expenditure was properly incurred for the intended purpose. Listed below are institutions that failed to support expenditure:

Institution	Amount
	\$
Mashonaland West PMD	9 283
Matabeleland South PMD	1 055
Gweru Provincial Hospital	186 119
Mutare Provincial Hospital	<u>102 830</u>
Total	<u><u>\$299 287</u></u>

Risk/ Implication

If payments are processed without adequate source documents, fraudulent transactions may occur without detection.

Recommendation

Management should monitor and supervise procurement in health institutions to ensure that payment vouchers are supported by adequate source documents, to prevent the processing of fraudulent transactions and incurring of wasteful expenditure.

Management Response

The observation is noted. Supporting documents for the expenditure were not attached to payment vouchers. In future we will ensure that all payment vouchers and supporting documents are produced for audit.

2.3 Fuel Management

Finding

Due to continued existence of weaknesses in the internal control system for management of fuel, some institutions failed to account for a total of 101 986 litres of fuel valued at \$124 789 as detailed below:

Name of Health Institution	Quantity Litres	Amount \$
Karoi District Hospital	71 842	86 210
Mashonaland West Provincial Medical Directors' office	4 900	5 948
Masvingo Provincial Medical Directors' office	872	1 046
Masvingo Provincial Hospital	3 912	5 454
Mutare Provincial Hospital	17 090	21 609
Gweru Provincial Hospital	3 370	4 522
Total	101 986	\$124 789

Risk/Implication

If fuel records are not properly maintained, there is room for fuel stocks being converted to personal use given that fuel is an attractive commodity.

Recommendations

Management of health institutions should ensure that all fuel received from suppliers is recorded in the fuel registers on receipt and issues should also be recorded.

Physical checks on fuel stocks should be carried out regularly.

Management Response

The observation is noted. All the institutions will implement your recommendations.

3 GOVERNANCE ISSUES

3.1 Suspense Account

Finding

The financial statements reflected a suspense accounts balance of \$93 444 (2014: \$52 419) (2013: \$6 910). I am concerned about the non-clearance, instead there is a drastic increase of the suspense account balance since the 2013 financial year.

Risks/ Implications

The existence of a suspense account balance in the financial statements brings doubts on the correctness and accuracy of financial statements.

Financial statements could be materially misstated.

Recommendations

Management of the Fund should investigate the suspense account balance to determine its origins and make necessary adjustments.

Reconciliations should be done regularly in order to detect errors and correct them on time.

Management Response

The observation is noted. Necessary adjustments will be effected to the financial statements and accounting records.

3.2 Maintenance of Accounting Records

Finding

In violation of section 11.5 of the Health Services Fund Financial and Accounting Procedures Manual, seven health institutions were not maintaining ledger accounts. Audit effort to ascertain the accuracy and correctness of figures disclosed in the financial statements was fruitless.

Risk/Implication

If ledger accounts are not maintained, it becomes difficult to prepare accurate financial statements and trace transactions.

Recommendation

The Fund Administrators should maintain ledger accounts for health institutions in compliance with the Health Services Fund Financial and Accounting Procedures Manual and best practice.

Management Response

The observation is noted and efforts will be made to enforce proper management of the ledger accounts by all government hospitals. The Ministry undertook support visits to Provincial Offices and District Hospitals as a strategy to improve the situation towards the end of 2015 and beginning of 2016. Our hope is to continue carrying out support visits to our institutions if funds permit until we achieve an effective financial management system that we desire as a

Ministry. In addition to the above, the Ministry is also facing a serious challenge in terms of inadequate accounts personnel particularly at the District Hospital level and this has resulted in using Office Orderlies and General Hands to do accounting work which they were never trained to do. Due to the current recruitment freeze on new personnel into the Public Service the Ministry has not been able to expand its existing limited establishment.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Budgetary Control

Finding

In contravention of Section 47 of the Public Finance Management Act [*Chapter 22:19*], Chinhoyi Provincial Hospital, Karoi District Hospital, Masvingo Provincial Directors' Office, Masvingo Provincial Hospital, Manicaland Provincial Directors' Office and Mutare Provincial Hospital operated without approved budgets.

Risk/ Implication

If budgets are not produced and used to control spending, it results in unplanned expenditure that may turn up to be wasteful.

Recommendation

The authorities at Health Institutions mentioned above should ensure that proper budgetary control procedures are followed and a budget should be drawn and approved by the beginning of each financial year in compliance with Section 47 of the Public Finance Management Act [*Chapter 22:19*].

Management Response

The Institutions will in future produce approved budgets which they will avail to auditors upon request.

1.2 Medicines Management

Findings

Section 3 (2) b of the Public Health Act [*Chapter 15:09*] stipulates that the functions of the Ministry responsible for health shall be to promote the public health, prevention, limitation or suppression of infectious and contagious diseases. However, the stock levels of essential medicines which are critical to service delivery at seven health institutions visited were below 80%. This was contrary to the Zimbabwe National Medicines Policy of 2011 that requires highest possible availability of essential medicines throughout the nation.

Further to the above, some drugs were not recorded in stock records while others were out of stock. The details are provided in the table below:

Name of Hospital	Observation
Chinhoyi Provincial Hospital	<ol style="list-style-type: none"> 1. Essential medicines were out of stock 2. Poor internal control - Medicines with a total cost of \$2 615 were not recorded in the Goods Received Book and on stock cards.
Karoi District Hospital	<ol style="list-style-type: none"> 1. Essential medicines were out of stock. 2. Poor internal control – Medicines with a total cost of \$2 603 were not recorded in the Goods Received Book and on stock cards.
Masvingo Provincial Hospital	<ol style="list-style-type: none"> 1. Essential medicines were out of stock. 2. Poor internal control - Medicines with a total cost of \$2 482 were not recorded in the Goods Received Book and on stock cards.
Mutare Provincial Hospital	<ol style="list-style-type: none"> 1. Essential medicines were out of stock. 2. Relevant supporting documents such as invoices, receipts and goods received vouchers/delivery notes were not attached on the payment voucher to support the expenditure of \$102 830 to National Blood Transfusion Services. 3. Poor internal control – Medicines with a total cost of \$2 314 were not recorded in the Goods Received register and of that amount, medicines with a total value of \$793 were not recorded on stock cards.
	<ol style="list-style-type: none"> 1. Relevant supporting documents such as invoices, receipts and goods received vouchers/delivery notes were not attached on the payment voucher to support the expenditure of \$102 830 to National Blood Transfusion Services. 2. Poor internal control – Medicines with a total cost of \$2 314 were not recorded in the Goods Received register and of that amount, medicines with a total value of \$793 were not recorded on stock cards.
Tsholotsho District Hospital	<ol style="list-style-type: none"> 1. Medicines with a total value of \$310 and R1 887 were not entered into the Goods Received Register. 2. Stock cards did not indicate the re-order levels of medicines.
Gwanda Provincial Hospital	<ol style="list-style-type: none"> 1. Essential medicines were out of stock. 2. Medicines valued at \$187 were not received in the Goods Received Register.
Gweru Provincial Hospital	<ol style="list-style-type: none"> 1. Essential medicines were out of stock.

	<p>2. Deficiencies of blood</p> <p>The Hospital owes National Blood Transfusion Company \$46 000 for blood supplies made on credit. Failure to settle the debt led to loss of the credit facility which resulted in shortages of blood even for emergency cases due to liquidity challenges. The hospital has resorted to blood rationing as the blood requirements were occasionally below the minimum limit of 15 units.</p>
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Risks/ Implications

If health institutions are operating without essential medicines, service delivery is compromised.

Non recording of medicines in the receiving register may result in medicines being converted to personal use.

Recommendation

The Ministry should prioritise procurement of vital, essential and necessary medicines and sundries and tighten internal controls on the recording and maintenance of medicines through supervisory checks, regular stock counts and internal audits.

Management Response

The observation was noted and the crafting of a quarterly purchase plan has been initiated to ensure all required vital and essential medicines are ordered on time. Monthly stock status reports and physical counts are now being done so as to properly analyse stock levels.

2 MANAGEMENT AND IMPLEMENTATION OF GOVERNMENT PROGRAMMES

2.1 Service Delivery

Findings

Service delivery at Health Institutions visited was greatly compromised, adversely affecting the achievement of the Ministry's functions as outlined in section 3 (2) (b) of the Public Health Act [*Chapter 15:09*]. The following were found to be weaknesses that adversely affected service delivery at institutions:

- (a) Obsolete hospital equipment.
- (b) Inadequate funding for the procurement of new equipment and medicines.
- (c) Unavailability of alternative water sources to service the hospitals and space to install new equipment received.
- (d) Unavailability of specialised personnel.

Further to the above, contrary to the provisions of the Health Services Regulations 2006, first schedule, section 2 paragraphs 2 and 3, poor health delivery was also noted at Chinhoyi Provincial Hospital, Chiredzi District Hospital and Mutare Provincial Hospital as cases of negligence by health personnel resulted in loss of lives and disabilities. An examination of the misconduct registers at these health institutions revealed that there were two cases of negligence in administering of medicines which led to near loss of life and two cases of non-attendance to patients by doctors and nurses which led to death of a pregnant woman at Chiredzi District Hospital.

Risks/ Implications

If health institutions are severely constrained in resources, service delivery is adversely affected and leads to loss of human lives.

Recommendations

The Ministry should give priority to resources that are critical to service delivery more so in circumstances of budgetary constraints.

Health personnel should conduct their duties with due care and diligence so as to avoid loss of lives.

Management Response

The observation is noted and the crafting of a quarterly purchase plan has been initiated to ensure all required vital and essential medicines are ordered on time. Also plans are underway to introduce a cost recovery mechanism on medicines and surgical items so as to improve stock levels and availability to patients. However, we would like to highlight that the hospitals have been reeling under financial problems. We had not received any Government of Zimbabwe (GOZ) support by the time of audit. It is also important to highlight that some medicines have been scarce on the market, particularly intravenous medicines, and resuscitative medicines. Injections needles used to come as a donation from Natpharm, and currently we have to procure from the market.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Revenue Collection and Debt Management

There was no improvement on this issue as the debtors' figure continued to balloon year after year.

3.2 Irregular Expenditure

There was no improvement on the issue as some health institutions continued to pay for the rented accommodation for doctors without competent authority.

3.3 State of Accounting Records and Account Balances

No improvement on this issue as some of the health institutions still failed to maintain ledgers.

3.4 Suspense Account

There was no improvement on the issue of suspense account balance as the Fund failed to clear the suspense account balance during the year under review. Instead, the balance has increased.

3.5 Unsupported Expenditure

There was no improvement on the issue as some health institutions continued to pay for goods and services without following the proper procedures of procurement.

3.6 Fuel Management

There was no improvement on the issue as some health institutions continued to procure fuel and use it before recording it in the fuel register and misuse the same when allocating to motor vehicles.

3.7 Medicines Management

There was no improvement on the issue as some health institutions continued to operate without essential medicines.

3.8 Service Delivery

The situation has not changed as most of the health equipment had not yet been replaced due to lack of funding.

The situation regarding health service delivery has not changed at some health institutions as audit recommendations are not being implemented.

VOTE 15.- PRIMARY AND SECONDARY EDUCATION

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Primary and Secondary Education for the year then ended December 31, 2016.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Primary and Secondary Education as at December 31, 2016.

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

1 GOVERNANCE ISSUES

1.1 Expenditure

Finding

There was a variance of US\$58 470 between total expenditure which was reported in the Appropriation Account submitted for audit of US\$846 132 823 and the expenditure which was reflected in the Public Finance Management System (PFMS) print out of US\$846 074 353. This was as a result of departmental surcharges recoveries made from employees and were erroneously credited to the expenditure account in the PFMS. However, the discrepancy was not corrected, contrary to good accounting practices.

Risk/Implication

Misstatement of expenditure may mislead the users of the financial information if it remains unadjusted.

Recommendation

The Ministry of Primary and Secondary Education should in future make adjustments timeously so that the correct expenditure figure is reflected in the PFMS.

Management Response

The 2016 Appropriation Account submitted reflects the actual expenditure, with no adjustment made for the recoveries.

1.2 Traveling and Subsistence Allowances

finding

An examination of Travel and Subsistence (T&S) Allowance registers and claim forms revealed that the Ministry owed employees allowances amounting to \$93 212 for Domestic Travel for the period dating back from 2013 to 2016. At the time of audit in March 2017, claims by one individual had accrued to \$12 332. The table below refers:

Year	Amount(\$)
2013	38 973
2014	33 091
2015	13 564
2016	7 583
Total	\$93 212

The non-payment of allowances was contrary to Treasury Instruction 1204 which requires that all claims against Government be dealt with promptly and in terms of any contract vouchers must be completed and paid without delay.

Risks/Implications

Failure to settle travel and subsistence allowances to employees may result in poor service delivery or unethical means of survival and the Ministry may be sued for failure to settle the claims.

The T&S system may be abused if officers are allowed to travel when there is no money, in anticipation of being paid later.

Recommendation

The Ministry should engage Treasury so as to settle the unpaid claims. In future, officers should embark on trips when funds are available to avoid committing the Government.

Management Response

Since 2013 the Ministry has been getting inadequate releases from Treasury. However, the funds released in 2016 were used for current programmes, of monitoring and supervision of schools to ensure quality education. Furthermore, if the Ministry had used the current releases to pay previous year Traveling and Subsistence allowances it would have seriously curtailed the operations of the Ministry. Nonetheless, the Ministry will request funds from Ministry of Finance to settle the outstanding amounts of Travelling and Subsistence claims.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Revenue

Findings

As noted in prior year's audits, the Ministry's debt management system remained ineffective. Revenue from Departmental Surcharges, Penalties and Treasury Orders remained uncollected and the cumulative effect of such non collections prejudiced the State of a total amount of \$ 1 574 134. Refer to the table below:

Item	Amount(\$)
Penalties	49 928
Departmental surcharges	1 502 469
Treasury orders	21 737
Total	\$1 574 134

Such a practice was contrary to the provisions of Section 44 (b) (i) of the Public Finance Management Act Chapter 22:19 requiring that an accounting authority of a public entity shall take effective and appropriate steps to collect all revenue due to the public entity concerned.

Risk/Implication

Failure to recover outstanding revenue on time would lead to loss of state funds which are mostly needed to boost the government operations. Debtors may be difficult to trace, if not followed up on time.

Recommendation

The Ministry should put effort in the collection of outstanding revenue and regular follow-ups should be made.

Management Response

The Ministry is making recoveries at an increasing rate but at the same time it is also experiencing a surge in new Departmental Surcharges and Treasury Orders that are being raised. The SSB policy on recoveries is that monthly deductions should not exceed 10% of a member's gross salary or that a member's net salary should not go below \$150 and this results in slowing down recoveries.

Further, the outstanding departmental surcharges involve many debtors with very small amounts that are uneconomical to pursue individually and whose value is below Attorney General's (AG) value limit for their engagement.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Outstanding Damages

The Ministry owed an amount of \$17 965 in damages to five employees who were improperly discharged from service in 2014. The courts ruled in favour of the employees after the Ministry improperly terminated their contracts of employment.

The Ministry has since made a payment to one of the five ex-employees who was owed \$13 110 but the other four ex-employees owed \$4 855 have not been paid their dues.

3.2 PSIP

Mbizi High School project that was running behind schedule at the time of the previous audit was completed and officially opened in 2016.

The disbursements schedules and progress reports for all PSIP projects that had not been availed at the time of the previous audit were subsequently availed for audit verification.

3.3 Management of Assets

For the redundant assets that were piling up for more than six months, a board of survey was eventually convened during the year under review.

With regard to a condition of service vehicle registration number ACG 8532 that was involved in an accident, a Treasury order was raised against the driver.

3.4 Fuel Records Management

The fuel register that was not being properly maintained in the previous financial year is now in order and all columns are being completed. Fuel coupons recipients are now appending their signatures to acknowledge receipt.

3.5 Procurement

Procurement regulations that were not being adhered to are now being followed to procure goods for the Ministry.

EDUCATION MATERIALS DISBURSEMENT FUND 2015

OBJECTIVE OF THE FUND

The Fund was established to acquire, design, produce, and distribute, after appropriate research of curricula material in order to improve the quality of teaching at educational institutions.

I have audited the Education Materials Disbursement Fund Account for the Ministry of Primary and Secondary Education for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Education Materials Development Fund as at December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Non Maintenance of Books of Accounts

Finding

The Ministry of Primary and Secondary Education did not maintain books of accounts for the Education Materials Disbursement Fund leading to non-submission of financial statements for audit for the period 2007 to 2014. The Fund was last audited in the 2006 financial year and all along it has been operating. The Ministry maintained registers showing titles of manuscripts and amounts received only. Of concern was that a total of \$51 153 was received but was not receipted for the period 2007 to 2014. In the absence of books of accounts, I could not satisfy myself that all the funds received between 2007 and 2014 financial years were accounted for properly.

Failure to receipt public funds was in violation of Treasury Instructions 0411 which states that, "An officer shall immediately upon receiving money in his/her official capacity, issue a receipt prescribed for the purpose as appropriate".

Risk/Implication

There is risk that the Ministry may have lost a lot of money during the years when revenue was not being receipted.

Recommendation

Books of Accounts should be maintained by the Ministry to ensure that all financial activities of the Fund are recorded for accountability purposes.

Management Response

The Education Materials Disbursement Fund was non-functional from 2006 due to non-funding. When the country switched to multi- currency system no bank account was opened for the Fund because there was no funding. The evaluation fees were being paid to the evaluators. No receipt was to be issued.

Evaluation of Management Response

The Ministry was supposed to receipt all the revenue prior to disbursement of same to evaluators. The fund was functional as evaluators were operating.

1.2 Operating Without a Bank Account

Finding

For the 2009 to 2015 financial years, the Fund operated without a bank account in its name. The bank account was only opened on October 29, 2015 with Reserve Bank of Zimbabwe. Non opening of bank account was in violation of the Fund's Constitution section 3 (c) which states that all moneys received by the Fund shall be placed in a separate double signature banking account opened in the name of the Fund with a registered commercial bank". I could not therefore validate that all the moneys received were properly accounted for.

Risk/Implication

There is risk of misappropriation of funds due to non-banking.

Recommendation

The Ministry should always comply with the Treasury Instructions by opening bank accounts before transacting to ensure proper accountability for public funds.

Management Response

The process of opening the bank account took a bit longer than expected hence the funds were banked into the Donor Fund Account. Request for opening of bank account was made in June 2015 and authority only came end of October 2015.

INDEPENDENT COLLEGES GUARANTEE FUND 2015

OBJECTIVES OF THE FUND

The objective of the Fund is to provide funds to defray any expenses that may be incurred by the Secretary in ensuring that acceptable standards of education are maintained in all the registered Independent Colleges and to refund wholly or partially to students, any fees paid in the event of failure by colleges for whatever reasons to meet their obligations.

I have audited the Independent Colleges Guarantee Fund for the Ministry of Primary and Secondary Education for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Independent Colleges Guarantee Fund as at December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Failure to Maintain Proper Accounting Records

Finding

The Fund did not update the cashbook properly in the period under review. The cash book did not have columns to show how funds were being utilised. This made it difficult to verify the completeness and accuracy of the classification of expenditure figures disclosed in the financial statements.

Risk/Implication

There is risk that the expenditure disclosed in the financial statements may be misstated.

Recommendation

The Fund's cashbook should be updated daily and management should ensure that all the time expenditure is recorded in the cashbook accurately through conducting regular checks in terms of regulations.

Management Response

The cash book was being properly updated as transactions were made. Bank reconciliations are done monthly.

Evaluation of Management Response

The cashbook, which is a primary book of entry, had no separated columns for different expenditure items.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Failure to Meet Fund's Objectives

Finding

The Independent Colleges and Guarantee Fund Account was used to meet Appropriation Account expenditure amounting to US\$43 427 during the year under review. At the time of completion of my audit, this amount had not been reimbursed to the Fund. The Fund's budget for 2015 amounted to US\$336 000 and out of this amount only US\$15 939 was utilised to meet the Fund's objectives.

Risk/Implication

There is risk that the Fund may fail to ensure that acceptable standards of education are maintained in all the registered colleges if it does not carry out visits to inspect and monitor activities of the colleges.

Recommendation

The Fund management should ensure that they increase their activities of monitoring independent colleges, such as inspections of the colleges and reviewing of curricula offered by these colleges.

Management Response

Eleven vehicles were bought to the tune of \$328 459. The vehicles are being used to monitor colleges thereby ensuring that acceptable standards of education are maintained in all registered colleges. A recurrent expenditure of \$15 939 incurred was in support of the independent colleges operations. The Fund supplements other funds in the Ministry to deliver quality education in Zimbabwe. It is not a stand-alone activity.

Evaluation of Management Response

The purchase of the 11 vehicles over a number of years for the Non-Formal Education Inspectorate was noted by audit. However, the use of ICGF funds to fund Appropriation activities and non-utilisation of funds available to carry out core objectives of the fund remain a cause for concern.

1.2 Mixing of Funds

Finding

A scrutiny of the Fund's 2015 bank statements revealed that the Fund was used as a channel to disburse an amount of \$1 076 000 for Per Capita Grant. Instead, this amount should have been disbursed through the Sub Paymaster General Account. Furthermore, a total amount of \$1 795 for Education Materials Fund was also deposited into the ICGF bank account as the Ministry had not opened a bank account to cater for the Education Materials Fund's monies.

Risk/Implication

There is a risk that the Fund will be used as a conduit to circumvent laid down procedures applicable to the monies of the parent Ministry.

Recommendation

The Fund should not be used as a channel for disbursing funds for other projects as this increases transaction costs which are charged to this Fund as well as distort the operations of the Fund.

Management Response

In order to expedite disbursement, we were advised by Treasury that the funds be channeled through the Fund.

Evaluation of Management Response

The letter from Treasury which was attached did not authorise management to channel funds for Per Capita Grants and the Education Materials Fund through the ICGF account. It authorised the Ministry to disburse only the PSIP grant through the Fund's account.

2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Constitution of the fund

As reported in my previous three reports for 2012, 2013 and 2014, the Fund was still operating without a constitution and Accounting Officer`s Instructions contrary to provisions of section 18(2) of the Public Finance Management Act [*Chapter 22:19*] which require that a constitution to guide and regulate the affairs of the Fund be drawn up.

2.2 Application of Funds

The amounts borrowed from the Fund by the Ministry in the year 2014 that totalled \$89 284 had not been reimbursed at the time of concluding the 2015 audit.

SCHOOL SERVICES FUND 2015

OBJECTIVE OF THE FUND

The Fund was established to facilitate the provision of quality education by providing resources for the procurement of learning and teaching materials and to finance other school services and related activities in the school system which may be approved by the Secretary in consultation with Treasury.

I have audited the School Services Fund Account for the Ministry of Primary and Secondary Education for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the School Services Fund as at December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Incomplete and Inaccurate Financial Statements

Findings

For the third consecutive year, the Ministry submitted financial statements with the following inaccuracies which were noted after checking submitted returns at the Ministry's Head Office: -

- Misstatements were observed in the financial statements for Zaka District Office as well as Mutare District Office. Zaka District Office's debtors' figure was understated by \$6 967 whilst Mutare District Office's debtors' figure was understated by \$26 046.
- The non-current assets figure disclosed by Head Office in the financial statements was different from that reported by Provincial Offices. Consolidated total for non-current assets figure was \$975 336 whilst the net asset total for all the provinces was \$648 221 after taking into account accumulated depreciation for the period January 2009 to December 2015. The difference in asset totals resulted in misstatement in the financial statements amounting to \$327 115.

- The Ministry did not give a detailed account of various types of assets and the related cost for the period covering 2009 to 2015. A breakdown of total depreciation figure of \$5 212 222 could also not be provided. Therefore, the values of individual assets could not be determined.

Risks/Implications

The number of variances in the financial statement figures may materially affect the quality of decisions made therefrom.

Inaccurate and inconsistent treatment of depreciation also renders financial statements unreliable and distort the value of assets available.

Recommendations

The Ministry should strengthen its checking mechanisms to ensure that financial statements are prepared in accordance with accounting standards or framework provided by Treasury.

The work of those charged with preparing financial statements should be thoroughly checked to minimise errors.

Also, methods of calculating depreciation should be applied consistently and accurately to avoid errors that may lead to material misstatement of Financial Statements.

The Ministry is advised to show in the Consolidated Financial Statements a breakdown of depreciation figures according to asset classification in line with Generally Accepted Accounting Practices. This will give adequate information to users of the Financial Statements.

Management Response

Misstatement of Zaka District for understating their debtors was acknowledged and would want to state that debtors figure understated was for Rudanda School where documentation pertaining to some debtors amounting to \$6 967 was misplaced. However, the documents were located later and the figure has since been adjusted and included in the 2016 financial statements. As for Manicaland Province's Mutare District's understatement amounting to \$26 046, verification of records show that there are two schools Sakubva 1 High and Sakubva 2 High (Rushingo). The mix up came from the names. The figures captured are correct.

The non-current assets figure captured by Head Office of \$975 336 was verified with figures from the Provinces and found to be correct. The Discussion with auditors revealed that they (Ministry officials) had deducted depreciation from the already deducted figures. Some Provinces had submitted Net non-current figures while some had submitted non-current assets at cost.

Evaluation of Management Response

Audit of returns and financial statements for the year ended December 31, 2015 submitted show an understatement of \$26 046 under Mutare District.

The finding has not been adjusted as the returns that were submitted for audit showed that deduction from total assets of accumulated depreciation including current year depreciation charge resulted in a net assets figure that was less than the one disclosed in the financial statements by \$327 115.

1.2 Finance Meetings

Finding

Glen Norah 1 High, Belvedere Primary, Parirewa High and Mahusekwa High did not hold monthly finance meetings during the school terms as required by Section 3.5 of the School Services Fund Accounting Procedures manual which states that finance meetings must be held monthly during a school term. This clearly demonstrates the state of affairs in most schools in various provinces.

Risks/Implications

Expenses may be incurred without being authorised by the Finance Committee.

Unbudgeted expenditure may be incurred if schools are allowed to bypass Finance Committees in procurement of school requirements.

Recommendation

Monthly Finance Meetings must be held in line with the provisions of the School Services Fund Accounting Procedure manual. Holding such meetings regularly in terms of regulations will improve management of school resources by those charged with governance at those schools.

Management Responses

Management did not respond.

2 MANAGEMENT OF ASSETS

2.1 Master Asset Register

Findings

The Head Office failed to avail the Master Asset Register for all assets that were under the School Services Fund. Without this essential record, I could not determine the nature, quantity, state and location of the assets of the School Services Fund. I noted that usable assets that were fully depreciated were not being revalued and as

such some schools in Masvingo, Midlands and Mashonaland East Provinces had nil values in the financial statements. Failure to disclose the value of assets in the financial statements at provincial level resulted in inaccurate consolidated accounts at Head Office level which relied on inputs from its Provincial Offices.

Risks/Implications

In the absence of a record of these assets, losses, damages and valuations could be difficult to account for.

Assets could be converted to personal use without trace if up to date accounting records are not maintained.

Recommendation

A detailed master asset register should be maintained at the Head Office to ensure accountability of all assets under the control of the Ministry.

Management Response

Management did not respond.

VOTE 16.- HIGHER AND TERTIARY EDUCATION, SCIENCE AND TECHNOLOGY DEVELOPMENT

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Higher and Tertiary Education, Science and Technology Development for the year ended December 31, 2016.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Higher and Tertiary Education, Science and Technology Development as at December 31, 2016.

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

1 GOVERNANCE ISSUES

1.1 Foreign Services

Finding

Contrary to the requirements of Treasury Instruction 1216, payments totalling \$121 000 made to Foreign Missions were not fully supported by invoices, receipts from suppliers and acquittals.

Risk/Implication

It may be difficult to ascertain whether expenditure incurred at Foreign Missions was a proper charge on voted funds.

Recommendation

The Ministry's Attaches at Foreign Missions should submit acquittals as proof of acknowledgement of receipt and use of funds paid to them.

Management Response

Your observation is noted. We agree that no acquittals were submitted from our Missions. We transact all our Mission payments through the Ministry of Foreign Affairs. They acknowledge our payments by giving us a receipt. The Foreign Mission acquittals are retained by Ministry of Foreign Affairs. The delays in receiving the acquittals from the Missions could also be linked to the delayed remittance of funds to the Missions by the Ministry of Foreign Affairs due to the economic challenges related to foreign payments that the country is experiencing.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Sub-Paymaster General (Sub-PMG) Account

The prior year (2015) variance of \$38 441 had been reduced to \$23 902.

2.2 Unvouched Expenditure

The Ministry managed to avail for audit inspection invoices and receipts for Tel-One \$19 000, Net-One \$55 156 and ZARNET \$29 128 for the 2015 financial year.

2.3 Receipts and Disbursements

The opening balance was clarified to be nil.

2.4 Outstanding Travelling and Subsistence Advances

The Ministry availed acquittals to prove that an outstanding amount of \$2 941 had been fully recovered from the salary of the former Permanent Secretary.

2.5 Results Based Management (RBM)

RBM documents for the year 2016 were submitted for audit examination.

AMENITIES FUND ACCOUNT 2012

OBJECTIVE OF THE FUND

The Objective of the Fund is to provide students with facilities for sporting, social and cultural, sponsor education in subjects of a technical and cultural or intellectual nature, provide additional study aids for students. The Fund also provides salary advances for staff whose salaries are in arrears, canteen facilities for students and facilitates the production of learning aids.

I have audited the Amenities Fund Account for the Ministry of Higher and Tertiary Education, Science and Technology Development for the year ended December 31, 2012.

Opinion

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 audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the Amenities Fund Account financial statements of the Ministry of Higher and Tertiary Education, Science and Technology Development as at December 31, 2012.

Basis for Disclaimer of Opinion

1 GOVERNANCE ISSUES

1.1 Late submission of Financial Statements

Finding

The Fund's financial statements for the 2012 financial year were submitted for audit on April 30, 2014. The delay was a violation of section 35 (4) of the Public Finance Management Act, [*Chapter 22:19*] which requires the Ministry to submit the financial statements within three months after the end of the financial year.

Risk/Implication

The late submission was in violation of statutory provisions and compromises accountability, effective decision making and good governance.

Recommendation

Management should ensure that financial statements are submitted within the statutory deadline.

Management Response

The observation is noted. The financial statements submitted by institutions had errors and this caused the delay in submission of the consolidated Financial Statements to the Auditor-General. Going Forward efforts will be made to submit financial statements on time from 2016. We have twenty-seven (27) institutions throughout the country. Some of the institutions had manpower and competency challenges.

1.2 Constitution of the Fund

Finding

The Fund was operating without an approved Constitution since its inception in 1979. Up to the time of audit the Constitution of this Fund had not yet been tabled in Parliament and no progress was made in fulfilling this requirement.

Risk/Implication

In the absence of an approved constitution, there would be no legal basis on which to evaluate the performance of the fund.

Recommendation

The Ministry should ensure that all Fund accounts under its jurisdiction have approved constitutions as provided for in section 18 of the Public Finance Management Act [*Chapter 22:19*]

Management Response

The observation is noted. The Ministry did engage Treasury but the process was not completed. The Draft Constitution was submitted to Treasury. Efforts will be made to complete the process to finality.

1.3 Accumulated Fund

The Fund had an opening Accumulated Fund figure of \$1 907 221 which was different from the 2011 closing Accumulated Fund figure of \$1 748 839 and the difference of \$158 382 was not explained.

Risk/Implication

Using incorrect opening accumulated fund balances would result in misstatement of the financial statements.

Recommendation

There is need to ensure that correct accumulated fund balances are used in the preparation of the financial statements.

Management Response

The observation is noted. Financial statements that were submitted to the Auditor-General had a suspense account due to imbalances in financial statements submitted by institutions to Head Office for consolidation. The Ministry is still investigating the error. Efforts to train and develop the Accountants to prepare proper financial statements will be made.

1.4 Maintenance of Accounting Records

Finding

The Colleges were not maintaining proper books of accounts like ledgers. This was evidenced by the fact that some Institutions' financial statements were being prepared from payment vouchers like ledger accounts were not being maintained. This resulted in numerous variances between the aggregate financial statement balances and balances as per records inspected by audit. As a result, I could not ascertain the accuracy and fairness of revenue and expenditure disclosed in the financial statements submitted for audit which amounted to \$13 421 355 and \$13 030 135 respectively.

Risk/Implication

If ledgers are not maintained, and cash book is not properly maintained, fraudulent transactions, errors and omissions may go through undetected. This also weakens the internal controls of the organization.

Recommendation

The Ministry should put in place mechanisms that ensure proper maintenance of accounting records to ensure accuracy of figures reported in the financial statements.

Management Response

The observation is noted. Some of our institutions were preparing financial statements using cash accounting system as used generally in government while others were using accrual accounting as per IFRS. From the 2016 financial year accrual accounting will be used. The Ministry has encouraged institutions to run their respective accounts on a computerized accounting system preferably Pastel.

1.5 Salaries, Wages and Allowances

Findings

The Fund was established through Statutory Instrument No. 868 of 1979 among other things to, “provide salary advances for staff whose salaries are in arrears”. Management used the income from the Fund to employ and pay casual workers without the authority from the Public Service Commission (PSC) as the employer of all civil servants in accordance with the Public Service Act [*Chapter 16:04*]. A total amount of \$1 497 136 was paid to casual employees without PSC authority. The amount was therefore not authorised as required by section 21(1) of the Public Service Act.

Risk/Implication

The Ministry did not abide by the regulations regarding the engagement of workers as a result funds could be diverted from the purposes for which the Amenities Fund was established.

Recommendations

The Ministry should abide by the legislation governing the operations of the Fund.

In addition, employment of casual workers should be done with authority from the Public Service Commission.

Management Response

The observation is noted. Efforts will be made to rectify the anomaly going forward from 2016. The amount paid relates to casual employees that were engaged to do income generating projects that are raising substantial amount of money to our institutions. Efforts to get authority will be made in future.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Debtors

Findings

Contrary to the accrual basis of accounting applicable to the operations of the Fund, income from students’ fees was at times recognized on cash basis instead of recognizing the revenue when invoices for fees due were raised thereby misstating the debtors in the financial statements for the year under review. In addition, the Colleges had no debtor control systems to enable full accountability of the debtors especially the student debtors. Consequently, this resulted in failure to properly account and disclose debtors in the financial statements for the financial year under review. The table below shows the variance between the figures disclosed in the financial statement against what was reflected in the Consolidated Account.

Institution	Financial Statement balance \$	Consolidated Account \$	Variance \$
Harare Polytechnic	583 155	-	583 155
Bulawayo Polytechnic	463 835	736 537	(272 702)
Mutare Polytechnic	64 048	-	64 048
Kwekwe Polytechnic	341 218	-	341 218
United College of Education	33 034	-	33 034
JM Nkomo Polytechnic	91 849	316 260	(224 411)
Mkoba Teachers	189 622	189 833	(211)
Masvingo Teachers	131 800	245 400	(113 600)
Westgate VTC	35 755	4 378	31 377
Total	\$1 934 316	\$1 492 408	\$441 908

Risk/Implication

If revenue is not recognised on an accrual basis and if there are no debtor control systems in place, the Fund's debtors would not be properly accounted for and disclosed in the financial statements.

Recommendation

The Ministry should consider installing accounting packages such as Pastel at the Institutions to enhance accountability of revenue due to the Fund.

Management Response

The observation is noted. Some of our institutions were preparing financial statements on cash basis while others were using accrual accounting. Furthermore, staff performance gaps also affected the reporting quality of our financial statements. The accounting framework will be standardized to the accrual accounting system during 2016. Efforts will be made to properly recognize the debtors.

3 MANAGEMENT OF ASSETS

3.1 Assets

Findings

The consolidated financial statements did not disclose non-current assets worth \$967 792 in the Statement of Financial Position. The non-current assets were expensed in the Statement of Comprehensive Income. This was the case although

there was a depreciation charge of \$48 292 which was also charged to the Statement of Comprehensive Income. The table below refers:

Institution	Value of assets expensed \$
Bulawayo Polytechnic	9 224
Gweru Polytechnic	46 380
Mutare Polytechnic	22 143
Kwekwe Polytechnic	42 204
Masvingo Teachers	4 624
Masvingo Polytechnic	3 517
Marymount Teachers	67 906
Mutare Teachers	346 225
United College of Education	32 411
Kushinga	9 880
Westgate VTC	8 909
JM Nkomo	27 345
Mkoba Teachers	305 153
Hillside Teachers	12 558
Belvedere	200
Seke Teachers	15 700
Madziwa Teachers	39 405
Total	\$967 792

Risk/ Implication

Expensing all the assets in the Statement of Comprehensive Income would compromise the accuracy and fairness of the financial statements.

Recommendation

Management should ensure that the Fund's Constitution and Accounting Procedures are developed to guide on the accounting procedures to be followed.

Management Response

The observation is noted. Efforts will be made to rectify the error during 2016 going forward. The anomaly was mainly caused by confusion over the accounting framework to use between cash accounting and the accrual accounting. Staff member competence was also an issue. A standardized accounting system that conforms to IFRS will be adopted in the 2016 financial year.

AMENITIES FUND ACCOUNT 2011

OBJECTIVE OF THE FUND

The Objective of the Fund is to provide students with facilities for sporting, social and cultural, sponsor education in subjects of a technical and cultural or intellectual nature, provide additional study aids for students. The Fund also provides salary advances for staff whose salaries are in arrears, canteen facilities for students and facilitates the production of learning aids.

I have audited the financial statements of the Amenities Fund Account for the year ended December 31, 2011.

Opinion

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 audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the Amenities Fund of the Ministry of Higher and Tertiary Education, Science and Technology Development as at December 31, 2011.

Basis for Disclaimer of Opinion

1 GOVERNANCE ISSUES

1.1 Late submission of Financial Statements

Finding

The Fund's financial statements for the 2011 financial year were submitted for audit on April 30, 2014. The delay was a violation of section 35 (4) of the Public Finance Management Act, [Chapter 22:19] which requires the Ministry to submit the financial statements within three months after the end of the financial year.

Risk/Implication

The late submission was in violation of statutory provisions and compromises accountability, effective decision making and good governance.

Recommendation

Management should ensure that financial statements are submitted within the statutory deadline.

Management Response

The observation is noted. The financial statements submitted by institutions had errors and this caused the delay in submission of the consolidated financial statements to the Auditor-General. Going forward efforts will be made to submit financial statements on time from 2016. We have twenty-seven (27) institutions throughout the country. Some of the institutions had manpower and competency challenges.

1.2 Constitution of the Fund

The Fund was operating without an approved Constitution since its inception in 1979. Up to the time of audit, the Constitution of the Fund had not yet been tabled in Parliament and no progress was made in fulfilling this requirement.

Risk/Implication

In the absence of an approved Constitution, there would be no legal basis on which to evaluate the performance of the Fund.

Recommendation

The Ministry should ensure that all Funds under its jurisdiction have approved constitutions as provided for in section 18 of the Public Finance Management Act [*Chapter 22:19*].

Management Response

The observation is noted. The Ministry did engage Treasury but the issue was not processed to finality. Draft Constitution was submitted to Treasury. Efforts will be made to rectify the anomaly.

1.3 Accumulated Fund

The Fund had an opening Accumulated Fund figure of \$2 006 028 which was different from the 2010 closing Accumulated Fund figure of \$1 718 280 resulting in unreconciled difference of \$287 748.

Risk/Implication

Having incorrect opening accumulated fund balances would result in misstatement of the financial statements.

Recommendation

There is need to ensure that correct accumulated fund balances are used in the preparation of financial statements.

Management Response

The observation is noted. Financial statements that were submitted to the Auditor-General had a suspense account due to imbalances in financial statements submitted by institutions to Head Office for consolidation. The Ministry is still investigating the error. Efforts to train and develop the accountants to prepare proper financial statements will be made.

Evaluation of Management Response

The suspense account balance in the financial statements cannot be cleared through the accumulated fund without carrying out proper investigations.

1.4 Maintenance of Accounting Records

The Colleges were not maintaining proper books of accounts. This was evidenced by the fact that some Institutions' financial statements were being prepared from payment vouchers. This resulted in numerous variances between the aggregate financial statement balances and balances as per records inspected by audit. As a result, I could not ascertain the accuracy and fairness of revenue and expenditure disclosed in the financial statements submitted for audit which amounted to \$9 234 712 and \$9 491 901 respectively.

Risk/ Implication

If ledgers are not maintained and cash books not properly maintained, fraudulent transactions, errors and omissions may go through undetected. This also weakens the internal controls of the organization.

Recommendation

The Ministry should put in place mechanisms that ensure proper maintenance of accounting records to ensure accuracy of figures reported in the financial statements.

Management Response

The observation is noted. Some of our institutions were preparing financial statements using cash accounting system as used generally in government while others were using accrual accounting as per IFRS. From the 2016 financial year accrual accounting will be used. The Ministry has encouraged institutions to run their respective accounts on a computerized accounting system preferably pastel.

1.5 Suspense Account

Findings

The trial balance showed a balance of \$437 998 which was not reflected in the financial statements submitted for audit. I could not therefore rely on the financial statements.

Risk/Implication

The financial statements may be materially misstated.

Recommendation

The suspense should be investigated and adjusted accordingly.

Management Response

The observation is noted. As indicated in 1.3 above the Financial Statements submitted by institutions had imbalances and the consolidated account had a suspense imbalance. We submitted the return to the Auditor-General while investigations were on going. The anomaly will be investigated in the year 2016.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Debtors

Finding

The total debtors disclosed in the Consolidated Financial Statements was \$686 994, whilst in the institutional financial statements the figure was \$1 853 101. I could not ascertain why the other debtors were not included in the consolidated financial statements. I could therefore not place reliance on the financial statements submitted for audit. The table below shows the breakdown:

Institution	Financial Statement balance \$	Consolidated Account \$	Variance \$
Harare Polytechnic	161 880	-	161 880
Bulawayo Polytechnic	686 934	-	686 934
Gweru Polytechnic	129 803	129 803	0
Mutare Polytechnic	70 121	-	70121
Kwekwe Polytechnic	208 500	-	208 500
Marymount Teachers	43 926	-	43 926
United College Of Education	8 246	8 246	0
JM Nkomo Polytechnic	462 800	462 800	0
Mkoba Teachers	80 867	80 867	0
Westgate VTC	24	5 278	(5 254)
Total	\$1 853 101	\$686 994	\$1 166 107

Risks/Implications

Reliability on the financial statements is compromised by such variances.

Fictitious figures might be inserted to balance off the accounts.

Recommendation

The Ministry should ensure that accurate information is disclosed in the financial statements.

Management Response

The observation is noted. As indicated in 1.3 above the financial statements submitted by institutions had imbalances and the consolidated account had a suspense balance. We submitted the return to the Auditor-General while investigations were on going. The anomaly will be investigated in the year 2016.

3 ASSET MANAGEMENT

3.1 Assets

Findings

I observed that some institutions had expensed their assets in the Statement of Comprehensive Income. For those that had capitalised their assets, upon consolidation at Head Office, those assets were then expensed. A total of \$924 012 worth of assets were expensed in the Consolidated Statement of Comprehensive Income. This was contrary to the requirements of Generally Accepted Accounting

Practices which require assets to be capitalised. The values of the expensed assets for each institution are tabled below:

Institution	Value of assets expensed \$
Bulawayo Polytechnic	861
Gweru Polytechnic	113 935
Mutare Polytechnic	16 230
Kwekwe Polytechnic	49 459
Masvingo Teachers	58 007
Marymount Teachers	112 035
Mutare Teachers	148 605
United College of Education	32 411
Kushinga	6 980
Westgate VTC	8 087
JM Nkomo	4 481
Mkoba Teachers	260 419
Hillside Teachers	92 007
Belvedere	580
Seke Teachers	12 284
Madziwa Teachers	7 376
Morgan Teachers	255
Total	\$924 012

Risk/Implication

Expensing all the assets in the financial statements would compromise the accuracy and fairness of the financial statements

Recommendation

Management should ensure that the Fund's Constitution and Accounting Procedures are set to guide on the accounting procedures to be followed.

Management Response

The observation is noted. Some of our institutions were preparing financial statements on cash basis while others were using accrual accounting. Furthermore, staff performance gaps also affected the reporting quality of our financial statements. The accounting framework will be standardized to accrual accounting system during year 2016. Efforts will be made to properly recognize the assets.

INNOVATION AND COMMERCIALISATION FUND 2015

OBJECTIVE OF THE FUND

The Fund was established in September 2004 to support the development and commercialization of innovation in Zimbabwe.

I have audited the financial statements of the Innovation and Commercialisation Fund for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Innovation and Commercialisation as at December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Debt Written-off

Finding

An amount of \$47 155 in respect of Accounts Receivable was written off during the financial year ended December 31, 2015. I was not provided with Treasury authority to write-off this amount as per the requirements of Treasury Instruction 0531.

Risk/Implication

Public funds may not be properly accounted for.

Recommendation

All debts to be written off must be authorised by the relevant authority as required by Treasury Instruction 0531.

Management Response

The observation is noted. The debt relates to payments made through the Fund with the hope of getting a refund from Treasury. Treasury has not been releasing any significant funds. The Ministry therefore expensed the total debt outstanding.

1.2 Loan Recoveries

Finding

As was reported in my previous year's report, the Fund did not meet its objectives due to unavailability of resources. This was due to the Fund's failure to recover loans worth \$201 344 which had been advanced to various debtors. Only \$1 000 was repaid by one promoter despite the fact that all loan beneficiaries should have started repaying after a grace period of six months as provided for in section 2 (2.2) of the Standard Operating Procedures Manual.

Risk/Implication

The revolving nature of the Fund may not be realised.

Recommendations

Management should ensure that the defaulting project promoters are followed up so that funds are available for meeting objectives of the Fund.

The Ministry should also engage the Attorney-General's Office for assistance in recovering the loans.

Management Response

The observation is noted. The Ministry is currently in the process of charting a way forward regarding the loan disbursements in line with the objectives of the fund. Disbursements already made have proved unsustainable. Further disbursements may only worsen the situation as current beneficiaries are not paying as agreed.

1.3 Investment of Cash

Finding

In my previous year's report, I observed that \$85 531 belonging to the Fund had been lying idle in the bank for the past two years as the Fund had been dormant. This was contrary to the requirements of section 4(d) of the Fund's Constitution which provides for funds not required for immediate use to be invested. Instead the Fund was incurring bank charges. During the year under review, the Fund had an opening bank balance of \$85 531 and a closing balance of \$80 331 as at December 31, 2015.

Risk/Implication

If the funds remain idle for too long, unnecessary bank charges will be incurred and the funds may also end up being used for other purposes not related to the mandate of the Fund.

Recommendation

The funds should be invested as per the provisions of the Constitution of the Fund, and earn interest instead of incurring bank charges.

Management Response

The observation is noted. There are projects that were recommended for funding. The bureaucratic nature of government processes and procedures should be adhered to although it delays the utilisation of funds. However, the gradual consumption of the cash at bank through bank charges is worrisome. The operations and sustainability of the program is being reviewed.

INNOVATION AND COMMERCIALISATION FUND 2014

OBJECTIVES OF THE FUND

The Fund was established in September 2004 to support the development and commercialization of innovation in Zimbabwe.

I have audited the financial statements of Innovation and Commercialisation Fund for the year ended December 31, 2014.

Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Innovation and Commercialisation Fund as at December 31, 2014 and financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Overdue Loan Payments

Finding

The Fund did not meet its objectives for the past two financial years due to its failure to recover loans that were issued to members of the public who did not have viable projects. The outstanding loans stood at \$185 909 at the end of the year under review. This situation prevailed despite the fact that all loan beneficiaries should have started repayment after a grace period of six months and thereafter the loans became due as provided for in section 4(2.2) of the Standard Operating Procedures Manual.

Risk/Implication

If beneficiaries of the Fund do not pay their loans, this would inevitably lead to a situation that would terminate the revolving nature of the facility thus resulting in other potential beneficiaries of the Fund failing to utilize the facility.

Recommendations

The Ministry should ensure that all loans are recovered to enable the Fund to fulfill its objectives and to continue operating as a revolving Fund.

The Ministry should do everything possible to preserve the intended revolving nature of the Fund and could engage Treasury on how best this could be achieved, i.e. pursuing the issue of the bank disbursing the loans of the Fund as was originally planned.

Management Response

The Ministry has written to the beneficiaries that they should start repayments but to date no one has repaid. The Honourable Deputy Minister had a meeting with the beneficiaries on March 4, 2015 but again the Ministry is still to get positive response. The viability and sustainability of the programme is being reviewed.

NATIONAL EDUCATION AND TRAINING FUND 2014

OBJECTIVES OF THE FUND

The Objective of the Fund is to provide grants and interest bearing loans to enable deserving students who are citizens of Zimbabwe and who are of well attested ability and proven diligence, to pursue course of studies leading to the acquisition of professional qualifications at local and foreign universities, teachers and agricultural colleges and other institutions of higher learning approved by the Secretary.

I have audited the financial statements of the National Education and Training Fund for the year ended December 31, 2014.

Opinion

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 audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the National Education and Training Fund financial statements of the Ministry of Higher and Tertiary Education, Science and Technology Development as at December 31, 2014.

Basis for Disclaimer of Opinion

1 GOVERNANCE ISSUES

1.1 Non-Disclosure of Creditors and Maintenance of Records

Finding

The Government of Zimbabwe created a constructive obligation through the undertaking to pay stipends to students on bilateral scholarships to sustain their stay in foreign countries. However, Government did not fulfill its side of the bargain resulting in outstanding stipends amounting to \$1 221 500. The detailed breakdown of the figure was not produced for audit examination. The outstanding stipends were not disclosed in the financial statements submitted for audit. I could therefore not rely on the financial statements as the accuracy of figures contained therein cannot be ascertained.

Risk/ Implication

The outstanding stipends could have been misstated. If submissions for funding to Treasury are made basing on figures whose accuracy cannot be ascertained, then the releases may not be adequate.

Recommendation

The Ministry should comply with the provisions of Section 81(4) of the Public Finance Management Act [Chapter 22:19] in the provision of information as requested for audit examination. Consideration of creditors should be made and accurate and reliable figures for the amounts owing at the end of the accounting period should be disclosed to enable effective planning for the next period.

Management Response

The observation is noted. Efforts to rectify the omission are underway. Going forward outstanding stipends will be disclosed in the financial statements as from 2016 financial year. The Ministry is also making deliberate effort to train the accountants to prepare proper financial statements.

1.2 Expenditure not Disclosed in the Correct Period

Finding

While the financial statements submitted for audit indicated that expenditure totaling \$528 931 was incurred during the year, a review of the payment vouchers revealed that \$314 000 related to prior periods to which no creditors in respect of outstanding cadetship grants were disclosed in the respective periods. Below is the breakdown:

Date	Voucher No.	Beneficiary	Period	Amount paid
09/04/14	2/14	Joshua Mqabuko Nkomo Polytechnic	2012	34 900
26/05/14	74/14	Midlands State University	2011	1 000
	“	“	2012	1 950
	“	“	2013	2 950
23/07/14	37/14	University of Zimbabwe	2010	14 100
	“	“	2011	37 150
	“	“	2012	32 500
	“	“	2013	2 300
	“	“	No period	13 150
31/07/14	54/14	Great Zimbabwe University	2011	300
	“	“	2012	1 700
	“	“	2013	18 000
04/09/14	77/14	University of Zimbabwe	2011	83 550
	“	“	2012	16 450
04/11/14	94/14	Harare Polytechnic	2011	54 000
		Total		\$314 000

Risk/ Implication

The financial statements could be misleading.

Recommendation

The Ministry should ensure that expenditure for the Fund is disclosed in the relevant accounting period.

Management Response

The observation is noted. The Ministry owed \$62 million cadetship fees to institutions as at December 31, 2014. However, this amount was not disclosed as a liability in the financial statements in error. The error has been rectified in the 2016 financial statements, the amount owing is now accrued. The Ministry is also making deliberate effort to train the accountants to prepare financial statements on an accrual basis.

1.3 Issuing of Student Loans without Following Proper Procedures

Finding

Although the Fund's constitution stipulates that expenditure of the Fund includes payment of approved loans, grants for tuition, stipends and fares, however, a total amount of \$19 078 from a sample of 16 students was spent on tuition, food and accommodation at local universities and abroad. Such payments were made as other expenditure giving the impression that the students may not have been among those who qualify to be funded by the Ministry in terms of the Fund's constitution. The table below refers:

Institution	Voucher No.	Date	Amount
			\$
University Of Zimbabwe	10/14	13/2/14	1 172
University Of Zimbabwe	11/14	11/2/14	1 122
Zimbabwe Embassy Cuba	12/14	10/2/14	2 745
Chinhoyi University	16/14	13/3/14	1 000
Solusi University	27/14	4/6/14	2 245
Midlands State University	31/14	4/6/14	2 514
University Of Zimbabwe	32/14	4/6/14	1 604
NUST	35/14	23/7/14	1 130
Bindura University	36/14	23/7/14	1 054
University Of Zimbabwe	38/14	23/7/14	1 172
MSU	39/14	23/7/14	2 388
University of Zimbabwe	40/14	23/7/14	932
Total			\$19 078

Risk/ Implication

Sponsorships could have been made without following due process of going through the selection committee resulting in sponsoring undeserving beneficiaries.

Recommendation

All students who qualify for sponsorship should follow the laid down process and there is need to regularise the above noted anomalies.

Management Response

The observation is noted. The payments made to the students were full fees as approved by the Accounting Officer on an in-need basis. These are desperate cases for needy students identified through the institutions and other Government departments who recommend them for full funding which falls outside the cadetship programme. After consideration of each case submitted, the funding for the student is approved by the Accounting Officer. The Ministry is recognising the funding as a full scholarship.

Evaluation of Management Response

Necessary documentation showing recommendations by other institutions or government departments as well as Accounting Officer's authority should be availed.

1.4 Cadetship Grant

Finding

I was not provided with the database of all the beneficiaries of the scheme and the conditions under which the scheme was being operated. Disbursements were made on the basis of lists supplied by the universities and colleges. The Fund disbursed amounts totaling \$528 931 in respect of cadetship grant. I could therefore not satisfy myself that the above amount was disbursed for the benefit of deserving students. The matter was also raised in my previous reports.

Risk/ Implication

The Ministry may inadvertently pay ghost students if an independent record with relevant personal details of the students on cadetship is not maintained.

Recommendation

The Ministry should ensure that a database of all students on cadetship is maintained and reconciliations done periodically.

Management Response

While overall administration of Cadetship programme is done at Head Office, individual ledgers for students on cadetship are done at the Institutions. The cadetship database has been created in the 2016 financial year in consultation with institutions.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Budgeting

Finding

The Fund's budget according to the 2014 estimates amounted to \$6 076 000. I was not provided with detailed breakdown of the amount. I was therefore not able to evaluate whether the operations of the Fund during the year were conducted within the confines of an approved budget.

Risk/Implication

The absence of a budget breakdown meant that the Fund had no tool with which expenditure was controlled.

Recommendation

An annual itemised operating budget should always be prepared and maintained because it is a tool that helps Management to spend in a controlled and transparent manner. The Ministry is also urged to comply with the provisions of Section 80 (3) (d) of the Public Finance Management Act [*Chapter 22:19*] in making relevant information and documents available as requested for audit purposes.

Management Response

The observation is noted. Budget estimates for the Fund is catered for in the Appropriation Budget under Cadetship and Scholarships. A budget breakdown was prepared for submission to Treasury, however it was saved electronically. The flash was corrupted and we lost all the information. Going forward proper budgets will be prepared for the Cadetship and Scholarships and hard copies filed.

2.2 Non-disclosure of Debtors

Finding

As was reported in my previous report I noted with concern that loans issued to students on national scholarship programmes in various foreign tertiary institutions were not properly treated in the financial statements. From a sample of payment

vouchers examined, payment of scholarships amounting to \$51 591 detailed below was improperly recognised as fares and stipends.

Date	Voucher No.	Institution	Amount paid (\$)
12/11/2014	97/14	University of Namibia	7 869
12/11/2014	106/14	University of Witwatersrand	6 221
12/11/2014	109/14	University of Pretoria	9 388
1/12/2014	119/14	Jiangsu University	3 656
4/12/2014	125/14	University of Witwatersrand	8 372
4/12/2014	129/14	University of Cape Town	4 462
4/12/2014	132/14	University of Pretoria	11 623
	Total		\$51 591

The financial statements for the year under review did properly disclose the operations of the Fund.

Risk/ Implication

The financial statements may be misleading and follow up on debtors due may become difficult because of the absence of debtors records.

Recommendation

Scholarship issued during the period should be properly disclosed and accurate records for students issued with loans should be maintained.

Management Response

The Ministry is currently in the process of preparing the Debtors' Ledgers which will result in full disclosure in future. The confusion was on the treatment of the loan. The beneficiaries believed the support was an outright scholarship. The Ministry will decide on the matter and related interest charges on the funding for the future.

Evaluation of Management Response

The issue of loans issued to students on national scholarship programmes has been recurring for the past three years. Loans continue to be issued every year and they are treated as expenditure in the income statement yet beneficiaries were signing loan agreement forms. It is the responsibility of the Ministry to clarify issues to recipients

VOTE 17.- YOUTH, INDIGENISATION AND ECONOMIC EMPOWERMENT

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Youth, Indigenisation and Economic Empowerment for the year ended December 31, 2016.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Youth, Indigenisation and Economic Empowerment for the year ended December 31, 2016.

Basis for Qualified Opinion

1 EMPLOYMENT COSTS

1.1 Salaries and Allowances

Finding

Treasury Instruction 0952 states that, the sub-head "Salaries, Wages and Allowances" shall be debited with such expenditure in respect of all officers included therein according to the estimates, and such additional establishment as may be authorized by the Treasury. Contrary to the above provision, the Ministry understated its employment costs for the year under review by \$9 862 963. Payments in respect of employment costs processed by the Salary Services Bureau (SSB) amounted to \$36 955 752, whilst the Ministry's ledger had \$27 092 789 leaving a variance of \$9 862 963 unaccounted for and unreconciled. As a result of the above, I was not convinced that the Appropriation Account shows a true position in respect of expenditure incurred under salaries and allowances.

Risk/Implication

Failure to properly monitor and reconcile employment costs may result in improper payments being made and incorrect figures may be disclosed.

Recommendation

Management should reconcile with SSB so that they recognize \$9 862 963 as part of employment costs of the Ministry.

Management Response

The amount of \$9 862 963 said to have been unaccounted for, relates to employees that were affected by the restructuring exercise carried out by the Public Service Commission (PSC). The affected members are still at work, at their respective work stations in the Ministry but are no longer on the establishment. The members are still waiting for redeployment.

Evaluation of Management Response

The amount of \$9 862 963 relates to Salaries and Allowances paid to employees working under Ministry of Youth, Indigenisation and Economic Empowerment and such costs should form part of the Ministry's wage bill for the year 2016. These people acquit their paysheets under the Ministry of Youth, Indigenisation and Economic Empowerment

HOWEVER, below are other material issues that were noted during the audit:

1 GOVERNANCE ISSUES

1.1 Traveling and Subsistence Allowances Refunds

Finding

As reported in my 2015 audit report, the Ministry was failing to pay travelling allowances on time to its employees travelling locally and abroad on Government business. The total liability as at December 31, 2016 was \$104 106. The liability comprises of unproved supplementary allowances for both local and fully sponsored foreign trips. The officials travelled after obtaining Cabinet authorities but before getting supplementary allowances which took a bit of time to process or were not released on time by Treasury.

Risk/Implication

Accumulation of unpaid allowances by the Ministry would reduce staff morale thereby affecting service delivery.

Recommendation

Management should come up with a plan on how they intend to clear the outstanding supplementary and other allowances relating to its employees.

Management Response

This was a result of inadequate releases during the period under review against a background of urgent critical issues requiring officers to travel before releases were made. The Ministry is in the process of paying officers against the current releases hoping to clear the balance by December 31, 2017 if releases from Treasury continue to come.

2 EMPLOYMENT COSTS

2.1 Staff Rationalisation

Finding

Pursuant to the ongoing rationalization exercise in the Public Service, the Secretary for the Public Service Commission instructed the Ministry of Youth in a letter dated July 26, 2016 REF E/47/1/435 to streamline its workforce from the current 6 271 posts to 2 585 posts in line with the new Detailed Establishment Tables (DET) for the Ministry of Youth, Indigenisation and Economic Empowerment. However, the Ministry partially implemented the directive and of the 3 686 abolished posts, 3 549 posts were still on the Ministry's payroll as at March 31, 2017.

Risk/Implication

Failure to rationalise may result in utilization of public funds on employees who are no longer required. Such funds could have been used to fund other critical operations of the Ministry.

Recommendation

Management should comply with the Public Service Commission directive and reduce its workforce in line with the approved new DET.

Management Response

The Ministry is complying with the rationalization exercise with regard to Public Service Commission (PSC) directives. However, the query on excess staff is misdirected to the Ministry. PSC is the best authority to respond to the query.

Evaluation of Management Response

The query is not misdirected, the issues relate to employees who are working under Ministry of Youth, Indigenisation and Economic Empowerment. The Ministry should rationalise and advise PSC accordingly.

2.2 Recovery of Disallowances

Finding

As reported in my 2015 audit report, the Ministry has not been effective in the management of disallowances as the figure has been rising since 2009 with negligible recoveries being made. At the time of concluding my audit as at March 31, 2017, long outstanding disallowances amounted to \$128 012. This was in contravention of Treasury Instruction 1605 which states that Accounting officers are responsible for the recovery of disallowances and shall ensure that this is done as soon as possible.

Risk/Implication

Delays in recovering outstanding departmental disallowances may result in financial resources that could be used to finance Ministry operations, being tied up in debts.

Recommendation

Disallowances should be regularly monitored to ensure prompt recovery of financial resources that could be used to finance Ministry operations.

Management Response

The Ministry has engaged provincial offices to assist in recovering the outstanding amounts as the members are no longer with the Ministry.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Uploading of Assets in the Public Finance Management System

The Ministry has not yet uploaded its assets in the Public Finance Management System.

3.2 Redundant Assets

Boards of Surveys have now been conducted by the Ministry.

YOUTH DEVELOPMENT AND EMPLOYMENT CREATION FUND 2015

OBJECTIVE OF THE FUND

The purpose of the Fund is to mobilise financial resources for on-lending to youth businesses, projects and youths intending to start income generating projects and businesses to empower and create employment for them.

I have audited the Youth Development and Employment Creation Fund for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Youth Development and Employment Creation Fund as at December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Vocational Training Centres Financial Information

Finding

The Constitution of the Fund was amended through Treasury Minute B/50/63 dated December 10, 2015 to incorporate the financial transactions of all the Vocational Training Centres (VTCs). However, the Fund prepared and submitted for audit financial statements that did not include financial transactions for VTCs. Therefore, revenue and expenditure amounting to \$2 133 260 and \$2 069 495 respectively was not accounted for in the financial statements for the year ended December 31, 2015.

Risk/Implication

Failure to implement the provisions of the amended constitution might lead to misappropriation of financial resources of the Training Centres as they have not been accounted for.

Recommendation

Management should implement the provisions of the new Constitution by consolidating the activities of Vocational Training Centres with Youth Development and Employment Creation Fund.

Management Response

The Ministry has since started working on consolidating the financial information of VTCs with that of the Fund. Monthly provincial reports are being submitted to head office for consolidation. The report will be completed in time to meet the 2016 financial year end submission deadline.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Loans

Findings

Treasury Instruction 0501 requires Officers responsible for collecting debts to take adequate steps to collect any sums due to the Government on due date and shall on no account allow a debt to become extinguished through lapse of time. The Fund has not been effective in recovering loans issued to youths. During the year, only \$586 was recovered as loan repayments leaving the long outstanding loan balance of \$532 369 indicating a high default rate by borrowers.

For the fourth year in succession, no allowance was created to recognize the potential loss that would arise as a result of irrecoverable loans.

Risks/Implications

Delays in recovering outstanding debts may result in the outstanding amounts being irrecoverable. This would impact negatively on the Fund's operations.

The figure of loans disclosed in the financial statements could be misstated if the Fund does not create an allowance to recognise the potential loss that would arise as a result of irrecoverable loans.

Recommendations

Management should make more efforts to recover all outstanding debts. Where debts have become irrecoverable, appropriate action should be taken as this will ensure reliability of financial information disclosed in the financial statements.

The Fund should create an allowance to recognise the potential loss that could arise as a result of irrecoverable loans.

Management Response

The Ministry has signed copies of agreement forms from CBZ for submission to the Attorney-General's office for guidance on instituting litigation against the defaulters. The Ministry will then proceed as per the guidance of the Attorney-General's Office.

As regards the IDBZ portfolio with an outstanding balance of \$532 369, the Ministry is still engaging the bank to find an amicable way of recovering the

loans. Letters of demand were issued by the bank but these did not yield any positive results hence the Ministry is still pursuing the issue.

As regards direct disbursements to beneficiaries from the Youth Development and Employment Fund, engagements with the respective defaulters have started and final demand letters will be dispatched by November 30, 2016, with a grace period of two weeks after which legal action with the assistance of civil division will be considered.

The Ministry will make a provision for loss in the Fund's financial statements. In addition, the Ministry will continue to engage the bank in the quest to recover the amounts advanced since it was responsible for disbursement of funds.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Investments

Findings

In my 2014 audit report I observed that in 2010, the Fund concluded a Memorandum of Understanding (MOU) with the Commercial Bank of Zimbabwe (CBZ) where the Fund would provide Youth Empowerment Facility (YEF) Guarantee Fund to the bank. The Commercial Bank of Zimbabwe would invest the same on behalf of the Fund in a high yielding investment with the return on the investment being reinvested thereby boosting the guarantee funds. CBZ Bank would give its own funds against the Guarantee Fund set aside by the Fund on an 80:20 risk sharing proportion (that is, the Fund taking 80% risk for the loans given and CBZ taking 20%). The bank would thereafter issue loans to youths with the Fund's investments pledged as collateral. For the second year in succession there was no evidence that the above arrangement was authorised by the Minister of Finance as required by Section 61 of the Public Finance Management Act.

The investment figure of \$1 737 654 disclosed in the financial statements relates to an investment with CBZ that was used as collateral on loans issued to youths. By December 31, 2015 loans amounting to \$1 972 251 issued to beneficiaries had been declared irrecoverable by the bank. Accordingly, the bank was to recover its money from those investments.

Risks/Implications

State funds would be exposed to misappropriation if guarantees are given without appropriate authority.

The Fund's Investments might be taken over by the bank if loans are not paid back.

Recommendations

The Fund should liaise with Treasury to have the Youth Empowerment Facility (YEF) Guarantee Fund regularised.

The management of the Fund should engage the bank to recover loans issued.

Management Response

The audit observation is noted. Management will submit draft agreement to the Attorney-General for his opinion before seeking Treasury authority for the Youth Empowerment Facility Loan Guarantee Investment.

The Ministry and the Bank are working on loan recovery strategies before the bank's claim on irrecoverable debts can be honoured. The Ministry and CBZ officials resolved that disbursements against \$1 700 000 in the Ministry's investment account be suspended pending designing of a recovery mechanism for outstanding loans accessed by the youths. To this end the Bank was requested to send out final demand letters and the Ministry is following up with the Bank.

1.2 Chivhu Piggery Project

Findings

Management did not avail documentation on the establishment of Chivhu piggery project for my examination, neither were there documents providing guidance for administration and governance of the project, I therefore could not validate the operations of the project.

The Fund failed to account for \$211 213 disbursed to Chivhu Piggery Project for the period 2009 to 2015. For the period the Project was in existence, no books of accounts were maintained, neither were financial statements prepared. This was contrary to Treasury Instruction 0705 which states that every Accounting Officer or Officer administering a Fund shall ensure that full and proper accounts are kept of the transaction for which he is responsible. As a result, I was not able to verify the amount of revenue generated and expenditure incurred by the project.

According to the records at hand, when the project ceased operations, it owed its employees \$13 005 in salaries. As at December 31, 2015 \$11 475 was still owing. The project was also owed \$14 135 by various individuals and institutions in the form of loans. These amounts were not disclosed in the financial statements of the Fund for the year ended December 31, 2015. I also noted that employees' salary arrears were settled in the form of assets (pigs) of the project. The basis used for the valuation of assets that were used to set off the dues could not be established.

Risks/Implications

In the absence of governance documents, it would be difficult to evaluate the performance of the project.

Without accounting records, accountability of financial resources would be difficult.

The Fund could lose its financial resources through litigation should the former employees and creditors of the project take legal action.

Recommendations

Documentation establishing Chivhu piggery project and governing the project should be availed for audit.

Management should institute an inquiry on how the Project's Funds were utilised.

The creditors of the Chivhu Piggery Project should have their dues paid to avoid litigation.

Management Response

There were no qualified personnel doing the books and the Ministry has since assigned an accountant at Head Office and is currently working on the financial statements for the project.

Efforts are underway to settle the salaries owed and recover debts. Chaminuka Vocational Training Centre (VTC) has paid \$450 and Kaguvi VTC has fully settled its debt. The District and Provincial offices are following up with the Youths who benefited from "Pass the pig programme". Audit will be furnished with the detailed report on debt repayment together with the accounts.

Revenue from the sale of the remaining pigs was used to pay salary arrears to former employees. Any further debt recoveries would also go towards settlement of salary arrears. Setting-off of salary arrears with pigs was based on the prevailing market price of \$2.50 per kilogram. The porkers had an average weight of 60 kilograms each.

VOTE 18.- HOME AFFAIRS

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Home Affairs for the year ended December 31, 2016.

Opinion

In my opinion the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Home Affairs as at December 31, 2016.

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

1 GOVERNANCE ISSUES

1.1 Failure to prepare payment vouchers

Finding

The Departments of Administration and General and Immigration Services did not compile payment vouchers in violation of Treasury Instruction 1205 which requires vouchers to be prepared and to be properly certified. The table below refers:

Document Number	Date	Details	Amount (\$)
<i>Administration and General</i>			
1900023326	22/02/16	Diaries and calendars	4 550
1900023466	04/04/16	Stock registers outstanding	159
1900023629	16/05/16	Computer consumables	1 040
1900023645	26/05/16	Annual Report	1 925
1900023789	14/07/16	Balance for toner cartridge	1 920
1900024144	08/09/16	Stationery	2 387
1500016141	04/02/16	Redan	9 988
1500016232	24/02/16	Redan	9 996
1500016568	17/06/16	Redan	9 012
1500016784	01/08/16	Redan	13 999
1500017355	29/12/16	Redan	7 998
1500016144	03/02/16	MCT Investments	1 801
1500016207	16/02/16	Davecon	2 097
1500016318	05/04/16	Clover leaf motors	271
1500016509	18/05/16	Treadmark	2 580
1500016584	27/06/16	Rylett motors(AMC)	3 823
1500016946	06/09/16	Clover leaf motors	3 015
1500016954	09/09/16	Treadmark	2 619
Total			\$81 620

<i>Immigration Services</i>			
1900023636	19/05/16	LAPF	25 000
1900023635	19/05/16	Dawn Properties	10 000
1900023702	15/06/16	Dawn Properties	20 000
1900023703	15/06/16	Dawn Properties	15 000
5105610586	01/09/16	Afrosoft Holdings	45 000
5105610587	01/09/16	Afrosoft Holdings	45 000
5100002281	14/10/16	Genesis Travel	4 891
1900024209	14/10/16	Immigration services fund	2 957
1900024346	21/11/16	LAPF	10 000
1900024347	21/11/16	Dawn Properties	5 000
5100002299	19/12/16	ZIMRA	34 000
5100002300	19/12/16	Afrosoft	51 094
5100002231	20/05/16	Afrosoft	50 000
5100002232	20/05/16	Afrosoft	50 000
1900024158	23/09/16	Dawn Properties	20 000
1900024159	23/09/16	LAPF	30 000
Total			\$417 942

Risk/Implication

There is risk that dual payments may be done.

Recommendation

The Department should compile payment vouchers and supporting documents attached to the vouchers should be stamped Supporting Voucher Only to ensure that they are not used again.

Management Response

The observation has been noted. Payment vouchers will be prepared and stamped.

REGISTRAR GENERAL RETENTION FUND ACCOUNT 2015

OBJECTIVE OF THE FUND

The main objective of this Fund is to provide additional resources for all vital registration exercises, staff training, staff welfare, awarding of merits and informational needs.

I have audited the financial statements of the Registrar General Retention Fund for the year then ended December 31, 2015.

Opinion

In my opinion, except for the 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 and performance of the Registrar General Retention Fund as at December 31, 2015.

Basis for Qualified Opinion

1 GOVERNANCE ISSUE

1.1 Expenditure Variance

I noted that there was a variance of \$1 033 920 between the expenditure in the general ledger and the figure posted to the financial statements. The general ledger reflected \$30 779 160 while the financial statements had \$31 813 080. No reconciliation of the difference was done.

Risk/Implication

There may be over/understatement of expenditure.

Recommendation

The Department should carry out regular reconciliations of the ledger so that errors and omissions are corrected.

Management Response

The observation is noted. This was due to errors of misposting.

ZIMBABWE REPUBLIC POLICE REVOLVING FUND ACCOUNT 2015

OBJECTIVE OF THE FUND

The Fund was established in terms of Section 18 of the Public Finance Management Act [*Chapter 22:19*] to provide money to the Zimbabwe Republic Police for the effective and efficient administration of the Police, especially to lift the morale and well-being of Officers.

I have audited the financial statements of Zimbabwe Republic Police Revolving Fund Account for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position and performance of the Zimbabwe Republic Police Revolving Fund as at December 31, 2015.

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

1 GOVERNANCE ISSUE

1.1 Excess Expenditure over budget

Contrary to the provisions of Section 3 of the Public Finance Management Act [*Chapter 22:19*] whose objective is to secure transparency, accountability and sound management of revenues, expenditure, assets and liabilities the fund for the second year in succession, incurred excess expenditure over income amounting to \$2 559 128. This was due to weaknesses in the budgetary control measures. There was no evidence submitted for audit on approval/authority from Treasury to exceed the budget.

Risk/Implication

The Fund may fail to sustain its operations in the foreseeable future.

Recommendations

The Fund should enhance the monitoring and control of the budget to ensure that they remain within budgeted provision.

Whenever it is imminent that the budget will be exceeded, prior Treasury authority should be sought.

Management Response

Excess expenditure over income of \$2 559 128 emanated from non-cash items of depreciation and loss on conversion rate from Rand to US dollar account.

The Department's total budget for the year comprised of \$35 000 000 from the Fund and \$20 230 000 from the Appropriation Account giving a total of \$55 230 000 excluding employment costs. However, the Department did not receive any funding from Treasury. This resulted in the Fund meeting expenditure items which were supposed to have been funded by Treasury allocation, hence the excess of expenditure over budget.

VOTE 19.- JUSTICE, LEGAL AND PARLIAMENTARY AFFAIRS

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Justice, Legal and Parliamentary Affairs for the year ended December 31, 2016.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Justice, Legal and Parliamentary Affairs for the year ended December 31, 2016.

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

1 GOVERNANCE ISSUES

1.1 Temporary Deposits Account

Finding

The Ministry submitted a return with a net credit balance of \$779 583. Some of the balances disclosed on the return were not supported by specific and identifiable transactions. I was unable to rely on the information contained in the return submitted for audit.

Risk/Implication

If the return does not reflect correct information about specific amounts outstanding in the Temporary Deposits account, fraudulent transactions can be processed without detection.

Recommendation

The Ministry should produce a return that clearly show the breakdown of amounts on Temporary Deposits to facilitate clearance.

Management Response

The observation is noted. However, none clearance of the items in the temporary deposit account was a direct result of configuration glitches by the programmers at the Public Finance Management unit. This was corrected this year and efforts are currently underway to clear all items in the Temporary Deposits account. Our mid-term statutory returns will show a great improvement since debtor creation configuration had been down for over a year and is now up.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Failure to clear outstanding cell phone allowances

Although the Ministry has taken a positive stance in recovery of outstanding cellphone debtors as shown by the current balance of \$98 235 compared to \$142 823 in 2015, there was still need to clear the total amount.

2.2 Failure to clear Outstanding Travelling and Subsistence Advances

Although the Ministry has improved on the recovery rate, the total outstanding balance remained significant at \$287 201 compared to \$511 224 in 2015.

2.3 Outstanding Revenue

There was still need for more effort as the uncleared balance amounting to \$252 140 had increased compared to \$228 230 in 2015.

2.4 Absence of an audit committee

The audit committee is not yet in place.

ATTORNEY-GENERAL'S OFFICE ADMINISTRATION FUND 2015

OBJECTIVE OF THE FUND

The Fund was established for the purpose of providing resources to the Attorney-General's Office for the purpose of enhancing the effectiveness and efficiency of administration of justice.

I have audited the financial statements of Attorney-General's Office Administration Fund Account for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Attorney-General's Office Administration Fund as at December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Inadequately Supported Payments

Finding

In violation of the provisions of section 81(b) of the Public Finance Management Act [*Chapter 22:19*] read in conjunction with Treasury Instruction 1216 and for the third year in succession, management of the Fund made payments amounting to \$14 684 (2014: \$57 488) that were not adequately supported by source documents such as authorisation letters or letters of approval from the Director of Finance and Administration. I was unable to determine whether the expenditure formed a proper charge to the Fund.

Risk/Implication

If payments are made without adequate supporting documents, fraudulent transactions may be processed without detection.

Recommendation

Payment vouchers should be supported by originating source documents in accordance with Treasury Instruction 1216 to prevent the processing of fraudulent transactions.

Management Response

The audit observation is noted. According to the structure of the Attorney-General's Office, the Chief Accountant is a senior member of the Administration and Finance, hence that is why she was chairing the procurement meetings. The Chief Accountant was not authorising payment on any of the payment vouchers whereby she would have chaired the meetings. It has been now resolved that Accountant Administration will now chair the procurement meetings and all minutes will now be recommended by Director Finance and approved by the Secretary.

On requisitions not authorised by the Director Finance we have since regularised that and Director Finance is now authorising the requisitions.

Evaluation of Management Response

The Ministry did not respond to the issue of missing supporting documents.

DEEDS AND COMPANIES OFFICE FUND 2015

OBJECTIVE OF THE FUND

The Fund was established for the purpose of providing money to the Registrar of Deeds and Companies Office, for its effective and efficient administration.

I have audited the Deeds and Companies Office Fund Account for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Deeds and Companies Office Fund as at December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Loss of Revenue due to Fraudulent Activities

Finding

Due to continued existence of weaknesses in the internal control system for revenue collection and recording, the Fund lost at least \$10 322 (2014: \$12 025) through fraudulent activities perpetrated by employees of the Deeds Office. The fraudulent activities were again committed by examiners in the processing of certificates of incorporation and Deed of Transfers by way of endorsing forged receipt numbers on those documents.

Risk/Implication

If key internal controls in the system of revenue collection are not strengthened, the Fund may continue losing revenue through fraudulent activities.

Recommendations

The Administrators of the Fund should ensure that internal control systems in the collection, recording of revenue and processing of certificates of incorporation and Deeds of Transfer are strengthened to prevent recurrence of fraudulent activities. The work of examiners and registrars should also be continuously supervised and monitored by management.

Furthermore, appropriate disciplinary action should be taken against those who deliberately committed fraud, in order to deter employees from committing acts of fraud.

Management Response

The audit observation is noted. However, the Department has since introduced the Sales and Distribution Module for receipting revenue to curb revenue leakages. To improve internal controls, all Examiners and Registrars now view receipts in the PFMS before processing documents. Prior years' fraudulent activities unearthed by the audit have resulted in the Department invoking the Public Service Regulations, 2000. Culprits are being brought to book. To recover revenue lost, all fraudulently registered proprietary rights are reported to the Serious Frauds Squad section.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Registration of Properties valued in Zimbabwean Dollars

Findings

There were some properties purchased before the use of the US dollar Currency whose transfers were delayed and were registered in 2013, 2014 and 2015 based on values stated in Zimbabwean Dollar Currency. These properties attracted a stamp duty of one US Dollar (\$1) only, instead they should have been revalued using the US Dollar Currency to reflect realistic values for stamp duty purposes.

Furthermore, property values used to calculate stamp duty payable were based on values merely declared by clients. There was no evidence of independent valuation of properties as required by Sections 23 (4) and (5) of the Stamp Duty Act [*Chapter 23.09*]. There was lack of proper direction on valuation of properties for the purposes of calculating stamp duty.

Risks/Implications

The Fund may continue to lose revenue if properties sold and valued in Zimbabwean dollars are allowed to be registered based in that currency, seven years after the currency was abandoned.

Stamp duty fees may be understated if inaccurate values are used.

Since the declaration of property value is done by the client, there may be a tendency to declare properties that were sold during the Zimbabwe currency era in order to pay less in stamp duty.

Recommendations

The Administrators of the Fund should ensure that the provisions of the Stamp Duty Act [*Chapter 23:09*] are adhered to and independent valuations of property should be done. Furthermore, property with contracts of sale valued in Zimbabwean dollars should be revalued in United States Dollars.

There is need to check on the accuracy of property values that are declared by owners to ensure that correct values are used as basis for calculating stamp duty.

Management Response

The audit observation is noted. However, properties with contracts of sale valued in Zimbabwean Dollars whose change of ownership delayed requires a legal framework that will guide the Department in handling such transactions to avoid litigations over their valuations.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Budgetary Control

The issue has now been resolved as the budget for the Fund now appears in the Budget Estimates under the parent Ministry.

2.2 Unsupported Expenditure

Inadequately supported payment vouchers were again observed in the year under review as a total amount of \$122 570 (2014: \$126 004) was not supported by source documents.

2.3 Loss of Revenue

Loss of revenue due to fraudulent activities continued during the year as a total amount of \$10 322 (2014: \$12 025) was lost through fraudulent activities.

2.4 Receipting of Stamp Duty

The issue relating to loss of stamp duty revenue due to under-valuation of properties has not been addressed as the Fund Administrators continued to value properties sold in Zimbabwean Dollars using values disclosed by clients instead of fair property values.

LEGAL AID FUND ACCOUNT 2015

OBJECTIVE OF THE FUND

The objective of the Fund is to provide legal aid to persons who are eligible for such aid in connection with any criminal, civil or other related matter and to do all things necessary to promote the provision of legal aid.

I have audited the Legal Aid Fund Account for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Legal Aid Fund as at December 31, 2015 and its financial performance for the year then ended.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Processing of Payments Using Cash

Finding

The Administrators of the Fund made cash payments amounting to \$2 591 during the year under review in violation of Section 6 (2) of the Fund's Regulations of 2006 which require payments to be made using cheques or bank transfers. The same audit observation has been recurring for the past three consecutive years.

Risk / Implication

There is a risk of misappropriation if transactions are made by cash.

Recommendation

The Fund should consider operating a petty cash account to cater for exceptional cases.

Management Response

The audit observation is noted. The use of cash relates to refunds to indigent clients who do not have bank accounts. The other relates to payment for casual wages which have been regularized. Internet subscriptions were also paid in cash because use of transfers into the TelOne account would result in payment being knocked off against the Ministry's debt.

Evaluation of Management Response

It is recommended that authority should be sought to operate a petty cash account for the purposes of indigent clients who do not have bank accounts and the other expenses should be paid following the proper procedures.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

The issue of withdrawal of cash from the Business Account to make payments raised in my two previous successive reports persisted in the current year.

Furthermore, the enactment of a policy which defines the events and costs associated with refunds remained outstanding.

NATIONAL PROSECUTING AUTHORITY COURTS RETENTION FUND 2015

OBJECTIVE OF THE FUND

The Objective of the Fund shall be to provide resources to the Office of the Prosecutor General for the purpose of enhancing the effectiveness and efficiency of the administration of criminal justice systems and processes in Zimbabwe.

I have audited the financial statements of National Prosecuting Authority Courts Retention Fund for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly in all material respects, the financial position of the National Prosecuting Authority Courts Retention Fund as at December 31, 2015 and its financial performance for the year then ended.

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

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Cash Payments

Finding

Section 3(d) of the Fund's the Constitution requires all payments to be made by way of bank cheques or transfers. During the year under review, the Fund Administrators made payments totaling \$21 274 using cash instead of safer methods as stated in the Constitution of the Fund.

Risks/Implications

Cash payments may expose the Fund's financial resources to loss or misappropriation.

Cash transactions attract high bank charges.

Recommendation

The Ministry should abide by the Fund's Constitution and make all payments by bank transfers and other non-cash payment methods. The use of the prescribed methods would reduce bank charges and risks of misappropriation or loss.

Management Response

The observation has been noted. We used mainly cash during the partitioning of Corner House offices where transactions were of small amounts. Furthermore, we used cash for purchase of lunches for prisoners and ZPCS staff that were carrying out partitions. The payments were authorised by Prosecutor General.

1.2 Travelling and Subsistence not Cleared

Finding

Treasury Instruction 1505 requires Travelling and Subsistence advances to be cleared within thirty days of return to the home station, failure of which the outstanding amount should be raised as debt. Contrary to this Instruction, advances amounting to \$6 969 were not acquitted or raised as debt as required by this regulation. I am concerned about the administrators of the Fund's failure to follow standing instructions.

Risk/Implication

If advances remain outstanding in the account for too long. The liquidity position of the Fund is negatively affected.

Recommendations

The Ministry should comply with Treasury Instruction 1505 and ensure that employees acquit Travelling and Subsistence advances within a period of thirty days.

The Ministry should recover through stop order.

Management Response

The observation is noted. Efforts have been made for members to acquit the Travelling and Subsistence that were paid to them. We will effect deductions from all those who have failed to acquit the advances.

1.3 Irregular Expenditure

Finding

In violation of Section 5 of the Fund's Constitution which outlines the expenditure of the Fund, the Ministry incurred expenditure on Travelling and Subsistence allowances for security aides totaling \$3 651 without Treasury authority. The nature of the expenditure is not covered by the Constitution of the Fund.

Risk/Implication

It may be difficult for the Fund to achieve its objectives if resources are used for the purposes not covered in the Constitution of the Fund. It may also result in wasteful expenditure

Recommendation

The Administrators of the Fund should ensure that all expenditure that is incurred is covered in the Constitution of the Fund.

Management Response

The Prosecutor-General has, as part of his conditions of service the use of Security Aide, Drivers and Security details who are all Government employees. Whenever the Prosecutor General is travelling, he should be accompanied by his security aide and details. The Victoria Falls visit was no exception and only his team of security were paid travelling and subsistence prescribed by Treasury Instructions. It is our view that the payments made were duly authorised and paid as per Treasury Instruction.

Evaluation of Management Response

Expenses related to the conditions of service of the Prosecutor-General are covered in the main Appropriation Account and should not be met by the Fund since the nature of expenditure is not covered by the Constitution of the Fund.

1.4 Inadequately Supported Payments

Finding

In violation of Treasury Instruction 1216, management of the Fund made payments amounting to \$2 700 that were not adequately supported by source documents such as requisitions, authorisation letters and receipts. I was unable to determine whether the expenditure formed a proper charge to the Fund.

Risks/Implications

Transactions which are processed without adequate supporting documents may result in fraudulent payments going through without detection.

It would be difficult to determine whether the expenditure was incurred for the intended purpose.

Recommendation

Payment vouchers should be supported by source documents, in order to prevent the processing of fraudulent transactions and to ensure that expenditure is incurred for the intended purpose.

Management Response

The observation has been noted. In future we are going to ensure that expenditure relating to entertainment allowances is properly supported.

ZIMBABWE PRISONS AND CORRECTIONAL SERVICE FUND 2015

OBJECTIVE OF THE FUND

The Fund's objective is to provide money to the Zimbabwe Prisons and Correctional Service to ensure the effective and efficient administration of the service. The Fund retains all the revenue generated by Zimbabwe Prisons and Correctional Service.

I have audited the financial statements of Zimbabwe Prisons and Correctional Service Fund for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Zimbabwe Prisons and Correctional Service Fund as at December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Unauthorised Expenditure

Finding

For the fourth year in succession and in violation of Section 5.4 of the Fund's Constitution, which requires the Fund to meet medical expenses of inmates only, the administrators of the Fund incurred expenditure totaling \$68 778 (2014: \$71 762) without Treasury authority. The unauthorised expenditure is comprised of medical services rendered to Zimbabwe Prisons and Correctional Service Fund staff and their dependents. I am concerned that the irregularity has recurred for the past four consecutive years.

Risks/Implications

The use of the Fund's resources for expenses not authorized by the Fund's Constitution and without Treasury authority is tantamount to abuse of the Fund.

It may be difficult for the Fund to achieve its objectives if the resources are diverted to unintended purposes.

Recommendation

The Accounting Officer should take steps to recover and rectify such expenditure and prevent a recurrence of such transactions.

Management Response

The audit observation is noted and agreed. The expenditure was incurred because the Institution was faced with life threatening circumstances which required urgent medical attention but had no financial resources from the fiscus. The Ministry is in the process of amending the Constitution of the Fund so that staff officers' medical needs are covered.

HOWEVER, below are other material issues noted during the audit:

1 PROCUREMENT

1.1 Violation of Tender Procedures

Finding

The State Procurement Board regulations require that there should be at least three competitive quotes whenever a government entity is procuring goods or services. Klein Karoo was awarded a tender to supply various garden seeds worth \$3 524 without being subjected to any competition.

Risks/Implications

The Fund may fail to get value for money if tenders are awarded without subjecting suppliers to competition.

Irregular payments may also be processed if there is no transparency.

Recommendation

The Ministry should always follow procurement procedures when purchasing goods and services so as to achieve economic advantage.

Management Response

Klein Karoo is the sole supplier of the specified seeds that the organisation required.

Evaluation of Management Response

There was no evidence that the company was the sole supplier. There are numerous reputable seed houses in the country.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

The issue of unauthorised expenditure raised in the previous two successive reports persisted in the year under review. I am concerned by the Fund Administrators' failure to implement audit recommendations and address the matter.

VOTE 20.- INFORMATION, MEDIA AND BROADCASTING SERVICES

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Information, Media and Broadcasting Services for the year ended December 31, 2016.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Information, Media and Broadcasting Services for the year ended December 31, 2016.

However, below are material issues noted during the audit:

1 PROCUREMENT

1.1 Car Hire

Finding

The Ministry of Information, Media and Broadcasting Services entered into a car hiring contract with CMED Easy Go for an Isuzu KB 250 for use by one of the Ministry employee.- The Ministry is obliged to pay \$4 909 per month, translating to total expenditure of \$73 635 since October 2015. This was so despite that the Ministry has pool vehicles that could be used. Audit noted that there were no comparative quotations sought to determine the service provider and there was no proof of evidence of authorisation from the Accounting Officer to hire the vehicle.

Risk/Implication

Unnecessary expenditure could be incurred if due processes are not followed in acquiring services and if due care is not taken in the management of public resources.

Recommendation

The Accounting Officer should ensure that a pool vehicle is allocated in order to curb wasteful expenditure.

Management Response

The recommendation that the Ministry should allocate a pool vehicle is noted and will make frantic efforts to look for one ideal vehicle which is roadworthy and reliable. All the Ministry`s pool vehicles have exceeded their useful life. They are no longer reliable as they constantly breakdown due to the fact that they are old as they were acquired in 2007.

Evaluation of Management Response

Although the Ministry may not have purchased any pool vehicles since 2007, I noted that there were 11 Information Media Panel of Inquiry (IMPI) vehicles (2 Toyota Prado and 9 Double Cab Isuzu KB250) that were handed over for use by the Ministry in 2015. One of the vehicles could have been allocated for such purpose.

2 MANAGEMENT OF ASSETS

2.1 Non Payment for Repaired Vehicle

Finding

The Ministry is underutilising some of its vehicle assets and accumulating further costs by not paying for the debts outstanding to service providers. An Isuzu vehicle registration AAP9262 has been at a garage for maintenance since February 26, 2014 accumulating total costs amounting to \$6 187. According to officials from the garage, they stated that further services on the vehicle will be made after they have received outstanding amounts owed by the Ministry.

Risks/Implications

Assets at service providers for maintenance may suffer wear and tear.

The Ministry is also at the risk of incurring costs as service providers charge storage fees.

Recommendation

The Ministry should make a payment plan with the service provider in order to recover the vehicle and ensure continued service.

Management Response

The Ministry has outstanding debts at Beryl Rig and efforts are being made to have a payment plan in order to clear the outstanding debt and have the Ministry vehicle back.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Results Based Management (RBM)

The Ministry made an undertaking to provide an RBM document by year end (2016). No progress has been made to fulfil this undertaking.

3.2 Contract Employees

The Ministry could not identify and convert vacant posts of equal value to enable the creation of 7 caretaker posts as advised by PSC. As a result, the matter has not been regularised.

3.3 Information Media Panel of Inquiry (IMPI)

The issue is still work in progress as the Ministry has availed financial statements for audit.

3.4 Mobile and fixed Telephone Allowances

The issue of excess on telephone allowances is still outstanding.

VOTE 21.-SMALL AND MEDIUM ENTERPRISES AND CO-OPERATIVE DEVELOPMENT

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Small and Medium Enterprises and Co-operative Development for the year ended December 31, 2016.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects the financial position and performance of the Ministry of Small and Medium Enterprises and Co-operative Development for the year ended December 31, 2016.

However, below are material issues noted during the audit:

1 MANAGEMENT AND IMPLEMENTATION OF GOVERNMENT PROGRAMMES

1.1 Results Based Management System- Departmental Quarterly Performance Report

Finding

A review of the outputs for the Business Development and Co-operatives Divisions revealed that:

- a. 2385 co-operatives were trained
- b. 155 monitoring and evaluation reports were produced
- c. 363 small and medium entrepreneurs were allocated workspace
- d. 5052 small and medium enterprises were trained
- e. 38 business links involving 335 small and medium enterprises were established.
- f. 651 participated in local exhibitions.

However, for the fourth year in succession, there was no evidence like detailed records or databases to support these outputs. This was also contrary to the management's response to my 2015 Audit Report on page 392 where management indicated that by June 30, 2016, communication would be done to all provincial heads to send records that support outputs to the head office.

Risk/Implication

Outputs may be intentionally misstated in the absence of supporting records and databases.

Recommendation

Detailed records and databases for programme outputs must be maintained at both provincial and head office to ensure accurate outputs are recorded.

Management Response

The observation is agreed to. The registers are kept at the districts and provinces. The Ministry will ensure that one copy of the register is submitted to head office as a source document on a quarterly basis.

2 PROCUREMENT

2.1 Pay Master General (PMG) Account Reconciliations

Finding

The Ministry was not conducting timeous investigations for unreconciled transactions in the PMG Account. At the time of audit in February 2017 there were transactions amounting to \$208 404 for the months of July, August, September and November 2016 that were still to be reconciled.

Risk/Implication

Errors may remain uncorrected if investigations of un-reconciling transactions are not done timeously.

Recommendation

Bank reconciliations should be done monthly in the Public Finance Management System (PFMS) and un-reconciled transactions should be investigated and corrected.

Management Response

Observation is agreed to. In future monthly reconciliations will be done and will be reviewed by the supervisor.

3 REVENUE COLLECTION AND DEBT MANAGEMENT

3.1 Public Financial Assets

Finding

The Ministry disbursed \$4 595 000 to Small and Medium Enterprises Development Corporation (SMEDCO) from 2009 to 2016, however, repayments amounting to \$3 075 000 were still outstanding. For the seventh year in succession, loan repayments were not made in line within the stipulated timeframes set in the Memorandum of Understanding (MOU) signed between the Ministry and SMEDCO. There was no evidence that the Ministry engaged the SMEDCO Board of Directors to ensure that loan repayments were made within the stipulated time frames. Furthermore, there was no evidence that the Ministry approached the Attorney General for assistance in debt recovery as was indicated in the management response to my Audit Report for the financial year ended December 2015 on page 394.

The Ministry also received \$15 000 000 from issuance of Treasury Bills by Government which was transferred to SMEDCO during the year under review. Of concern is the absence of an effective follow up system on outstanding loan repayments.

Risk/Implication

The Ministry may fail to recover both the capital and the interest if follow ups are not done timeously.

Recommendation

The Ministry should implement effective debt recovery strategies including follow ups on loan repayments. If these efforts prove fruitless the Ministry can approach the Attorney General for assistance in debt recovery in accordance with Treasury Instruction 0509.

Management Response

The observation is agreed to. The Ministry has engaged Ministry of Finance for a debt relief since some of the funds were lost through closure of Royal Bank and fraudulent activities by former employees of SMEDCO. The SMEDCO Board met the Honourable Minister on the issue.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

4.1 Fuel Allocation

The Ministry is now ensuring that only designated officials receive fuel coupons and that officials receiving coupons do not also receive transport allowance.

4.2 Purchase Orders

Procurement of goods and services is now being conducted in the PFMS Materials Management Module.

CENTRAL COOPERATIVE FUND ACCOUNT 2015

OBJECTIVES OF THE FUND

The Fund was established to finance education and training of members and prospective members of registered societies, research activities carried on or likely to be carried on by registered societies, auditing of accounts and books of registered societies and the general development of the co-operative movement.

I have audited the Central Co-operative Fund Account for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Central Co-operative Fund as at December 31, 2015 and its financial performance for the year then ended.

However, below are material issues noted during the audit:

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Surplus Income Contribution

Findings

According to the Co-operative Societies Act [*Chapter 24.05*] Section 93(1), every registered society should contribute annually 5% of its surplus to the Fund. No records were being maintained for Co-operative Societies which had outstanding 5% surplus contributions. In addition, there was no evidence of follow ups on audited Co-operative Societies Financial statements which had outstanding 5% surplus contributions in line with the requirements of the Co-operatives Societies Act.

Risk/Implication

The Fund may fail to recover all the outstanding revenue if action is not timeously taken to recover the 5% surplus contributions.

Recommendation

Records should be maintained for all the Co-operative Societies which have outstanding contributions.

Management Response

The observation has been noted. The Co-operative Division has since prepared the relevant registers

SMALL AND MEDIUM ENTERPRISES REVOLVING FUND 2016

OBJECTIVE OF THE FUND

This Fund was established to provide interest bearing loans to Macro, Small and Medium Enterprises in order for these enterprises to make meaningful contribution to economic growth and development.

I have audited the Small and Medium Enterprises Revolving Fund Account for the year ended December 31, 2016.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Small and Medium Enterprises Revolving Fund as at December 31, 2016 and its financial performance for the year then ended.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Mixing Project Funds

Finding

A total amount of \$14 000 for the UNDP Livelihoods Project Revolving Fund was accounted for in the SME Revolving Fund financial statements contrary to best practice. The Fund administrators did not produce separate financial statements for the UNDP project. Also separate Bank Accounts were not opened.

Risk/Implication

It may be difficult to evaluate the financial performance of the Fund if activities and resources of two different programmes are combined.

Recommendation

The Ministry should prepare separate financial statements for the two Funds in order to properly account for the SME and UNDP livelihoods Project Revolving Funds.

Management Response

The observation is agreed to. Treasury granted authority for UNDP Livelihood Project Fund to be accounted for under SME Revolving Fund as another source of funds.

Evaluation of Management Response

The Ministry did not amend the SME Revolving Fund Constitution to cater for the UNDP Livelihoods Project Revolving Fund since the two Fund accounts have different reporting requirements.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Funds Held in the Royal Bank

Finding

A total of \$93 596 was included in the Accounts receivable for the financial year under review. These are funds held in the Royal Bank which was placed under liquidation in 2013. There was no evidence of follow up with the Master of the High Court to determine whether the amount can be recovered.

Risk/Implication

The Ministry accounts receivable balance could be overstated as it includes irrecoverable amounts.

Recommendation

Follow ups with the Master of High Court should be made by the Ministry to enable the officials to conclude whether the funds held in Royal Bank will be recovered or not.

Management Response

The observation is agreed to. Follow ups will be made with the Master of the High Court for clarification.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Lending and Equity

The Ministry was still to recover a total amount of \$4 395 000 disbursed to Small and Medium Enterprises Development Cooperation (SMEDCO) between the financial years 2009 to 2015. The Ministry engaged Ministry of Finance for debt relief during the year under review.

VOTE 22.-ENERGY AND POWER DEVELOPMENT

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Energy and Power Development for the year ended December 31, 2016.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Energy and Power Development as at December 31, 2016.

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

1 GOVERNANCE ISSUE

1.1 Boards of Inquiry

Finding

Three vehicles belonging to the Ministry were involved in various road accidents. However, there was no evidence provided to indicate that Boards of Inquiry (BOI) were being held in respect of these accidents. This was in breach of the provisions of sections 12 (1), (2) and (3) of the Public Finance Management Act [*Chapter 22:19*] as read in conjunction with Treasury Instructions 2300-2303 which requires that accidents should be reported to the relevant authorities and Boards of Inquiry were carried out to determine circumstances of the accident, damage to state property and individual responsible. It goes on to say that the Accounting Officer upon noticing that there is any deficiency in destruction of or damage to state property he or she shall cause an investigation to be held into circumstances of such deficiency, destruction or damage as the case may be. The Table below refers:

Date	Vehicle Model	Vehicle Registration Number
No date	Toyota VX	AEE 1641
No date	Toyota Hilux Twin Cab	ADL 9351
14/09/16	Mazda BT 50 Twin Cab	ADV7696
26/12/16	Toyota Hilux Twin Cab	ADL 9351

Risk/Implication

There is risk that the Ministry might continue having unaccounted losses to State Property and this could possibly cultivate a culture of irresponsible use of public assets.

Recommendations

The Ministry should ensure that all the relevant documentation like Police reports are available so that Boards of Inquiry are done for proper accountability of State Property.

Necessary recoveries should be made if any party is found to be responsible for the loss.

Effective controls should be put in place in the management of assets.

Management Response

The Ministry did not respond.

1.2 Fuel Allocation

Finding

The Ministry allocated fuel totalling 5 900 and 6 300 litres in July and December 2016 respectively to fourteen managers to use during the public holidays in excess of the monthly fuel allocation that the managers are entitled to in terms of Treasury Circular Number 5 of 2016.

No Treasury authority to vary provisions of the above mentioned circular nor was PSC authority to vary conditions of service for the managers produced for my inspection. Therefore, issuance of fuel over and above the entitlement was unprocedural and unauthorised.

Risk/Implication

Fuel could be diverted for personal benefit at the expense of the organization's mandate of monitoring the energy sector.

Recommendation

In the absence of Treasury authority, the holiday fuel allocated to staff should be recovered.

Management Response

The Ministry did not respond.

1.3 Public Financial Assets

Findings

The Ministry made an unexplained adjustment of \$7 913 800 in 2015 thus reducing the value of Public Financial Assets from the 2014 figure of \$58 700 785 to \$50 786 985 for 2015. Subsequently, in 2016 after obtaining some information from IDBZ an adjustment of \$8 400 389 was made increasing the balance of \$50 786 985 to \$59 187 374. No adequate documentation was produced for me to validate the movements in the balances.

As observed in the previous audit, these movements in the balances could be attributed to failure by the Ministry to maintain independent records for Public Financial Asset investments for each Parastatal. Such a practice was contrary to the dictates of Treasury Instructions 0101 and 0103 which require that full and proper accounts for transactions which the Ministry is responsible for be maintained.

Risks/Implications

The Ministry might fail to monitor investment performance due to inaccurate records maintained.

The Ministry may end up relying on third parties for information which may be unreliable in some cases.

Recommendation

The Ministry should ensure that accurate records for the public investments are maintained. The adjustments should be traced, explained and supported.

Management Response

The Ministry did not respond to the audit finding.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Departmental Surcharges

Finding

I noted that the outstanding Departmental Surcharges amounting to \$3 699 dating as far back as 2010 were still unrecovered as at December 31, 2016. These amounts represent long outstanding revenue due to the government. Follow ups with the members concerned were last done in October 2014 and this signified ineffective dunning procedures. Such a practice was contrary to the provisions of Section 44 (b) (i) of the Public Finance Management Act [*Chapter 22:19*] requiring that an accounting authority of a public entity shall take effective and appropriate steps to collect all revenue due to the public entity concerned.

Risk/Implication

There is risk that the Ministry might fail to recover the much needed revenue.

Recommendation

The Ministry should ensure that follow ups are continuously done and that robust dunning procedures are employed so that the outstanding surcharges will be collected.

Management Response

The observation is noted. Efforts to continue with recovery will be done.

3 PROGRESS ON IMPLEMENTATION OF PRIOR YEAR AUDIT RECOMMENDATION**3.1 Contingent Liabilities**

The issue was still outstanding as a total of \$528 884 464 contingent liabilities had not been ratified by Parliament on behalf of Government for consideration as public debt. This was despite the Accounting Officer having proposed the issue to the Ministry of Finance.

STRATEGIC FUEL RESERVE FUND ACCOUNT 2015

OBJECTIVES OF THE FUND

The objectives of the Fund shall be to mitigate the impact of fuel shortage in the country through maintaining adequate stocks of fuel for the strategic reserve.

I have audited the financial statements of the Strategic Fuel Reserve Fund for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Strategic Fuel Reserve Fund for the year ended December 31, 2015 and its financial performance for the year then ended.

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

1 GOVERNANCE ISSUES

1.1 Risk Management Policy and Annual Budget

Findings

I noted that the Fund did not have a documented and approved risk management policy, it made use of the Ministry's risk management policy. However, in view of the fact that the Fund's operations were unique as compared to the Ministry's, the lack of a risk management policy specifically for the Fund exposes it to a plethora of risks. This is contrary to tenets of good corporate governance.

Furthermore, there was no annual budget produced for the Fund during the period under review contrary to good accounting practice. The budget is supposed to be used as a control and monitoring tool for the day to day operations of the fund and most importantly for planning purposes. The absence of an annual budget could have been due to non-prioritisation of budgetary control aspect.

Risks/Implications

In the absence of a clearly documented and approved risk management policy, the Fund is susceptible to numerous risks which could negatively impact on its performance.

The Fund's objectives might not be achieved in the absence of a budget as it helps in forecasting revenue and expenditure as well as prioritising resource utilisation.

Recommendations

Management should, given the strategic nature of the Fund, come up with a documented and approved risk management policy for the Fund in conformity with good corporate governance.

Management should draw up an annual budget for the Fund which will assist in monitoring performance against set targets.

Management Response

There was no management response.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Fuel Stocks

The issue of surplus fuel of 1 544 441 litres for diesel and a deficiency of 504 025 litres for petrol had still not been cleared. These variances could not be explained and still remain unexplained even though the issue arose in 2012.

The issue of failure to carry out monthly reconciliations of fuel by National Oil Infrastructure Company (NOIC) and non-submission of monthly returns to the parent Ministry had also not been addressed and still remains a cause of audit concern.

2.2 Undelivered Fuel

The issue of undelivered fuel worth \$965 263 (1 096 890 litres) had not yet been cleared. Therefore, I am deeply concerned by the time it has taken to clear the matter as it originated as far back as 2011.

2.3 Accounting Officer's Instructions

The Fund still has no clearly documented accounting and administrative framework nor set standards or criteria outlining the logical flow of transactions related to strategic fuel acquisition and inventory management.

Guidelines regarding the pricing model and re-order levels are still not in place

VOTE 23.-WOMEN'S AFFAIRS, GENDER AND COMMUNITY DEVELOPMENT

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account and the supporting returns for the Ministry of Women Affairs, Gender and Community Development for the year ended December 31, 2016.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Women Affairs, Gender and Community Development as at December 31, 2016.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Employment Costs

Finding

The submitted Appropriation Account had total Employment Costs amounting to \$7 667 027, the Schedule of Employment Costs payments from the Salary Services Bureau showed total employment costs amounting to \$7 871 227 resulting in a difference of \$204 200. No reconciliation was done between these figures.

Risk/ Implication

The Employment Costs disclosed could have been misstated.

Recommendation

There is need to reconcile the two figures and to establish how the \$204 000 was financed.

Management Response

The Ministry agrees with variance of \$204 200 which is between what Treasury has released and what SSB has paid. Treasury has indicated that they have been holding a fixed amount of \$34 046 as from June to December 2016. This was due to staff rationalisation in the Civil Service.

2 MANAGEMENT OF ASSETS

2.1 Board of Inquiry

Finding

Treasury Instruction 2302 states that the Accounting Officer shall institute an enquiry into any deficiency, damage or destruction of Government property reported to him or her. However, I observed that the Ministry had not convened a Board of Inquiry for vehicle registration number WAGCD 08 that was accident damaged and has no engine and gearbox. The vehicle was parked at Central Mechanical Equipment Department (CMED). Further, the Ministry conducted a Board of Survey instead of a Board of Inquiry.

Risk/Implication

Accountability for losses and damage to state property may be difficult to ascertain if Boards of Inquiry are not convened timeously.

Recommendation

The Ministry should institute a Board of Inquiry first before proceeding to conduct a Board of Survey in compliance with Treasury Instruction 2302.

Management Response

The finding has been noted. A Board of Inquiry will be constituted and conducted within the next two months.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Advances from Statutory Funds

There was no improvement since Treasury did not honour committed expenditure by line Ministries.

3.2 Direct Payments

The anomaly was rectified as outstanding letters were later received from Treasury.

3.3 Departmental Assets

No improvement had been noted as asset records are not yet in order.

3.4 Board of Inquiry

The Ministry had not yet convened a Board of Inquiry in respect of a motor vehicle WAGCD 16 which was involved in an accident as the Ministry was facing challenges in obtaining a formal report of the accident.

3.5 Audit Committee

Progress has been made, as the Audit Committee has since been appointed.

3.6 Risk Policy, Risk Register and Assessments

The draft Risk Policy was sent to Treasury for review

WOMEN'S DEVELOPMENT FUND 2015

OBJECTIVE OF THE FUND

The Fund was established to provide interest bearing loans to women groups, for developmental projects such as bakeries, uniform making, crafts, agriculture, mining, trading and training and enterprise programmes.

I have audited the Women's Development Fund Account for the Ministry of Women Affairs, Gender and Community Development for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Women's Development Fund as at December 31, 2015 and its financial performance for the year then ended.

Emphasis of Matter

Without qualifying my opinion, I draw attention to the impairment loss amounting to \$1 307 948 as at December 31, 2015. The note describes the uncertainty on the going concern of the Fund. The impairment loss reduces the investment account which acts as a security at the People's Own Savings Bank (POSB) thereby disadvantaging the other women groups who may want to access loans for developmental projects.

However, below are material issues noted during the audit:

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Outstanding Loans

Finding

Treasury Instruction 0501 requires Officers responsible for collecting debts to take adequate steps to collect any sums due to the Government on due date. However, for the second consecutive year, the Fund did not take action to recover outstanding loans amounting to \$1 307 948 from women community groups. This negated the future sustainability of the Fund and retarded the progress of women empowerment programmes.

Risk/Implication

The Fund may not be able to serve its intended purpose.

Recommendation

The Fund should take action to recover outstanding loans amounting to \$1 307 948 from women community groups.

Management Response

The Ministry purchased motorbikes as a way of capacitating Ward Development Coordinators in order to make follow ups much easier and intensifying monitoring and evaluation exercises. In addition, the Ministry opened the loan recovery account with Peoples Own Savings Bank into which all loan recoveries will be deposited.

2 GOVERNANCE ISSUE

2.1 Excess of Expenditure over Income

Finding

I observed with concern that for the third consecutive year, the Fund incurred excess expenditure over income amounting to \$221 660 (2014: \$215 592). This was attributable to impairment losses arising from outstanding loans.

Risk/Implication

Service delivery may be negatively affected.

Recommendation

The Fund should take due diligence to ensure proper financial management.

Management Response

The excess expenditure over income was caused by non-performing loans from 2010 to 2013. The Ministry purchased motorbikes as a way to capacitate Ward Development Coordinators in order to make follow up much easier and intensifying monitoring and evaluation exercises. In addition, the Ministry opened the Loan Recovery Account with Peoples Own Savings Bank into which all loan recoveries will be deposited.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Outstanding Loans

The Fund had not improved as excess of income over expenditure continued to arise in the financial statements. Audit noted an incremental excess of \$20 102 in comparison with the previous year's (2014) figure.

3.2 Unavailability of Accounting Officers Instructions for the Fund

The Fund did not have approved Accounting Officer's Instructions due to challenges emanating from Treasury delays.

ZIMBABWE COMMUNITY DEVELOPMENT FUND 2015

OBJECTIVE OF THE FUND

The Fund was established to provide grants, and/or interest bearing loans to community groups for infrastructural development and to provide financial, technical and managerial and any form of assistance to individuals/groups undertaking or intending to undertake income generating or economically viable projects.

I have audited the financial statements for the Zimbabwe Community Development Fund, for the year then ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Zimbabwe Community Development Fund as at December 31, 2015 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Income and Expenditure

Finding

Section 7 of the Constitution of the Fund requires the Secretary to cause to be submitted to the Auditor-General for audit an income and expenditure account and Balance Sheet of the Fund. For the third year running, I observed with concern that the Fund did not include in the financial statements for the year ended December 31, 2015 the income of \$9 496 and expenditure of \$8 940 for Rodger Howman Training Centre. This was caused by lack of coordination among the Training Centre, Community Development and Finance department.

Risk/Implication

The financial statements presented by the Fund may be materially misstated.

Recommendation

Coordination among the Training Centre, Community Development and Finance department should be improved to enable inclusion of Rodger Howman Training Centre income and expenditure in the consolidated financial statements in compliance with Section 7 of the Constitution of the Fund.

Management Response

The audit observation is noted. The Ministry was waiting for an approved chart of accounts and corrective measures will be taken to ensure that systems are put in place at Rodger Howman Training Centre to include its income and expenditure in the consolidated financial statements.

1.2 Budget of the Fund

Finding

Contrary to Section 37 of the Public Finance Management Act [*Chapter 22:19*] which requires financial statements to be prepared in accordance with Generally Accepted Accounting Practice (GAAP), the Fund did not prepare an approved budget for the year ending December 31, 2015. Therefore, I could not establish a comparable benchmark on which to measure the Fund's financial performance. This was caused by improper financial planning.

Risks/Implications

Expenditure maybe incurred on less priority areas if there is no budget guiding spending.

Also misallocation of expenditure may go undetected if proper budgetary procedures are not adhered to.

Recommendation

The Fund management should ensure that a budget is prepared at the beginning of each year in compliance with Section 37 of the Public Finance Management Act [*Chapter 22:19*].

Management Response

Your comments have been noted and corrective measures will be instituted.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Advances

Finding

Treasury Instruction 1504 requires Accounting Officers to recover all advances made by them and ensure that the terms and conditions of the advance are complied with. However, the Fund did not manage to recover outstanding advances to UNICEF and Appropriation account amounting to \$18 037 (2014: \$16 739) as at December 31,

2015. This was caused by inadequate measures instituted to recover outstanding advances.

Risk/Implication

Outstanding amounts may become irrecoverable through passage of time.

Recommendation

The Fund management should take action to recover outstanding advances amounting to \$18 037 as per the requirements of Treasury Instruction 1504.

Management Response

Your comments have been noted and the Ministry is looking forward to reimburse the Fund as soon as Treasury releases funds.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Storage Fees for Ballot Boxes by Rodger Howman Training Centre

Finding

Section 2 (d) of the Fund's Constitution provides for financial, technical and managerial support for the development of Training Centres infrastructure, and maintenance of facilities and equipment of the Training Centres.

I observed with concern that two (2) of the existing four (4) classroom blocks at Rodger Howman Training Centre had been storing ballot boxes on behalf of Zimbabwe Electoral Commission (ZEC) since July 2013, but no storage fees had been paid for the warehousing facility. This was caused by inadequate supervision of activities of the Training Centre by the Fund managers.

Risk/Implication

Loss of potential revenue may derail the goals and objectives of the Fund.

Recommendation

The Fund should engage Zimbabwe Electoral Commission with a view of reaching an agreement on the disposal of the ballot boxes to create room for learning purposes and the payment of storage fees for the warehouse facility.

Management Response

The Ministry will write to the Zimbabwe Electoral Commission head office in order to recover the storage fees of ballot boxes at Rodger Howman Training Centre as well as explore the option to remove the ballot boxes for safekeeping elsewhere.

2.2 Revenue Generating Conference Room

Finding

Section 3 and 4 (d) of the Public Finance Management Act [*Chapter 22:19*] states the object of the Act as to secure transparency, accountability and sound management of revenues, expenditure, assets and liabilities of Statutory Funds. Contrary to the purpose for which it was constructed, the main conference room at National Training Centre for Rural Women was being used as a warehouse for fifty (50) Honda Motor Bikes. Hence, it could not be hired out for a fee to stakeholders who were interested in utilising the facility to conduct workshops and seminars.

Risk/Implication

The future sustainability of the Training Centre's operations may be negatively affected.

Recommendation

The Fund management should ensure that the fifty (50) motor bikes are stored in a place which does not disrupt the operations of the Training Centre.

Management Response

The issue has been raised with top management who instructed that the motor bikes should be kept at the centre. The Ministry hopes to resolve the issue as soon as possible.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Non-inclusion of Income and Expenditure

The Ministry had not yet included the income and expenditure for Rodger Howman Training Centre due to lack of coordination among the Training Centre, Community development and Finance department.

3.2 Lack of Proper Books of Accounts

The Ministry now maintains manual records as a back-up to accounting data maintained on Microsoft excel.

3.3 Unavailability of a Separate Asset Register for the Fund

The Ministry had opened a separate asset register in accordance with the prior year audit recommendation.

VOTE 24.- TOURISM AND HOSPITALITY INDUSTRY

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Tourism and Hospitality Industry for the year ended December 31, 2016.

Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Tourism and Hospitality Industry as at December 31, 2016.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Nugatory Expenditure

Finding

The Ministry paid a total of \$35 106 as penalties for change of air travel bookings and late confirmation of bookings. This was in breach of provisions of section 85 (1) (b) of the Public Finance Management Act [*Chapter 22:19*] which prohibits fruitless and wasteful expenditure.

Risk/Implication

Incurring penalties due to late cancellation of bookings may result in loss of public funds.

Recommendation

The Ministry should make flight bookings when firm travel plans have been made to avoid late cancellations.

Management Response

The observation is noted. Diplomatic engagements for the Minister's UNWTO Campaign Programme required the campaign team to travel to various countries lobbying for support. The itineraries of these engagements would be varied from time to time for diplomatic reasons thereby affecting travel arrangements, thus attracting change of booking costs.

1.2 Acquittal of Foreign Missions Expenditure

Findings

The Ministry had an outstanding advances float for trade attaches of \$832 970 dating as far back as year 2012, in respect of salaries and operational costs for tourism staff based in foreign missions. The anomaly was attributed to non-acquittal of expenditure incurred in foreign missions resulting in uncleared balances in the Public Finance Management System contrary to good accounting practice.

Risks/Implications

The financial statements may be materially misstated.

It may be difficult for the Ministry to determine whether public funds would have been properly accounted for, if acquittals of monies transferred are not done.

Recommendation

The Ministry should ensure that all acquittals are done and the expenditure brought into the Public Finance Management System for proper accounting and accurate reporting.

Management Response

The observation is noted. The Ministry had always been engaging Foreign Affairs with a view to having all mission accountants submit their acquittals to facilitate capturing of expenditure in the Public Finance Management System. We have recently received some acquittals from South Africa and Brazil for \$33 008 and \$46 900 respectively and this will reduce the float balance of \$832 970 by \$79 908. We have also communicated with the Ministry of Foreign Affairs in a bid to enforce compliance by Foreign Mission accountants.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Management of Fuel

Findings

The Ministry had six different fuel registers which were maintained by one officer. There was no evidence that the registers were being checked for completeness and accuracy by a senior person. On February 4, 2016, the Ministry paid \$14 995 for 4 900 litres of petrol and 8 695 litres of diesel. The fuel was not recorded in any of the six registers and the whereabouts of the fuel coupons could not be established.

Furthermore, an amount of \$6 966 (Invoice RHQ688) dated April 28, 2016 was paid for the purchase of 6 220 litres of diesel at \$1.12 per litre. However, only 6 160 litres

were recorded as received in one of the fuel registers resulting in a shortfall of 60 liters.

On October 6, 2016, one senior officer in the Ministry raised and approved his own request for fuel amounting to 200 litres of diesel for a trip to Kwekwe contrary to good internal control practices. There was no record to indicate whether the fuel coupons were used for government business.

Treasury funded the carrying out of a Visitors Exit Survey through the Ministry of Tourism and Hospitality Industry. The fuel for the survey was recorded in a separate fuel register.

A stock take carried out on January 31, 2017 revealed that there were no fuel coupons on hand although the Visitors Exit Survey fuel register reflected a balance of 1 900 litres of diesel which was supposed to be on hand. The anomalies are partly attributed to poor maintenance of the fuel register as serial numbers of coupons were not captured and there was no evidence that the register was being checked by a senior person.

The Ministry failed to avail a payment voucher for \$6 950 for 5 840 litres of diesel that was recorded as received in the Visitor Exit Survey (VES) register. Furthermore, 6 400 litres of diesel recorded in the VES register had neither payment voucher nor an invoice quoted to facilitate checking the source. Payments for both quantities of fuel were not processed through the Public Finance Management System.

Risks/Implications

Maintaining six fuel registers may have resulted in manipulation and abuse of fuel coupons and loss to Government may have occurred.

Recommendations

The Ministry should maintain one fuel register unless there are special circumstances to maintain more than one.

A senior official should inspect entries in the fuel registers and verify existence of fuel coupons on hand on a regular basis.

An investigation should be instituted for the unaccounted fuel coupons. Internal controls should be put in place for procurement, recording and management of fuel coupons.

Management Response

The Ministry had three registers by the time of audit, namely; the main register, administration register and contingency register. The purpose was to avoid use of fuel allocated for specific purposes. Of the six registers mentioned, one was soaked after a flood submerged the 5th floor, and a new register was opened.

The other register was previously being used before transfer from Accounts to Administration and that is where the 4 900 litres of petrol and 8 695 litres of diesel were recorded. The third was Visitor Exit Survey programme fuel. Invoice RHQ103225 dated April 6, 2016 had 6 220 at \$1.11 coming to a total of \$6 904. A tax invoice RHQ688 was issued for \$6 899.20 for 6 160 litres leaving a credit balance of \$5.00 to make it \$6 904 when price had increased to \$1.12 per litre on April 26, 2016 resulting in the shortfall of 60 litres.

The other 200 litres was used for the World Tourism Day celebrations held in Kwekwe while the balance of 1 900 litres was returned, voucher number 439727 refers. The 6 400 litres of diesel recorded in the VES register was received from the African Development Bank through the Project Management Unit.

Evaluation of Management Response

The response reveals that there were weak controls over the management of fuel. An investigation should be carried out to establish whether fraud was not perpetrated.

1.2 Outstanding Payments

Finding

Treasury Instruction 1204 provides that all claims against Government shall be dealt with promptly in terms of any contract and that vouchers must be completed and paid without delay.

However, the Ministry had outstanding payments amounting to \$688 246 as at December 31, 2016 dating as far back as the year 2013. This was owing to liquidity constraints that have been experienced over the years. The following table refers;

Year	Details	Amount (\$)
2013	UNWTO invoices	118 305
	Corporate Creditors	21 654
2014	Local Travelling and Subsistence allowances	320
	Corporate Creditors	37 902
2015	Local Travelling and Subsistence allowances	660
	Corporate Creditors	19 518
2016	Local Travelling and Subsistence allowances	3 425
	Foreign allowances and air fares	39 868
	Corporate Creditors	17 364
	Utilities	160 034
	RETOSA subscriptions	104 196
	Various suppliers of goods and services	165 000
Total		\$688 246

Risks/Implications

The Ministry faces reputational and litigation risk.

There is also a risk that the Ministry may incur expenditure when there are no funds available.

Recommendations

The Ministry should liaise with Treasury to get more funding in order to clear the outstanding payments.

Close monitoring of procurement should be done to avoid getting/requesting for services when there are no funds.

Management Response

The Ministry had always been engaging Treasury with a view to financing these outstanding invoices. Treasury had provided the necessary budget to pay off UNWTO invoices in December 2015 and 2016, but due to the liquidity crunch it later directed that the payment runs be reversed.

2 MANAGEMENT OF ASSETS

2.1 Idle Assets

Findings

In my report for the year ended December 31, 2014 I highlighted that Public Viewing Areas (PVAs) screens were lying idle in the Ministry. The PVAs were meant to provide viewing to the public for the World Cup in 2010. The public viewing screens were acquired for \$2 000 000. Most of the PVA screens have never been used.

The equipment that was used during the United Nations World Tourism Organisation (UNWTO) General Assembly held in 2013 is also lying idle in the Ministry. This included interpretation equipment and other accessory gadgets, and Television sets.

Risk/Implication

Equipment may become obsolete and unusable due to lapse of time.

Recommendation

The Ministry should consider donating or consult Treasury with the view of disposing of excess equipment to salvage the remaining value.

Management Response

The Ministry sought Treasury authority to transfer the assets as well as other equipment to Mosi-Oa-Tunya Development Company and this was granted on January 20, 2016. The assets were formally handed over to the representative of Mosi-Oa-Tunya Development Company, but were not removed from our Master Assets Register. We are in the process of removing the said assets from our books.

3 EMPLOYMENT COSTS

3.1 Staff Establishment

Findings

The Ministry was advised by the Public Service Commission in its minute dated July 1, 2016 that Cabinet had reached a decision to abolish six posts under the Department of Policy, Research and Planning. However, the Ministry lodged an appeal against the decision resulting in the staff remaining in their posts. I was not provided with a copy of the response from the Commission regarding the appeal.

The same minute from Public Service Commission advised that the approved total establishment of the Ministry was 89 posts for the year 2016 and that Treasury had concurred and the Cabinet had approved the position taken. However, the Ministry had five locally recruited staff in Berlin, Johannesburg, New York, London and Beijing whose posts are not on the approved staff establishment.

Risk/Implication

The reduction of employment costs by the Public Service Commission may not be realised if there is lack of cooperation from the Ministry.

Recommendation

The Ministry should comply with Public Service Commission directives.

Management Response

The Ministry is still waiting for feedback from the Public Service Commission regarding the appeal lodged against the Public Service Commission's decision to abolish the posts. The Ministry engaged the Public Service Commission to regularize the anomaly by including the Locally Recruited Staff on the Establishment and no feedback has been received.

4 REVENUE COLLECTION AND DEBT MANAGEMENT

4.1 Visitors Exit Survey (VES) Travel and Subsistence Allowances

Findings

The Government of Zimbabwe and the African Development Bank funded in 2016 the Youth and Tourism Enhancement Project which had one of its activities known as Visitors Exit Survey. Officials from the Ministry of Tourism and Hospitality Industry and Zimbabwe Statistical Office were engaged to carry out the survey at the country's airports and border posts. Travelling and subsistence allowances were provided through the Ministry of Tourism and Hospitality Industry.

Some officials engaged to carry out the survey claimed a total amount of \$18 300 accommodation allowances at \$30 per day even though they were not working away from their home stations. The acquittal forms completed did not indicate time of arrival and departure from the airports or border posts. I could therefore not establish whether members were also entitled to the dinner allowances that amounted to \$13 950 at \$15 per day which they received.

Furthermore, the results of the survey were not availed for audit examination.

Risk/Implication

Officers may have been paid allowances that were not due to them.

Recommendation

All allowances that were paid to ineligible officers should be recovered.

Management Response

The survey data collection exercise was structured in different shifts to capture data at different times. Officers stayed near the airports and border posts. Some officials started their shifts at 2000hrs ending at 0600hrs. No one was expected to go back home. Most of the officials who carried out the survey were from ZimStat and were not privy to our travel and subsistence claim forms hence the gaps in the acquittal forms. Some of the officials who were given allowances were not data collectors. They were carrying out logistical tasks at Head Office. They were given the allowances in consideration of the additional work they would do for the Visitor Exit Survey.

Evaluation of Management Response

The circular for Traveling and Subsistence allowances gives guidance on the rates that should be applied and the conditions under which the allowances are paid, hence any variations should have been authorized by the Ministry of Finance.

4.2 Travelling and Subsistence Advances

Finding

During the year under review, Ministry staff obtained Travelling and Subsistence advances amounting to \$41 273 from the Zimbabwe Tourism Authority. The staff who received the advances were not created as debtors in the Public Finance Management System or in the travel and subsistence manual register. Consequently, the Ministry failed to submit the Outstanding Advances return as at December 31, 2016 contrary to Treasury Instruction 1506.

Risk/Implication

If there are no debtor's records unused advances may not be surrendered or recovered resulting in loss of public funds.

Recommendation

The Ministry should create debtors when they receive advances from the Zimbabwe Tourism Authority.

Management Response

The Ministry will engage Treasury for guidance on how to create debtors for advances paid to Ministry officials by Zimbabwe Tourism Authority.

5 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

5.1 Expenditure Paid by the Zimbabwe Tourism Authority (ZTA)

The Ministry continued borrowing from the Authority during the year under review.

5.2 Recording of Advances

An advance register is now in place.

5.3 Transport and Fuel Allowances

The anomaly of Officers in receipt of both transport and fuel allowances was resolved.

VOTE 25.- INFORMATION COMMUNICATION TECHNOLOGY, POSTAL AND COURIER SERVICES

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Information Communication Technology, Postal and Courier Services for the year ended December 31, 2016.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Information Communication Technology, Postal and Courier Services for the year ended December 31, 2016.

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

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Public Financial Assets

Findings

An amount of \$20 716 619 was paid to NetOne in 2013 from Lending and Equity Participation. There was no loan agreement between the Ministry and NetOne and the Ministry did not include the amount on the return submitted for audit. This issue was raised in my audit reports for 2013 and 2014 financial years. However, it had not been finalised at the time of concluding the audit.

In addition, interest amounting to \$3 555 128 had accrued from TelOne following loans of \$14 099 049 and \$5 959 154 issued by Treasury to TelOne in June 2010 and June 2011 respectively. There were no repayments made during the year under review.

Risks/Implications

Without loan agreement the Ministry may fail to monitor the loan.

The completeness and accuracy of the figures disclosed in the return submitted for audit was in doubt as the Public Financial Assets records were not updated.

Interest repayments may become overdue if follow ups are not done

Recommendations

There is need for the Ministry to sign a loan agreement with NetOne and maintain proper accounting records.

The Ministry should put in place measures to recover the loans and realise return on investments.

Management Response

The findings are noted. The Ministry engaged Treasury to have a loan agreement with NetOne, but the issue was not resolved.

Evaluation of Management Response

The Ministry did not respond to the finding concerning the TelOne loans.

1.2 Contingent Liabilities

Findings

TelOne borrowed an amount of \$347 749 190 from 1993 to 1997. Interest amounting to \$92 902 201 and penalties of \$79 090 110 have since accrued on the principal amount resulting in total liabilities of \$519 741 501.

No loan repayments were made during the year under review. In addition, loan agreements were not available at the time of audit.

Risks/Implications

Non repayment of loans exposes government to accumulation of financial liabilities.

Recommendation

The Ministry should ensure that all Liabilities guaranteed by Government are paid up.

Management Response

The findings are noted. The loans were borrowed by TelOne when the State owned enterprise was then under the Ministry of Transport. Efforts to get Contingent Liabilities documents from the former Ministry are being done.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Internal Audit Charter and Audit Plans

The Internal Audit Charter is now in place.

2.2 Audit Committee

The Audit Committee is now in place.

VOTE 26.- LANDS AND RURAL RESETTLEMENT

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Lands and Rural Resettlement for the year ended December 31, 2016.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects the financial position and performance of Ministry of Lands and Rural Resettlement as at December 31, 2016.

Basis for a Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Compensatory or Ex-Gratia Payments

Finding

Contrary to Treasury Instruction 1216 the Ministry did not provide supporting documents for a payment of \$7 175 000 which was made by Treasury on behalf of the Ministry for farm improvements.

Risk/Implication

Without supporting documents, there will be no details of the payments made and in cases of any queries, it will take long to trace the transactions.

Recommendation

All supporting documents used to effect the payments should be availed for audit.

Management Response

An amount of \$7 175 000 was paid to Montreaux Partners in the form of Treasury bills being compensation to Dutch farmers. The Ministry is sourcing the supporting documents from Treasury and will be availed to audit.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Direct Deposits

Finding

I observed that the Ministry had a cumulative total of \$530 159 in direct deposits whose revenue heads could not be identified. Contrary to the requirements of TI 1804 the Ministry did not take action to clear the deposits. I was concerned that no investigations had been done to determine the source of the deposits.

Risk/Implication

Temporary Deposits or the Revenue Received may not be properly accounted for.

Recommendation

The Ministry should ensure that the provisions of Treasury Instruction 1804 are complied with.

Management Response

The Ministry is continuously making efforts to determine the source of revenue. The Ministry classified direct deposits to date amounting to US\$434 520 of this total \$376 260 are classified direct deposits for 2016 against a total of \$530 159 leaving outstanding direct deposits for 2016 at \$153 898 In order to address the observation, the Ministry is in the process of coming up with customized deposit slips.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Revenue Records Variances

Finding

I could not rely on the Ministry's reported revenue of \$4 191 840 because it differed from the amount in the Public Finance Management System of \$3 825 896. The difference of \$365 584 was not reconciled.

Risk/Implication

Users of financial statements may make wrong decisions based on inaccurate financial statements.

Recommendation

The variances should be investigated and reconciled.

Management Response

The observation is noted. The anomaly was exacerbated by closure of periods by Treasury. The PFMS ups and downs and unavailability in some Provinces like Matabeleland South and Mashonaland Central led to delays in the receipting and posting of revenue in the PFMS. Treasury has the onus of opening prior periods but their reluctance and direction that current period be used leads to the variation observed.

3 PROCUREMENT

3.1 Direct Payments

Finding

I was unable to verify expenditure amounting to \$40 000 on Communication and Information Supplies and Services at the Department of the Surveyor-General as it was incurred through direct payments by Treasury. This was caused by the absence of source documents such as invoices, statements and journal vouchers whose purpose is to introduce such expenditure into the system. Furthermore, there were no receipts from Tel-one to prove that such payments were effected.

Risks/Implications

The department may be overcharged by the suppliers.

There is risk of double payment.

Recommendation

The Department should ensure that all expenditure incurred is sufficiently and appropriately supported by the relevant documents.

Management Response

The observation is noted. Reconciliation is in progress.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

4.1 99 Year Leases Still Denominated in Zimbabwe Dollar

There was no improvement during the financial year under review.

4.2 Absence of Handover and Takeover Procedures on Assumption of Responsibility

There was no improvement during the financial year under review.

4.3 Absence of Leases and Database for Mobile Telecommunications Companies with Base Stations

The Ministry has leases with Econet. Meetings were held with Telecel who have provided a list of base stations located in resettlement areas. Valuation teams and Estates Management section are now evaluating each site to produce the required leases which should be available during the second quarter of this year.

4.4 Non-uploading of the Debtors' Data into the SAP (System Application Products) system

There was no improvement during the financial year under review.

4.5 Outstanding Revenue

There was no improvement during the financial year under review as the Ministry has not yet come up with database for beneficiaries of the Land Reform Programme.

4.6 Collection of Revenue by Village Heads

There was an improvement in the area in that revenue was now being collected by the Ministry revenue collection teams instead of village heads.

4.7 Payment of Rural Allowances

The Ministry now has the station codes and has stopped the payment of rural allowances to the staff affected.

4.8 Depositing of Revenue into Exchequer Account

The condition had since improved. The Ministry is continuously disseminating the information when billing farmers and when teams go for revenue collection.

4.9 Non-submission of Internal Audit Reports for the Financial Year Under Review

Internal Audit reports are now being submitted to the Office of the Auditor-General. The Ministry's Head Office and the Department of the Surveyor-General were audited by the Ministry's Internal Audit during the financial year under review.

4.10 Failure to Submit 2015 Quarterly Performance Reports

There was an improvement as Quarterly Performance Reports were submitted for the financial year under review.

LANDS AND RESETTLEMENT FUND 2015

OBJECTIVE OF THE FUND

The Objective of the Fund is to support the on-going land and resettlement programmes, estate management, and related services in leased state land and resettlement areas.

I have audited the Lands and Resettlement Fund Account for the year ended December 31, 2015.

Opinion

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 audit 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

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Debtors

Finding

Debtors amounting to \$338 333 were disclosed in the financial statements instead of \$342 128 resulting in an understatement worth \$3 794 which the Fund failed to adjust. Debtors were not being invoiced during the financial year and there was no evidence of any dunning process in violation of Sections 17.2.1 and 17.2.0 (b) of the Accounting Officer's Instructions Manual which provide that, "The department should dun debtors every month. All debtors must pay within thirty (30) days of the invoice date. Letters or statements must be sent requesting payment".

Risks/Implications

Users of financial statements may make wrong decisions based on incorrect financial statements.

Amounts due may remain uncollected if invoices are not raised to create a debt.

Recommendation

The Ministry should adjust the financial statements and ensure that there is adequate supervision in the preparation of the Fund's financial statements.

Management Response

Observation is noted. The Ministry wrote letters to the debtor (Treasury). Audit recommendation was implemented.

Evaluation of Management Response

Contrary to management's response the financial statements of the Fund were not adjusted to cater for the misstatement despite the issue having been communicated to management.

1.2 Overstatement of Income

Finding

I observed that the Fund included an amount of \$59 216 in its income for the financial year under review which amount included \$23 986 which was revenue for the financial year ended December 31, 2014 and the remaining balance of \$35 230 was the Fund's bank balance for the financial year ended December 31, 2014. This was in violation of Section 2.0 of the Fund's Accounting Officer's Instructions Manual which provides that, "The books of accounts of the Lands and Resettlement Retention Fund shall be maintained in line with Government accounting policies and procedures for retention funds. The books of account shall be maintained on an accrual basis in accordance with International Accounting Standards and the relevant Treasury Circulars". Management was advised to effect the necessary adjustments but had not done so at the time of concluding the audit.

Risk/Implication

Users of financial statements may make wrong decisions based on inaccurate financial statements.

Recommendation

The Ministry should adjust the financial statements and ensure that there are monthly checks of records to ensure proper classification and posting of transactions

Management Response

The observation is noted. Financial statements were adjusted as per audit's recommendation.

Evaluation of Management Response

Contrary to management's response the financial statements of the Fund were not adjusted to cater for the misstatement despite the issue having been communicated to management.

2 GOVERNANCE ISSUES

2.1 Late Submission of Financial Statements of the Fund

Finding

The Fund's Management Committee submitted for audit the financial statements for the year ended December 31, 2015 on May 12, 2016, forty-one (41) days after the statutory deadline of March 31, 2016 in violation of Section 35 (4) of the Public Finance Management Act [Chapter 22:19] read together with Section 8.0 of the Fund's Constitution.

Risk/Implication

Audit work may not be carried out timeously.

Recommendation

The Ministry should ensure that the provisions of Section 35 (4) of the Public Finance Management Act [Chapter 22:19] and Section 8.0 of the Fund's Constitution are adhered to.

Management Response

The observation is noted and the recommendation will be implemented in future.

2.2 Non-auditing of the Fund's operations by the Ministry's Internal Audit Department.

Finding

There was no evidence that the Fund was audited by the Ministry's Internal Audit Department, contrary to the requirements of Section 80 of the Public Finance Management Act [Chapter 22:19] and Section 7.0 of the Fund's Accounting Officer's Instructions Manual.

Risk/Implication

The Fund's internal controls may be compromised.

Recommendation

The Fund's Management Committee should ensure that the operations of the Fund are regularly audited by the Ministry's internal auditors.

Management Response

The observation is noted. The recommendation will be implemented as soon as possible.

2.3 Non-Disclosure of Prior Year Non-Current Assets in the Financial Statements

Finding

Non-current assets amounting to \$11 350 which were acquired during the financial period ended December 31, 2014 were not disclosed in the Fund's financial statements for the financial year ended December 31, 2015. The depreciation for the said assets was also not disclosed.

Risk/Implication

Users of financial statements may make wrong decisions based on inaccurate financial statements.

Recommendation

The Ministry should ensure that all non-current assets under the Fund are disclosed in the financial statements.

Management Response

The observation is noted and the recommendation is going to be implemented in consultation with Treasury.

2.4 Preparation of Final Accounts

Finding

There were variances between the financial statements figures submitted for audit and the underlying records as shown below:

Item	Financial statements submitted for audit (\$)	Audit figures (\$)	Difference (\$)
Income	689 845	634 925	54 920
Expenditure	356 354	371 432	(15 078)
Non-Current Assets	4 153	14 368	(10 215)
Current Assets	338 458	342 252	(3 794)
Current Liabilities	9 120	11 415	(2 295)

Risk/Implication

Reliability and accuracy of the final accounts might be compromised.

Recommendation

The Ministry should ensure that there is adequate supervision in the preparation of financial statements.

Management Response

The observation is noted. The recommendation will be implemented.

2.5 Payment of Board Fees to Government Employees

Finding

Treasury Instructions 1126 and 1127 stipulate that, “When the services of an officer are placed temporarily at the disposal of a commission or committee, any fee, bonus or honorarium which may be payable in respect of his work shall be paid into revenue as a miscellaneous receipt. Except in special circumstances and with the approval of the Treasury no officer appointed as a member of a commission or committee shall be entitled to fees and expenses, except the normal subsistence and transport expenses, in addition to his usual remuneration.” Contrary to the above provisions, The Ministry paid board fees amounting to \$6 920 to Government employees during the financial year under review and I was not provided with competent authority to do so and hence I was unable to determine whether this was a proper charge against public funds.

Risks/Implications

Unauthorised expenditure may be incurred if policies and regulations are not complied with.

Payments may be made for activities which are not in line with the activities of the Fund.

Recommendation

The Ministry should ensure that the fees are recovered from the employees concerned.

Management Response

Contrary to the audit observations, the expenditure thereof is covered on 6.1.2 in the Constitution of the Fund which reads “*the expenditure of the Fund shall consist of costs incurred in the valuation of farms for compensation purposes*”. The list of approved Compensation Committee members which include government employees was gazetted in the Government Gazette. The fees and allowances paid are in line with Treasury Circular Minute Number 3 of 2011. In addition, Accounting Officers’ authority was granted to effect payments from the Fund.

Evaluation of Management Response

The costs incurred of \$6 920 were for attending meetings during the normal course of working hours hence the expenditure is not that referred to under paragraph 6.1.2 of the Fund’s constitution. Treasury Instruction 1126 and 1127 are still relevant

VOTE 27.- JUDICIAL SERVICE COMMISSION

GUARDIAN'S FUND ACCOUNT 2015

OBJECTIVES OF THE FUND

The purpose of the Fund is to provide for the custody and control of moneys due to minors, mentally disordered or defective persons whose whereabouts are not known in terms of section fifty-two, sixty-two, eighty-one, ninety-three and ninety-four of the Administration of Estates Act [*Chapter 6:01*].

I have audited the financial statements of Guardian's Fund for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly, in all material respects the financial position of Guardian's Fund as at December 31, 2015 and its financial performance for the year then ended.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Excess of expenditure over Income

Finding

I noted that the Fund incurred excess expenditure over income amounting to \$371 024. As at the date of audit no refund had been received from Treasury contrary to Administration of Estates Act [*Chapter 6:01*], Section 111(2) which states that the Ministry of Finance shall make good any loss on the Profit and Loss Account.

Risk/Implication

The Fund may end up using capital to finance recurrent expenditure resulting in failure to pay interest to minors when due.

Recommendation

The Fund should exercise expenditure control and the loss should be recovered from Ministry of Finance.

Management Response

The observation was noted. We have since stopped expenditure from the Fund, until we recover the loss. Efforts are being made to recover the loss and we have generated interest of about \$59 385 from January 2016 to May 2016.

2 MANAGEMENT OF ASSETS-~~INVESTMENTS~~

2.1 Publication of unclaimed funds

Finding

Contrary to section 104 of the Fund`s Constitution which requires that a list of unclaimed moneys in Guardian`s Fund be published after April 30, of each year, I noted that there was no evidence that a list of unclaimed monies amounting to \$2 125 168 held by the Fund on March 31, 2015 had been drawn up and published in the Gazette.

Risk/Implication

Transparency in the management of public funds may be compromised.

Recommendation

A list of all unclaimed monies held by the Fund should be drawn up and published as stipulated by the Fund`s Constitution to enable would be owners to claim their money.

Management Response

The audit observation was noted. Efforts to ensure compliance are being pursued.

VOTE 28.- PUBLIC SERVICE COMMISSION

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Public Service Commission for the year ended December 31, 2016.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects the financial position and performance of the Public Service Commission as at December 31, 2016.

However, below are material issues noted during the audit:

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Guidelines on Recovery of Arrear Pension Contributions (Pensions Office)

Finding

Parastatals pay their monthly pension contributions to the Public Service Commission Pensions Department which manage them on their behalf. These contributions and interest from investments of these funds form part of revenue to the Government. For the second year running, I observed that some Parastatals were struggling to make their contributions consistently. It was not clear about what shall be done in the event that contributions from a parastatal are in arrears. The table below shows that a total of \$10 094 245 had not yet been remitted for the period 2009 to December 2016.

Parastatal	Receivable to December 31, 2016 \$	Amount paid \$	Total outstanding \$
Forestry Commission	543 417	25 172	518 245
Print flow	1 172 380	98 867	1 073 513
Parks and Wildlife	13 569 722	5 067 235	8 502 487
Total	\$15 285 519	\$5 191 274	\$10 094 245

Risk/Implication

Government will not be able to honour pension obligations if pension contributions are not received timeously.

Recommendation

The Public Service Commission should engage defaulting parastatals with a view of receiving arrear pension contributions amounting to \$10 094 245

Management Response

All parastatals are continuously being engaged on a monthly basis to promote cooperation in pension contributions. Each Parastatal was allocated a full time accountant who deals with it on a monthly basis through arranging meetings between Public Service Management and the management of each Parastatal and making follow-up on pension contribution payments. During the year 2016 various meetings were convened with Parastatals. However, most parastatals are operating below optimum level due to cash flow challenges and are owed money by Treasury for services rendered and goods delivered.

1.2 Outstanding Departmental Surcharges (Pensions Office)

Finding

Treasury Instruction 1605 requires Accounting Officers to timely recover departmental surcharges. My examination of the returns submitted for audit revealed that the department was not able to control and effectively recover surcharges as the figure continued to rise from year to year. Further to that, some surcharges have not shown any movement since they were raised in the year 2009. Refer to the table below:

Category	January 1, 2016 \$	December 31, 2016 \$	Increase/(Decrease) \$
State Service	1 888 873	2 175 607	286 734
War Veterans	1 363 955	1 553 834	189 879
War Victims	44 707	87 903	43 196
Total	\$3 297 535	\$3 817 344	\$519 809

Risk/Implication

Delays in recovering outstanding departmental surcharges may result in debts being irrecoverable.

Recommendations

The Commission should comply with the provisions of Treasury Instructions 1605 by instituting measures to promptly recover outstanding surcharges.

Management should control overpayments so that Government resources are not paid to persons not entitled. This would go a long way in reducing surcharges.

Management Response

The rate of overpayments is higher than the rate of recovery and every month there are new overpayments being introduced into our books hence the total outstanding figures.

We also have long outstanding overpayments which are not being recovered since year 2009 because of various reasons like where; no beneficiary is found and child attains age of majority.

The department has since formed a debt management section to make aggressive follow-ups on those overpayments and we are also working on a robust recovery procedure on all overpayments to come up with reasonable recovery rate in light of the long outstanding overpayments.

2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Transport Allowances

Audit observed an improvement as management of the Commission took action to cease double employment benefits for officials issued with Government motor vehicles and monthly fuel allocations.

2.2 Retention of Public Funds without Authority

The Public Service Commission was subsequently granted permission by Treasury to retain the funds for financing its decentralization functions and improve monitoring of the performance of members of the civil service.

2.3 Pension Contributions

An audit verification exercise of the prior year (2015) amount of \$3 282 725 revealed that pension contributions are now being made based on deduction schedules of the contributing parastatals and registers are now being maintained to show movement whenever a payment is made which is less than the total deduction.

2.4 Outstanding Pension Contributions

The Pensions office availed accounting records to support the outstanding balance of \$9 747 996 as at December 31, 2015. Records of total monthly deductions made by each Parastatal, contributions made and a reconciliation of outstanding pension contribution were now being maintained by the department.

VOTE 28.- PUBLIC SERVICE COMMISSION

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Public Service Commission for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account present fairly, in all material respects the financial position and performance of the Public Service Commission as at December 31, 2015.

Basis for Qualified Opinion

1 EMPLOYMENT COSTS

1.1 Transport Allowances

Finding

In terms of Public Service Circular No. 1 of 2012 paragraph 3.2, officers who were provided with official transport for personal and official use were not entitled to transport allowances. I noted that there were five officers in this category who received fuel as well as transport allowances amounting to \$6 000 during the year under review.

Risk/Implication

Public Service Regulations were not complied with and this resulted in double dipping.

Recommendation

There is need to ensure that Public Service Regulations are complied with. The double payment was an improper charge to public funds and should be recovered from the respective officers.

Management Response

The audit observation is noted, however we wish to clarify our position as follows:

One of the officers was allocated an official vehicle in October 2015. He was paid transport allowance for three months after the allocation. The anomaly has already been rectified as disallowance was raised from February to March at

US\$150 per month for 2 months, therefore a total of US\$300 was recovered from him. The State has not been prejudiced as all funds were recovered.

The other officer was never issued with a personal vehicle by the Public Service Commission, rather he is using a pool vehicle to do his official duties. The position has since been reviewed and transport allowance has since been ceased.

The issuance of fuel coupons at SSB was meant to facilitate transportation of key staff who work on the payroll after hours, during weekends and on holidays.

Evaluation of Management Response

All the five officers were in receipt of both transport allowances and fuel allowances throughout the year as shown in the fuel registers in compliance with Secretary’s authority dated March 19, 2015 for Deputy Pensions Masters and June 12, 2015 for other officers. One of the officers at Salary Services Bureau was receiving 100 litres more than the authorised quantity. Therefore, the concurrent issuance of fuel allowance and payment of transport allowances constituted double dipping on the part of the officers concerned and the expenditure on transport allowance remained unauthorised.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Pension Contributions

Finding

A total amount of \$3 282 725 was received from pension contributions during the year under review as reflected in the return submitted for audit. Supporting schedules from one of the contributing Parastatals revealed that contributions made were not in agreement with total deductions according to the schedules provided. Of concern was that this difference was not disclosed as outstanding revenue an indication of insufficient controls in the management of pension contributions. Refer to table below.

Period	Amount Deposited and Disclosed \$	Amount on Deduction Schedules \$	Amount Outstanding and Unreported \$
February 2015	34 959	47 088	12 129
March 2015	35 525	46 952	11 427
Total	\$70 484	\$94 040	\$26 556

Risk/ Implication

Failure to make reconciliations between the pension contributions deposited and the deduction schedules may result in underpayments by the Parastatals and public funds may be lost through the payment of pensions to individuals whose institutions were not fully contributing towards their pensions.

Recommendations

The Public Service Commission (Pensions Office) should ensure that all deposits made for pension contributions are reconciled with the deduction schedules from the respective contributing institutions. In addition, the difference noted above should be reconciled and appropriate corrective action taken.

Management Response

The audit observation is noted. During the period under review, we faced challenges with National Museums and Monuments as they were not giving us schedules on time in order to compare figures on schedule and amount received. However, we have arranged that now we go to their head office to get the schedules every month end.

2.2 Outstanding Pension Contributions

Finding

Parastatals deposit their pension contributions to government through Pensions Office. During the year ended December 31, 2015 an amount of \$9 747 996 was outstanding as shown on the return submitted for audit. However, I could not establish the accuracy and completeness of outstanding revenue from pension contributions disclosed as the underlying source records were not availed for my examination.

Risk/ Implication

Disclosing outstanding revenue from pension contributions without supporting underlying records would result in providing unreliable information.

Recommendation

Public Service Commission (Pensions Office) should ensure that the deduction schedules from the Parastatals depositing pension contributions are submitted on a monthly basis and a register of the actual outstanding amounts should be maintained.

Management Response

The Parastatals deposit their contributions directly into our account but they delay to send us schedules in order for us to compare receipted funds and amounts on the schedule. We have now arranged with our office to provide transport for the revenue section to go to each Parastatal monthly to collect the schedules.

3 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Interest Due to the Exchequer

The Commission was still retaining funds due to the Consolidated Revenue Fund without Treasury authority. The issue also recurred in the current financial year.

PENSIONS OFFICE RETENTION FUND 2014

OBJECTIVE OF THE FUND

The purpose of the Fund is to provide resources for the enhancement of the department's service delivery focusing on decentralisation to the provinces, computerisation, training and research.

I have audited the financial statements of Pensions Office Retention Fund for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Pensions Office Retention Fund as at December 31, 2014 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Depreciation

Findings

The Fund procured Property, Plant and Equipment worth \$579 827 as disclosed in the financial statements. Depreciation of these assets was not provided for in the financial statements as outlined under section 35 (4) of the Public Finance Management Act [*Chapter 22:19*] which provides that Funds should operate on accrual basis. This therefore, had the effect of understating the excess expenditure over income reported in the financial statements and subsequently the accumulated fund.

Risk/ Implication

The deficit for the year was materially misstated.

Recommendation

The Pensions Master is called upon to adopt the accrual basis in the preparation and presentation of financial statements of the Fund.

Management Response

The Government Public Finance Management Act does not provide rates for depreciation. Going forward we now have the Accounting Officer's Instructions which will guide us on treatment of depreciation.

1.2 Accumulated Fund Deficit

Finding

The Fund continued to operate on an unsound and technically insolvent position due to increased Accumulated Fund deficit from one year to the other as noted in the 2012 financial year when the Fund had an Accumulated Fund deficit of \$100 768, \$394 888 in 2013 and continued to rise to \$1 233 326 in the financial year under review.

Risk/ Implication

The going concern of the Fund may be in doubt and the Fund may fail to meet its objectives.

Recommendation

Management should ensure that the financial position of the Fund is regularised by considering appropriate measures.

Management Response

The observation is noted. The Accumulated Fund of \$1 785 839 is being treated as a liability and will be cleared in due course. Appropriate measures are being taken to regularise the financial position of the Fund.

The Fund managers have approached Treasury regarding write off of the arrears. The Pensions Agency and the PSC have been undertaking massive projects meant to improve service delivery in every sphere of the country. This includes the following; decentralisation of the Pension Office Department to provinces, computerisation, training -mainly in the new computerisation system and other related skills, studies in pension reform initiatives and remote IT linkage between Pensions, SSB and Human Resources Departments.

1.3 Approved Budget

Finding

I am concerned about the Fund's continued operation without an approved budget resulting in expenditure exceeding income for three consecutive years since the year 2012. The Fund had excess expenditure of \$112 435 in the year 2012, \$294 120 in 2013 and the figure rose to \$1 390 951 for the financial year under review.

Risk/Implication

Continued existence of the Fund may be threatened due to weak internal controls in the management of the Fund's financial resources.

Recommendation

Management should ensure that a budget is prepared and approved by the Accounting Officer and all expenditure should be incurred in line with the approved budget in order to improve the financial position of the Fund.

Management Response

The observation is noted. In future a budget will be prepared for approval by the Accounting Officer and expenditure will be incurred in line with the approved budget.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Non-remission of Money to the Exchequer Account

Finding

The Fund did not remit a total of \$1 739 170 due to the Exchequer Account. This was contrary to Treasury Circular Minute B/50/63 dated May 14, 2010 which directed that with effect from June 1, 2010, all amounts collected by Ministries and Departments with Retention Funds, whose constitutions entitle them to a share of the qualifying revenue receipts, should initially remit the full amounts to the Consolidated Revenue Fund (CRF).

The Fund in accordance with Treasury Minute dated May 4, 2001 is entitled to ten percent retention.

Risk/Implication

The Fund did not comply with the Treasury Circular requiring remittance of monies collected to the CRF before use.

Recommendation

There is need to comply with regulations.

Management Response

The Fund failed to remit the amount of \$1 739 170 due to financial obligations which include decentralisation of our offices to every province and all districts in the country. This requires funding for furniture, computers and consumables and rentals in most locations. Treasury was advised and various correspondences in this regard have been ongoing between Pensions and Treasury. The Public Service Commission has since sought permission for Pension Retention Fund to retain 100% to allow decentralisation and administration of its work throughout Zimbabwe. All the same a payment plan

will be adopted by management if Treasury insists on remittance. We shall continue to operate a contra account for the Retention until fully paid.

**3 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR
RECOMMENDATION**

The Accounting Officer's Instructions which were reported to be in draft form last year have now been approved by the Accounting Officer.

SALARY SERVICE BUREAU GENERAL PURPOSE FUND 2015

OBJECTIVES OF THE FUND

The Objective of the Fund is to collect and administer fees to finance the development and maintenance of services, programmes and related activities at Salary Services Bureau.

I have audited the Financial Statements of the Salary Service Bureau General Purpose Fund for the year ended December 31, 2015.

Opinion

In my opinion, except for the 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 and performance of Salary Service Bureau General Purpose Fund as at 31 December 2015.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Non-disclosure of Non-Current Assets

The Fund purchased assets and accessories worth \$1 652 843 during the year under review but were written off in the Statement of Comprehensive Income. This was in violation of the Fund's Constitution which states that the assets of the Fund shall consist of fixed and movable property built, purchased or acquired by the Fund. I could therefore not rely on the financial statements that were produced for audit.

Risks/ Implications

The exclusion of the capital expenditure in the Statement of Financial Position resulted in the understatement of the assets of the Fund.

If assets are not disclosed, they may disappear without trace.

Recommendations

There is need to ensure that there is full disclosure of Government resources in the Financial Statements in accordance with Generally Accepted Accounting Principles.

Management Response

Assets bought from Salary Service Bureau General Purpose Fund were consolidated with assets bought from Appropriation for easy administration of the assets.

Evaluation of Management Response

While the cash resources were accounted for in the Fund's financial statements however, this was not the case with the non-current assets contrary to the provisions of the Fund's constitution. Separate records should be maintained for the assets of the Fund.

SALARY SERVICE BUREAU GENERAL PURPOSE FUND 2014

OBJECTIVE OF THE FUND

The Objective of the Fund is to collect and administer fees to finance the development and maintenance of services, programmes and related activities at Salary Service Bureau.

I have audited the financial statements of the Salary Service Bureau General Purpose Fund for the year ended December 31, 2014.

Opinion

Because of the significance of the matters described in the Basis of Disclaimer of Opinion paragraph, 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 of the Salary Service Bureau General Purpose Fund for the year ended December 31, 2014.

Basis for Disclaimer of Opinion

1 GOVERNANCE ISSUES

1.1 Establishment and Operation of the Fund

Findings

The Commission failed to produce for audit examination an approved Constitution of the Fund and what was availed to me was a draft constitution. While the Commission was retaining 50% of advertising revenue, the absence of an approved Constitution meant that there was no legal basis for the retention.

Furthermore, an amount of \$75 000 was paid to the Public Service Transport Management Fund during the year although the draft objectives of the Fund did not provide for such expenditure.

Risks/ Implications

The Public Service Commission was retaining advertising revenue in violation of Treasury directive and this had a negative effect on the operations of Government.

The expenditure incurred from the retained revenue may be at cross purposes with Government priorities.

Recommendations

The Public Service Commission should comply with the directive from Treasury that all the revenue generated from advertising must be deposited into its sub-exchequer account for onward transmission to the Main Exchequer account.

If there is a need to establish a Fund in terms of section 18 of the Public Finance Management Act [*Chapter 22:19*], then proper procedures need to be followed.

Management Response

The Public Service Commission was retaining 50% of advertising revenue as directed by Treasury in 2014. In 2014, the Commission collected \$102 000 as advertising revenue and \$51 000 was transferred to the sub Exchequer Account.

Evaluation of Management Response

The Management Response given did not address the issue relating to the Constitution.

1.2 Objective of the Fund

Findings

The Fund purchased vehicles and accessories worth \$1 172 799 during the year under review. It also incurred maintenance costs worth \$354 619 on the same vehicles. The vehicles were for conditions of service for officers who were supposed to be provided by the State through the Ministries of Finance and Economic Development and Transport and Infrastructural Development. I therefore, could not confirm whether the vehicles were purchased to fulfil the objectives of the Fund.

The total capital expenditure during the year amounted to \$1 452 750. The total amount was written off during the year although properly constituted Funds operate on accrual basis. Thus the Statement of Financial Position for the 2014 financial year excluded the above stated assets.

Risks/ Implications

The purchase of conditions of service vehicles through the Ministries charged with that responsibility is meant to check on whether any member of the service is due to receive such a vehicle.

The vehicles were not purchased to fulfil the purposes for which the Fund was established. The exclusion of the capital expenditure in the statement of Financial Position resulted in the understatement of the assets of the Fund.

Recommendations

There is a need for the Public Service Commission to comply with the set rules by ensuring that other Ministries that should be involved in the purchase of conditions of service vehicles are indeed involved in this process.

Furthermore, there is need to ensure that there is full disclosure of Government resources in the financial statements in accordance with Generally Accepted Accounting Principles.

Management Response

The vehicles were bought in an effort to improve oversight of the operations of the Fund by both Commissioners and Senior Management of the Public Service Commission. The decentralisation of the Public Service Commission to provinces and districts informed management of the need for mobility in order to discharge the mandate of Public Service Commission in tandem with the Objective of the Fund.

VOTE 31.- WELFARE SERVICES FOR WAR VETERANS, WAR COLLABORATORS, FORMER POLITICAL DETAINEES AND RESTRICTEES

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Welfare Services for War Veterans, War Collaborators, Former Political Detainees and Restricttees for the year ended December 31, 2016.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Welfare Services for War Veterans, War Collaborators, Former Political Detainees and Restricttees as at December 31, 2016.

Basis for a Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Expenditure Management and Control

Findings

Treasury Instruction 1301 requires that a reconciliation of the Paymaster General's Account for each Ministry be submitted to Treasury on or before the seventh working day of each month. The Ministry did not carry out monthly reconciliations, as a result, the Appropriation Account reflected total expenditure of \$12 644 883 whilst the Sub-Paymaster General's Account had total of \$12 329 766 giving a variance of \$315 117 which could not be substantiated.

Further to the above, Section 35 (6) (a) of the Public Finance Management Act [*Chapter 22:19*] requiring fair presentation of the financial statements of the public entity, was not complied with as a total amount of \$36 716 for September salaries was not posted to the Public Finance Management System (PFMS) resulting in the understatement of expenditure for the year.

Risk/ Implication

Errors and omissions may go undetected if reconciliations are not being done.

Recommendations

The Ministry should carry out monthly Sub-Paymaster General's Account reconciliations against the Public Finance Management System (PFMS) balances to enable the detection and correction of errors and omissions.

The Ministry should also make sure that all expenditure is posted in the system so that financial statements present fairly the state of affairs of the Ministry.

Management Response

The observation is noted and compliance in future is assured. The variance was due to payments made during the 13th period and were not included in the bank statement as at December 31, 2016.

On the salaries kindly note that the Ministry's budget for salaries had already been exceeded in September 2016. This is the reason why Treasury did not release funds in the system for September salaries and the Ministry ended up virementing funds from Motor vehicles to Employment Costs to cater for September, October, November and December Salaries.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Establishment of Audit Committee

Finding

The Ministry did not establish an Audit Committee which will assist in ensuring the effective management of and accountability for public resources contrary to the requirements of Section 84 of the Public Finance Management Act [*Chapter 22:19*] as read with Treasury minute referenced E/46/314 dated January 27, 2017 which stipulated that the deadline for the appointment of the Audit Committee shall be March 31, 2017.

Risk/Implication

In the absence of an Audit Committee, the internal control, governance and risk assessment processes of the Ministry may not be adequately evaluated and reviewed.

Recommendation

The Ministry should establish an Audit Committee to ensure effective management and accountability of public resources as per Section 84 of the Public Finance Management Act [*Chapter 22:19*] and the Treasury minute referenced E/46/314 dated January 27, 2017.

Management Response

The Ministry of Finance position is that the setting up of the Audit Committee be put on hold. This is attributed to lack of funding government wide. As of now, we stand guided by the future Treasury directives.

Evaluation of Management Response

Treasury has already given guidance through Treasury Minute dated January 27, 2017 with a statutory deadline of March 31, 2017 for appointing an Audit Committee.

1.2 Non Submission of Ministry Integrated Performance Plan

Finding

The Government of Zimbabwe adopted the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZimASSET) policy for the period October 2013 to December 2018. The implementation of this policy was to be guided and underpinned by Results Based Management System. Contrary to these requirements, the Ministry did not avail the Results Based Management documents for the year 2016, as a result I could not evaluate how the Ministry planned and evaluated its activities towards the achievement of the goals laid out in the ZimASSET blueprint.

Risk/Implication

Failure to formulate Results Based Management documents may affect operational efficiency and effectiveness as the Ministry may not be able to align its resources in line with the strategic plan and this might impact negatively on the overall achievement of the Ministry's objectives.

Recommendation

The Ministry should formulate Results Based Management plans for effective utilization of public resources in line with the Zimbabwe Agenda for Sustainable Socio -Economic Transformation (ZimASSET).

Management Response

The audit observation is acknowledged. The Ministry prepared Ministerial Integrated Performance Agreement (MIPA) and Departmental Integrated Performance Agreement (DIPA) for 2016 which required funding of \$320 million. However, the Ministry of Finance unilaterally approved a budget of only \$20 million which was 7% of the required estimated budget for 2016. This affected the Ministry's integrated performance planning.

Evaluation of Management Response

No plans were submitted for audit.

1.3 Risk Management Policy

Finding

The Ministry did not have a documented and approved Risk Management Policy for the second year running. A risk management policy is meant to identify and mitigate possible risks in the operating and financial activities of the entity. As a result, there was no documented evidence to show that risk assessment processes were conducted by management.

Risk/Implication

Failure to formulate a risk management policy might result in the Ministry not identifying and responding to material risks that will adequately and effectively mitigate risks and threats.

Recommendation

The Ministry should have a risk management policy that will adequately and effectively mitigate risk exposures.

Management Response

Management did not respond.

2 MANAGEMENT OF ASSETS

2.1 Fixed Assets Register

Finding

For the second year running the Ministry did not maintain an asset register. As a result, the Ministry failed to submit a Departmental Asset Certificate as required by Treasury Instruction 2004 which states that the Accounting Officer should submit a certificate to show that assets have been physically compared against records, not later than two months after the close of each financial year. Therefore, I was not able to confirm that assets had been properly accounted for during the year.

Risk /Implication

Failure to maintain an asset register might result in the Ministry not being fully accountable for its assets thereby exposing them to possible misuse and theft.

Recommendation

The asset register should be maintained and the departmental asset certificate should be submitted for audit as per provisions of Treasury Instruction 2004. This will ensure full accountability for state assets.

Management Response

The audit observation is noted. The preparation of the Master Asset Register detailing all assets of the Ministry is in progress

3. PROCUREMENT

3.1 Set Offs/Direct Payments

Finding

The Ministry received an amount of \$44 000 as direct payment/set off by Treasury to TelOne. Treasury advised that confirmation of payment be made with TelOne. However, the balance had not been confirmed with TelOne as at April 12, 2017. Therefore, I could not confirm whether the payment had reached the intended beneficiary and whether the Ministry's account was credited accordingly.

Risk /Implication

In the absence of confirmation of payment from the service provider, it will be difficult to ascertain the total amount owed by the Ministry.

Recommendation

The Ministry should obtain confirmation of all payments made to TelOne and reconciliations of amounts outstanding to service providers should be done on a monthly basis.

Management Response

The audit observation is noted and compliance in future is assured.

3.2 Procurement of Fuel

Finding

The Ministry made a purchase of 6 680 litres of diesel worth \$7 299.80 from Redan Petroleum company on March 04, 2016 and on that same date another 5 000 litres of diesel was purchased for \$5 300 resulting in a total payment of \$12 599. This required Informal Tender procedures to be followed as per Section 42 (1) of the Procurement Act [*Chapter 22:14*] read in conjunction with the State Procurement Board Circular

No.1 of 2015 and Procurement (Amendment) Regulations, 2015 (No 18) which require that goods and services above \$10 000 be procured through informal tenders.

Risk/Implication

Failure to abide by procurement thresholds may result in uneconomic buying or tenders being awarded to suppliers without the capacity to deliver the required quantities.

Recommendation

The Ministry should abide with procurement regulations as they provide for an efficient and transparent procurement system.

Management Response

Audit observation is noted and will be complied with as per audit report. Necessary measures are being taken to correct this anomaly.

4. PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

4.1 Procurement Committee

The procurement Committee is now in place.

WAR VETERANS FUND 2015

OBJECTIVE OF THE FUND

The Fund was established for the purpose of rendering financial assistance to war veterans and their dependents in terms of the War Veterans Act [*Chapter 11:15*]. The assistance may be in the form of loans or grants to finance income generating projects, funeral expenses, manpower development and physical, mental or social rehabilitation of war veterans.

I have audited the financial statements of the War Veterans Fund for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the War Veterans Fund as at December 31, 2015 and its financial performance for the year then ended.

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

1 PROCUREMENT

1.1 Non-adherence to Procurement Regulations

Findings

Government approved the following tender value limits for goods and services through Statutory Instrument No. 18 of 2015 as follows;

Tender Category	New Threshold
Competitive quotations	\$10 000
Informal tender	\$500 000
Formal tender	Above \$500 000

However, I noted that the Fund procured goods amounting to \$484 524 using competitive quotations instead of informal tender.

Treasury Instruction 1216 requires a payment voucher to have supporting documents in the form of quotations, comparative schedules and invoices to enable the verification of expenditure. However, payments for car hire of \$5 000 and hiring of seven buses for \$3 500 were processed without any supporting documents which

made it difficult to confirm if procedures were followed. As a result, I was not able to confirm that there was value for money in the procurement of the listed goods.

Risks/Implications

The procurement of goods by the Fund may not be to the best advantage of the State.

In the absence of supporting documentation, the authenticity of transactions cannot be verified.

Recommendations

Procurement guidelines should be adhered to as this will ensure efficient use of government resources.

The Fund should process payments when adequate documentation has been sourced in line with Treasury Instruction 1216 to ensure efficient and effective procurement of goods and services.

Management Response

The observation is noted. The Fund will ensure that procurement guidelines are followed.

VOTE 32.- RURAL DEVELOPMENT, PROMOTION AND PRESERVATION OF CULTURE AND HERITAGE

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Ministry of Rural Development, Promotion and Preservation of National Culture and Heritage for the year ended December 31, 2016.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Rural Development, Promotion and Preservation of National Culture and Heritage as at December 31, 2016.

Basis for Qualified Opinion

1 EMPLOYMENT COSTS

1.1 Non-Submission of Pay sheets

Finding

I could not verify the completeness, accuracy and validity of the employment costs figures as Ministry officials could not avail for audit inspection some of the pay sheets in respect of provincial offices including 60 District offices in contravention of section 8 (1)(a) of the Audit Office Act [*Chapter 22:18*]. This was caused by the arrangement that pay sheet acquittals from district stations were retained at their respective provincial offices. This also limited the scope of my audit.

Risk/ Implication

Employees may be paid whilst not reporting for duty.

Recommendation

The Ministry should submit the pay sheets in accordance with section 8 (1) (a) of the Audit Office Act [*Chapter 22:18*].

Management Response

The District Administrators acquit their pay sheets to the Provincial Administrator where they are kept for future use if need arises.

Evaluation of Management Response

Acquitted pay sheets should be submitted to Head Office regularly for validation and consider having these in duplicate.

HOWEVER, below are other material issues noted during the audit:

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Outstanding Revenue

Finding

Treasury Instruction 0501 states that Officers responsible for collecting debts shall take adequate steps to collect any sums due to the Government on due date and shall on no account allow a debt to become extinguished through lapse of time. Contrary to the above, the Ministry did not collect outstanding revenue amounting to \$35 829 and accrued interest on Public Financial Assets amounting to \$623 609 for the year ended December 31, 2016.

Risk/Implication

There is a risk that the Ministry would lose money through uncollected revenue.

Recommendation

The Ministry should ensure that all outstanding revenue is collected timeously.

Management Response

The observation has been noted. However, the Department of National Archives of Zimbabwe forwards payment reminders on yearly basis to all debtors but the responses are not favourable. In light of this, the department is considering intensifying every effort to recover outstanding revenue from defaulting departments, by coming up with more drastic measures with a records management solution. The department is now engaging the Ministry's legal department to assist in the recovery of outstanding debts.

VOTE 33.- COUNCIL OF CHIEFS

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Council of Chiefs for the year ended December 31, 2016.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Council of Chiefs as at December 31, 2016.

Basis for Qualified Opinion

1 EMPLOYMENT COSTS

1.1 Traditional Leaders Acquittals

The Council officials could not avail for audit inspection acquittals and pay sheets pertaining to payments of Traditional Leaders' allowances made to the sixty (60) districts and eight (8) provincial offices. This limited the scope of my audit as I could not verify the validity of figures disclosed in the financial statements and whether such payments were made to bonafide beneficiaries. This was due to inadequate efforts by the Council to have the pay sheets and acquittals submitted to Head Office.

Risk/Implication

Misappropriation and fraudulent activities of State funds could occur if acquittals are not reviewed and validated.

Recommendation

The Council of Chiefs should avail for audit inspection acquittals and pay sheets for actual disbursements made to Districts and Provinces in compliance with section 8 (1)(a) of the Audit Office Act [*Chapter 22:18*].

Management Response

The Council of Chiefs is decentralized down to the District Level. The payments to the Traditional Leaders are done at the District. The Districts prepare the Pay sheets which are kept at the Provinces including the acquittals. The pay sheets and the acquittals can be inspected at the Provincial level where they are kept. However, Provinces have since been requested to submit pay sheet acquittal reports which are still to be submitted.

Evaluation of Management Response

As a control measure acquitted paysheet should be submitted on a monthly basis to Head Office for validation and consider having two copies of the paysheets.

1.2 Traditional Leaders Acquittals

Finding

The Council officials did not have accounting personnel for its district offices to process Traditional Leaders' Allowances. This led to the misappropriation of approximately \$68 895 in Mwenezi District.

This may have been attributed to the assigning of administration personnel who had no requisite accounting experience to process Traditional Leaders' allowances.

Risk/ Implication

Misappropriation and fraudulent activities of State funds could occur.

Recommendation

The Council should monitor and come up with effective controls to ensure that public resources are safeguarded.

Management Response

We have approached the Public Service Commission with the request to recruit Accounting personnel and we have been promised that these will be recruited.

HOWEVER, below are other material issues noted during the audit:

1 EMPLOYMENT COSTS

1.1 Administration Costs

Finding

I observed with concern that for the period under review the Council of Chiefs incurred administration costs amounting to \$889 190 or 10% of total expenditure, to facilitate the payment of Chiefs, Headmen and Village Head allowances amounting to \$8 577 324. This was in contravention of Section 3 of the Public Finance Management Act [Chapter 22:19] which requires Accounting Officers to exercise sound management of revenues and expenditures of votes under their management. This was caused by inadequate monitoring and control of administration costs by responsible personnel. The table below refers:

Nature of Cost	Amount (\$)
Travelling and subsistence allowances	370 451
Fuel	409 481
Bank Charges	109 258
Total	\$889 190

Risk/ Implication

Ineffective control of administration costs may result in the Council of Chiefs not being able to achieve its other Key Result Areas (KRAs).

Recommendation

The Council of Chiefs should come up with sound mechanisms like making electronic payments to reduce excessive administration expenditure in compliance with section 3 of the Public Finance Management Act [*Chapter 22:19*].

Management Response

Domestic Allowances-These allowances are used mainly on Pay runs when paying teams go out to pay Traditional Leaders in the Districts. It also caters for Police Escort during Pay Runs. The Paying teams physically pay out in cash to the Traditional Leaders in the villages. There are over 25 000 Village Heads, about 500 Headmen and about 280 Traditional Chiefs all dotted around the country's 60 Districts. This is the reason why the figure seems to be on the high side.

Bank Transaction Fees-As stated above, Traditional Leaders are paid in cash and the transactions can be numerous depending on the availability of cash in the District's bank accounts. Since all bank transactions attract bank charges, there is need to set aside funds to pay the bank charges. The numerous bank charges justify the size of the budget allocated to this line item, in light of the liquidity challenges and the daily/weekly withdrawal limits.

Diesel/Petrol-This line item is directly linked to Domestic Allowance, as the Paying Teams visit Village Heads, they require fuel for the vehicles in which they travel in. The budget allocation for this line item is justified. The Ministry recognises the high administration costs related to the payment of Traditional Leaders Allowances and it has now processed on line payments for 86% of Chiefs, 79% of Headmen and 25% of Village Heads allowances through mobile money.

Evaluation of Management Response

Consider payment of these allowances through bank transfers.

VOTE 36.- NATIONAL PROSECUTING AUTHORITY

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the National Prosecuting Authority for the year ended December 31, 2016.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position of the National Prosecuting Authority for the year ended December 31, 2016 and its performance for the year then ended.

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

1 EMPLOYMENT COSTS

1.1 Irregular Expenditure

Findings

Public Service Commission Circular Number 5 of 2011 stipulates that employees who are issued with official motor vehicles should not be paid transport allowances. In violation of this regulation, twenty employees continued to receive transport allowance although they had access to official motor vehicles and receiving fuel monthly resulting in irregular payment of transport allowances totalling \$24 000.

Further to the above, the same employees were receiving 200 litres of fuel instead of 100 litres per month as stipulated in Treasury Circular No 5 of 2016. The total amount of fuel issued to employees in excess of what they were entitled to was 24 000 litres resulting in wasteful expenditure.

Risk /Implication

If employees who are issued with official motor vehicles and receiving fuel are paid transport allowances, it results in double dipping and wasteful expenditure.

Recommendation

The National Prosecuting Authority should cease payment of transport allowances to officers who have access to official motor vehicles and fuel. The amount of fuel issued to officers should be reduced from 200 litres to 100 litres to comply with regulations.

Management Response

The observation is noted. However, the officers listed as having benefited from fuel issues are heads of Districts and managers at head office. The officers are not even being paid their allowance such as representation allowances that commensurate with their appointments. We shall cease their transport allowances if they choose to continue to receive their fuel allocations.

Evaluation of Management Response

The issue of representation allowance commensurate with appointments should be addressed to Public Service Commission, the employer.

VOTE 40.- ZIMBABWE LAND COMMISSION

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for the Zimbabwe Land Commission for the year ended December 31, 2016.

Opinion

In my opinion, the Appropriation Account present fairly, in all material respects the financial position and performance of Zimbabwe Land Commission as at December 31, 2016.

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

1 GOVERNANCE ISSUE

1.1 Purchases without Following Tender Procedures

Finding

Contrary to Treasury Instruction 1005 and Section 6 of Statutory Instrument 171 of 2002 which require purchases above \$10 000 and below \$300 000 to go through informal tender procedures, the Commission purchased office furniture from Pridham Investments worth \$19 579 without going through the informal tender procedures. The acquisition of these assets was split into three (3) payments of \$9 999, \$5 400 and \$4 180 between September and December 2016.

Risk/Implication

Value for money may be compromised.

Recommendation

The Commission should follow informal tender procedures whenever a payment exceeds \$10 000 but is below \$300 000.

Management Response

The audit observation is hereby noted. The Zimbabwe Land Commission could not procure using the informal tender route because the procurement process would have spilled into the year 2017. This was mainly due to the disconnection between receiving budget support from Treasury and the transfer of actual cash to the Zimbabwe Land Commission RBZ account. Generally, for the period under review, Treasury would transfer cash to the Procuring Entity's RBZ bank after two to four weeks (earliest) from the date of the pay run. The Commission had less than two months to procure the furniture.

VOTE 41.- ZIMBABWE MEDIA COMMISSION

APPROPRIATION ACCOUNT 2016

I have audited the Appropriation Account for Zimbabwe Media Commission for the year ended December 31, 2016.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of Zimbabwe Media Commission for the year ended December 31, 2016.

However, the following are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Difference between PFMS Expenditure and Financial Statements

I noted discrepancies amounting to \$2 486 between expenditure on Public Finance Management System (PFMS) of \$298 337 and that on the submitted financial statements of \$300 823. The submitted financial statements did not take into account transactions that were not posted in the PFMS.

Risk/Implication

Financial statements may be misstated if full disclosure of expenditure incurred by the entity is not done.

Recommendation

The Commission should ensure financial statements are prepared from general ledgers and third party documents such as bank statements should only be used for reconciliation purposes.

Management Response

Noted, recommendation will be adhered to. The discrepancy was caused by the following:

- a) **\$2 715 for motor vehicle insurance which was parked from a wrong ledger account. The accounts department is in the process of rectifying the error with the Accountant General.**
- b) **The commission received \$211 647 but the SAP system is recording \$268 more, the accounts department is also in consultation with the Accountant General on the matter.**

- c) **Expenditure for Public Relations was erroneously recorded as \$785 instead of \$745 with a discrepancy of \$40.**

2 EMPLOYMENT COSTS

2.1 Employment costs for Commissioners

Nine Commissioners of the Zimbabwe Media Commission were appointed on February 11, 2010 for a term of 5 years. The term expired in 2015 and was not renewed. However, I noted that the Commissioners continued to receive salaries and allowances without their reappointment being confirmed. As at the time of audit April 30, 2017 the Commission had incurred total expenditure of \$59 633 towards salaries and other Commissioners` packs. There was no evidence to show that the Commissioners were performing their duties after the expiry of the term of office.

Risk/Implication

If the anomaly is not regularized the Commissioners could be paid for services not rendered.

Recommendation

The payments should be ceased pending regularization as there seem to be no basis for such payments.

Management Response

Management agree with the audit finding to terminate the salaries. However, the Commission continued to pay Commissioners because funds for their salaries continued coming from Treasury.

Evaluation of Management Response

Although Treasury continued to provide funds for Commissioners` salaries, there was need for the commission to advise Treasury of the expiry of the Commissioners` term of office.

3 PROCUREMENT

3.1 Payment vouchers

According to Section 2.6 of the Accounting Procedure Manual (APM), vouchers should be prepared for every payment. Audit noted that the Commission was not preparing payment vouchers to facilitate payments. Payment vouchers facilitate authorization, checking for accuracy of figures and ascertainment of whether the payment was not previously made among other control procedures. Non-preparation

of payment vouchers weakens such internal controls meant to safeguard utilization of public funds.

Risk/Implication

In the absence of payment vouchers, duplication of payments and unauthorized expenditure could occur as there will be no proper means of checking.

Recommendation

Every payment made by the Commission should be backed by a payment voucher to enhance internal controls.

Management Responses

The observation is noted. The commission has already started implementing the recommendation.

ANNEXES

ANNEXURE A

STATIONS VISITED DURING THE 2016 FINANCIAL YEAR

Name of Ministry	Number of Stations	
	2016	2015
Office of the President and Cabinet	10	41
Public Service, Labour and Social Welfare	Nil	10
Defence	Nil	4
Industry and Commerce	1	5
Agriculture, Mechanisation and Irrigation Development	12	69
Mines and Mining Development	Nil	38
Transport and Infrastructural Development	Nil	25
Local Government, Public Works and National Housing	1	37
Health and Child Care	35	47
Primary and Secondary Education	59	30
Higher and Tertiary Education, Science and Technology Development	6	16
Home Affairs – ZRP	169	74
Small and Medium Enterprises Development	Nil	
Youth, Indigenisation and Economic Empowerment	Nil	10
Energy and Power Development	Nil	50
Women's Affairs, Gender and Community Development	2	9
Lands and Rural Resettlement	Nil	3
Foreign Affairs	20	Nil
Justice, Legal and Parliamentary Affairs	Nil	Nil
Media, Information and Broadcasting Services	Nil	Nil
Welfare Services for War Veterans, War Collaborators, Former Political Detainees and Restrictes	1	Nil
TOTAL	316	468

ANNEXURE B

RESIGNATIONS AND NEW APPOINTMENTS IN THE YEAR 2016 COMPARED WITH 2015

	AUDIT STAFF	SUPPORT STAFF	TOTAL
In post as at January 2015	211	43	254
<u>Less</u> movement out	7	3	10
	204	40	244
<u>Add</u> Appointments	7	8	15
Total	211	48	259
In post as at January 2016	211	48	259
<u>Less</u> movement out	12	1	13
	199	47	246
<u>Add</u> Appointments	12	0	12
In post as at December 31, 2016	211	47	258

ANNEXURE B (continued)

ESTABLISHMENT

Establishment and Officers in post

IN POST	AS AT 31.12.15		AS AT 31. 12.16	
	Authorised	In post	Authorized	In post
Auditor General	1	1	1	1
Manager Parastatals	1	0	1	0
Deputy Auditor General	3	3	3	3
Director Finance, Human Resources and Administration	1	1	1	1
Director of Audit	11	11	11	10
Chief Accountant	1	1	1	1
Deputy Director of Audit	22	18	22	18
Deputy Director Human Resources	1	1	1	1
Systems manager	1	1	1	1
Audit Assistant/Auditor/Senior Auditor/Principal	229	179	229	180
Accountant/Senior Accountant	4	4	4	4
Accounting Assistant	4	2	4	1
Senior Executive Assistant	15	4	15	4
Executive Assistant	5	1	5	1
Principal Executive Assistant	2	2	2	2
Records and Information Supervisor	1	1	1	1
Records and Information Assistant	5	5	5	5
Driver	2	2	2	2
Senior Office Assistants	2	1	2	1
Office Assistants	11	10	11	10
Administration Officer/Senior/Principal	2	2	2	3
Librarian	1	1	1	1
Human Resources Officer /Senior /Principal	2	2	2	2
Administration Assistant	2	2	2	1
Computer Technician	3	3	3	3
Human Resources Assistant	2	1	2	1
TOTAL	334	259	334	258

ANNEXURE C

TRAINING PROGRAMMES AND ACTIVITIES FOR THE YEAR 2016

COURSE/ACTIVITY	NUMBER OF PARTICIPANTS
Standards and Methodology Workshops	
Annual Office Technical Update	40
International Financial Reporting Standards (IFRS) technical update	64
Supervision and file review for Regularity Audit Team Leaders	85
International Standards for Supreme Audit Institutions (ISSAIs)- Performance and Regularity Audits	79
Audit Workshops and Conferences	
Final Audit of the Appropriation Accounts	33
Annual Returns and the Consolidated Revenue Fund (CRF)	3
Audit of Extractive industries	55
Audit of Foreign Missions	50
Audit of Local Authorities	16
Audit of Public Debt	10
Inventory Count	65
Implementation of Budget Reforms	33
Institute of Chartered Accountants Zimbabwe Winter School	1
Certified Public Accountants Conference	4
Zimbabwe Accountants Conference	16
Information Systems Support and Audit Workshops	
IT Support and IT Audit Self-Assessment	20
Information Computer Technology Summer School	4
Intranet	82
Induction workshop	
Induction for new audit staff	6
Induction for Articled Clerks	9
Communication Workshops	
Media workshop	3
Corporate Services workshops	
Government Accounting 1	4
Cost Accounting 1	2
Human Resources Symposium	2
Labor Relations	42
Works Council Functions	8
Workers Committee Functions	11
Office management and communication skills development course for executive assistants	4
Study Tours	14

Regional and International workshops	
AFROSAI-E 11 th Technical Update	9
AFROSAI-E Audit of Local Authorities	2
AFROSAI-E Compliance Audit	2
AFROSAI –E for Deputy Auditors-General and Senior Management Development Programme	2
AFROSAI-E Network Security Audit	2
AFROSAI-E Integrated Financial Management Information Systems and IT Audit	2
AFROSAI-E Information & Communication Technology Support	2
AFROSAI-E Quality Assurance	2
AFROSAI-E Performance Audit Modules 1-2	3
AFROSAI-E Performance Audit Module 3	2
AFROSAI-E Fiscal Governance	2
AFROSAI-E Regularity Audit Manual Update	2
AFROSAI-E IT for Regularity Audit	2
AFROSAI-E Regularity Audit Refresher	2
AFROSAI-E Performance Audit Refresher	2
AFROSAI-E IT Audit Refresher	2
IT Audit Course	1
Fighting Corruption	1
International Audit Seminar for English speaking countries China	2
International Congress for Supreme Audit Institutions	2
Government of India Sponsored Audit of E Governance	1
Government of India Sponsored Audit of Environmental	1
Government of India Sponsored Audit of receipts	1
Sponsored Professional Programmes	
Institute of Certified Public Accountant (ICPAZ)	14
Certified Information Systems Auditor/ Manager (CISA/CISM)	6
Certified Fraud Examiner (CFE)	4
Association of Chartered Certified Accountants (ACCA)	65
Institute of Chartered Accountants of Zimbabwe (ICAZ)	15
Institute of Chartered Secretaries and Administrators Zimbabwe (ICSAZ)	5
Institute of Personnel Management Zimbabwe (IPMZ)	1
Attachment/ Experimental Training	3

ANNEXURE D

AUDIT OPINION PER ACCOUNT PUBLISHED

Vote No.	ACCOUNT	Current Year Opinion	Prior Year Opinion
Appropriation and Fund Accounts			
1	Office of the President and Cabinet 2016 District Development Fund 2015	Unqualified Qualified	Unqualified Qualified
2	Parliament of Zimbabwe 2016	Qualified	Qualified
3	Public Service, Labour and Social Welfare 2016 Child Welfare Fund 2015 Children on the Street Fund 2015 Disabled Persons Fund 2015 National Drought Fund 2015 National Heroes` Dependants Assistance Fund 2015 National Rehabilitation Centre Welfare Fund 2015 Older Persons Fund 2015 Public Service Training Centres Amenities Fund 2015 Public Service Training Loan Fund 2015 Yvonne Eustasie Parfitt Homes for the Aged 2015	Unqualified Unqualified Unqualified Unqualified Unqualified Qualified Unqualified Unqualified Qualified Qualified Unqualified	Unqualified Unqualified Unqualified Qualified Unqualified Qualified Unqualified Qualified Qualified Qualified Unqualified
4	Defence 2016 Defence Procurement Fund 2015	Unqualified Unqualified	Unqualified Unqualified
5	Finance and Economic Development 2016 Statement of Contingent Liabilities 2014 Statement of Public Debt 2014 Statement of Public Financial Assets 2014 Summary of Transaction on the Exchequer Account 2014 Statement of Receipts and Disbursements 2014 Schedule of Revenue Received 2014 Schedule of Outstanding Revenue 2014 Schedule of Revenue Written Off 2015 National Development Fund 2015 Senior Officers Housing Fund 2015 State Enterprises Restructuring Agency Fund 2015	Qualified Disclaimer Qualified Adverse Disclaimer Adverse Qualified Qualified Unqualified Qualified Qualified Unqualified	Qualified Adverse Adverse Adverse Qualified Qualified Qualified Unqualified Qualified Qualified Unqualified
6	Office of the Auditor-General 2016	Unqualified	Unqualified
7	Industry and Commerce 2016 Standards Development Fund 2015 Trade Measures Fund 2015	Qualified Unqualified Unqualified	Qualified Qualified Qualified

ANNEXURE D (continued)

8	Agricultural, Mechanisation and Irrigation Development 2016 Agricultural Revolving Fund 2014	Qualified Disclaimer	Qualified Disclaimer
9	Mines and Mining Development 2016 Mines and Mining Development Fund 2015 Mines Industrial Loan Fund 2015 Special Gold Unit Fund 2015	Qualified Qualified Qualified Qualified	Qualified Qualified Qualified Unqualified
10	Environment, Water and Climate 2016 Lake Kariba Fisheries Research Institute 2016 Meteorological Services Fund 2015 National Coordinating Unit Fund 2015 Rhodes Nyanga Estate Fund 2016 Secretary's Fund 2015 Water Fund 2015	Qualified Unqualified Qualified Qualified Unqualified Qualified Qualified	Qualified Unqualified Qualified Qualified Unqualified Qualified Qualified
11	Transport and Infrastructural Development 2016 Department of Roads Fund 2015 New Limpopo Bridge Fund 2015 New Vehicle Security Registration Number Plate Revolving Fund 2015 Traffic and Legislation Fund 2015	Unqualified Qualified Qualified Adverse Qualified	Unqualified Unqualified Qualified Adverse Adverse
12	Foreign Affairs 2016	Qualified	Qualified
13	Local Government, Public Works and National Housing 2016 Government Pool Properties Retention Fund 2015 Housing and Guarantee Fund 2015 National Civil Protection Fund 2015 Stadia Revolving Fund 2015	Qualified Unqualified Qualified Unqualified Unqualified	Qualified N/A Qualified Qualified Qualified
14	Health and Child Care 2016 Health Services Fund 2015	Qualified Qualified	Qualified Qualified
15	Primary and Secondary Education 2016 Education Materials Disbursement Fund 2015 Independent Colleges Guarantee Fund 2015 School Service Fund 2015	Unqualified Qualified Qualified Qualified	Qualified N/A Qualified Adverse
16	Higher and Tertiary Education, Science and Technology Development 2016 Amenities Fund 2012 Innovation and Commercialisation 2015 National Education and Training Fund 2014	Unqualified Disclaimer Qualified Disclaimer	Qualified Disclaimer Qualified Qualified

ANNEXURE D (continued)

17	Youth, Indigenisation and Economic Empowerment 2016 Youth Development and Employment Creation Fund 2015	Qualified Qualified	Unqualified Qualified
18	Home Affairs 2016 Immigration Services Fund 2015 National Archives Publications and Production Trust Fund 2015 National Archives Retention Fund 2015 Registrar General Retention Fund 2015 Zimbabwe Republic Police Revolving Fund 2015	Unqualified Unqualified Unqualified Unqualified Qualified Unqualified	Qualified Unqualified Unqualified Unqualified Qualified Qualified
19	Justice, Legal and Parliamentary Affairs 2016 Attorney-General's Office Administration Fund 2015 Deeds and Companies Office Fund 2015 Legal Aid Fund 2015 National Prosecuting Authority Courts Retention Fund 2015 Zimbabwe Prisons and Correctional Service Retention Fund 2015	Unqualified Qualified Qualified Unqualified Unqualified Qualified	Qualified Qualified Qualified Unqualified N/A Qualified
20	Information, Media and Broadcasting Services 2016	Unqualified	Unqualified
21	Small and Medium Enterprises and Cooperative Development 2016 Central Co-operative Fund 2015 Small and Medium Enterprises Revolving Fund 2016	Unqualified Unqualified Unqualified	Unqualified Unqualified Unqualified
22	Energy and Power Development 2016 Noczim Debt Redemption Fund 2016 Pipeline and Rail Fund 2016 Strategic Fuel Reserve Fund 2015	Unqualified Unqualified Unqualified Unqualified	Unqualified Unqualified Unqualified Unqualified
23	Women's Affairs, Gender and Community Development 2016 Women's Development Fund 2015 Zimbabwe Community Development Fund 2015	Unqualified Unqualified Qualified	Unqualified Qualified Unqualified
24	Tourism and Hospitality Industry 2016	Qualified	Unqualified
25	Information Communication Technology, Postal and Courier Services 2016	Unqualified	Qualified
26	Lands and Rural Resettlement 2016 Lands and Resettlement Fund 2015	Qualified Disclaimer	Unqualified Unqualified
27	Judicial Service Commission 2016 Courts Administration Fund 2015 Guardian's Fund 2015	Unqualified Unqualified Unqualified	Unqualified Unqualified Unqualified

ANNEXURE D (continued)

28	Public Service Commission 2016 Funeral Assistance Fund 2015 Pension Office Retention Fund 2014 Public Service Transport Management Fund 2014 Skills Retention Fund 2015 SSB General Purpose Fund 2015	Unqualified Unqualified Qualified Unqualified Unqualified Qualified	Qualified Unqualified Unqualified Unqualified Unqualified Disclaimer
29	Sports and Recreation 2016	Unqualified	Unqualified
30	Macro-Economic Planning and Investment Promotion 2016	Unqualified	Qualified
31	Welfare Services for War Veterans, War Collaborators, Former Political Detainees and Restricttees 2016 War Veterans Fund 2015	Qualified Unqualified	Unqualified Qualified
32	Rural Development, Promotion and Preservation of National Culture and Heritage 2016	Qualified	N/A
33	Council of Chiefs 2016	Qualified	N/A
34	Zimbabwe Human Rights Commission 2016	Not audited	N/A
35	National Peace and Reconciliation Commission 2016	Unqualified	N/A
36	National Prosecuting Authority 2016	Unqualified	N/A
37	Zimbabwe Anti-Corruption Commission 2016	Not audited	N/A
38	Zimbabwe Electoral Commission 2016	Not audited	N/A
39	Zimbabwe Gender Commission 2016	Unqualified	N/A
40	Zimbabwe Land Commission 2016	Unqualified	N/A
41	Zimbabwe Media Commission 2016	Unqualified	N/A

ANNEXURE D (continued)

SUMMARY OF AUDIT OPINIONS	
Total Appropriation Accounts	41
Total Appropriation Accounts not Audited.....	3
Total Appropriation Accounts Audited.....	38
Qualified.....	15
Unqualified, with other material issues.....	17
Unqualified, without other material issues.....	6
Total.....	38
Total Fund Accounts Audited	74
Adverse.....	1
Disclaimer	6
Qualified.....	32
Unqualified, with other material issues.....	17
Unqualified, without other material issues.....	18
Total Consolidated Finance Accounts Audited.....	3
Qualified.....	1
Adverse.....	1
Disclaimer.....	1
Total Consolidated Revenue Statements.....	5
Qualified.....	2
Adverse.....	1
Disclaimer.....	1
Unqualified without issues.....	1

ANNEXURE D (continued)

Opinion	Number of reports		Percentage total (%) = (A/B)*100	
	Current year	Prior year	Current year	Prior year
Appropriation Accounts Audited (A)				
Qualified	15	14	39	47
Adverse	Nil	Nil	Nil	Nil
Disclaimer	Nil	Nil	Nil	Nil
Unqualified, with other material issues	17	13	45	43
Unqualified, without other material issues	6	3	16	10
Total (B)	38	30	100	100
Fund Accounts Audited (A)				
Adverse	1	9	1	11
Disclaimer	6	9	8	11
Qualified	32	34	43	43
Unqualified, with other material issues	17	16	23	20
Unqualified, without other material issues	18	12	24	15
Total (B)	74	80	100	100
Consolidated Finance Accounts Audited (A)				
Qualified	1	Nil	33	Nil
Adverse	1	Nil	33	Nil
Disclaimer	1	2	33	100
Total (B)	3	2	100	100
Consolidated Revenue Statements (A)				
Qualified	2	3	40	75
Adverse	1	1	20	25
Disclaimer	1	Nil	20	Nil
Unqualified without issues	1	Nil	20	Nil
Total (B)	5	4	100	100

ANNEXURE E

ACCOUNTS NOT SUBMITTED FOR AUDIT AS AT MAY 26, 2017

MINISTRY	YEAR
Parliament of Zimbabwe	
Motor Vehicle Revolving Fund	2009-2016
Defence	
Defence Procurement Fund	2016
Finance	
Contingent Liabilities	2015-2016
Public Financial Assets	2015-2016
Exchequer Account	2016
Receipts and Disbursements	2016
Revenue Received	2016
Outstanding Revenue	2016
Revenue written-off	2016
Consolidated Revenue Fund	2015-2016
Summary of Appropriation Account	2016
Senior Officers Housing Fund	2016
State Assets Disposal Fund Account	2014-2016
Environment, Water and Climate	
Meteorological Services Fund	2016
Secretary's Fund	2016
Transport and Infrastructure Development	
Department of Roads Fund	2016
New Vehicle Security Registration Number Plate Revolving Fund	2016
Traffic and Legislation Fund	2016
Local Government, Public Works and National Housing	
National Housing Fund	2016
Public Service Housing Loan Fund	2015-2016
Rural Social Amenities Development Fund	2015-2016
Health and Child Care	
Ingutsheni Hospital Occupational Therapy and Sheltered Employment Trust Fund	2014-2016
Medical Research Council of Zimbabwe	2016
Higher and Tertiary Education, Science and Technology Development	
Amenities Fund	2015-2016
Tertiary Education and Training Development Fund	2015-2016
Women Affairs, Gender and Community Development	
Women Development Fund	2016
Zimbabwe Human Rights Commission	2016

ANNEXURE F

AUDITS IN PROGRESS OR BEING FINALISED AS AT MAY 26, 2017

MINISTRY	YEAR
District Development Fund	2016
Public Service, Labour and Social Welfare	
Child Welfare Fund	2016
Yvonne Parfitt Homes for the Aged Fund	2016
Children on the Street Fund	2016
Older Persons Fund	2016
Disabled Persons Fund	2016
National Drought Fund	2016
National Rehabilitation Welfare Fund	2016
Public Service Training Loan Fund	2016
Public Service Training Centres Amenities Fund	2016
Defence	
Defence Procurement Fund	2016
Finance and Economic Development	
Consolidated Revenue Fund	2014
Revenue Received	2015
Receipts and Disbursements	2015
Outstanding Revenue	2015
Exchequer Account	2015
National Development Fund	2016
State Enterprises Restructuring Agency Fund	2016
Industry and Commerce	
Standards Development Fund	2016
Trade Measures Fund	2016
Agriculture, Mechanisation and Irrigation Development	
Agricultural Revolving Fund	2015-2016
Mines and Mining Development	
Special Gold Unit Fund	2016
Mines Industrial Loan Fund	2016
Mines and Mining Development Fund	2016
Environment, Water and Climate	
National Coordination Unit Fund (NCU)	2016
Water Fund	2016
Rhodes Matopos Estate Fund	2016
Transport and Infrastructure Development	
Traffic and Legislation Fund	2016
New Limpopo Beitbridge Fund	2016
Local Government, Public Works and National Housing	
Government Pool Properties Retention Fund	2016
National Civil Protection Fund	2016
Stadia Revolving Fund	2016
National Housing Fund	2014

National Housing Fund	2015
Public Service Housing Loan Fund	2014
Health and Child Care	
Health Services Fund	2016
Medical Research Council of Zimbabwe	2014-2015
Blair Research Trust Fund	2012-2014
Primary and Secondary Education	
Educational Material Disbursement Fund	2016
Independent College Guarantee Fund	2016
School Services fund	2016
Higher and Tertiary Education, Science and Technology Development	
Vocational and Technical Examination Fund	2013-2016
National Education and Training Fund	2016
Innovation and Commercialisation Fund	2016
Industrial Training and Trade Testing Department	2013-2016
Tertiary Education and Training Development Fund	2011-2016
Youth, Indigenization & Economic Empowerment	
Youth Development and Employment Creation Fund	2016
Home Affairs	
Immigration Services Fund	2016
Registrar General Retention Fund	2016
Zimbabwe Republic Police Revolving Fund	2016
Justice, Legal and Parliamentary Affairs	
Attorney – General’s Office Administration Fund	2016
Deeds and Companies Office Fund 2016	2016
Zimbabwe Prisons and Correctional Service Retention Fund	2016
Legal Aid Fund	2016
National Prosecuting Authority Courts Retention Fund	2016
Small and Medium Enterprise and Cooperative Development	
Central Cooperative Fund	2016
Indo -Zimbabwe Fund	2016
Energy and Power Development	
Strategic Fuel Reserve Fund	2016
Women Affairs, Gender and Community Development	
Zimbabwe Community Development Fund	2016
Lands and Rural Resettlement	
Land Compensation Fund	2016
Land and Resettlement Fund	2016
Judicial Service Commission	
Courts Administration Fund	2016
Guardian’s Fund	2016
Public Service Commission	
SSB General Purpose Fund	2016
Pension Office Retention Fund	2016
Skills Retention Fund	2016
Public Service Transport Management Fund	2015-2016
Funeral Assistance Fund	2016

Welfare Services for War Veterans, War Collaborators, Former Political Detainees and Restrictes	
War Veterans Fund	2016
War Victims Compensation Fund	2016
Rural Development, Promotion and Preservation of National Culture and Heritage	
National Archives Publications and Production Trust Fund	2016
National Archives Retention Fund	2016
Zimbabwe Anti-Corruption Commission	2016
Zimbabwe Electoral Commission	2016

ANNEXURE G

MINISTRIES WITH SUB-PMG ACCOUNT BALANCES NOT RECONCILING WITH THE PFMS BALANCE

Ministry	Current Year Variance (\$)	Prior Year Variance (\$)
Parliament of Zimbabwe	-	174 323
Defence	2 492 586	-
Ministry of Finance and Economic Development - Statement of Public Debt	-	53 878 854
Finance and Economic Development – PFMS	-	2 195 612
Health and Child Care	-	5 671 372
Primary and Secondary Educations	-	6 767 154
Justice, Legal and Parliamentary Affairs	-	262 738
Small and Medium Enterprises and Co-operative Development	208 404	-
Information Communication Technology, Postal and Courier Services	-	1 551 790
Sports, Arts and Culture	-	430 962
Welfare Services for War Veterans, War Collaborators, Former Political Detainees and Restricttees	315 117	-
Total	\$3 016 107	\$70 932 805

ANNEXURE H

UTILISATION OF FUNDS FROM PARASTATALS AND FUND ACCOUNTS

Ministry	Fund/Parastatal	Current year Amount (\$)	Prior Year Amount (\$)
Ministry of Public Service, Labour and Social Welfare	Public Service Training Loan Fund	140 590	115 654
“	BEAM	58 605	-
“	Public Service Training Centres Amenities Fund	257 213	47 864
	Disabled Persons Fund	250 622	250 622
	Older Persons Fund	63 408	50 525
“	National Rehabilitation Centre Welfare Fund	-	17 602
“	Child Welfare Fund	-	5 355
“	National Drought Fund	-	21 022
“	Public Assistance	-	164 032
Ministry of Finance and Economic Development	Senior Officers Housing Fund 2014	123 813	-
Ministry of Transport and Infrastructural Development	Number Plate Fund	-	200 000
“	New Limpopo Bridge Fund	-	700 000
Ministry of Youth, Indigenisation and Economic Empowerment	Youth Development and Employment Creation Fund	-	131 216
Ministry of Women’s Affairs, Gender and Community Development	Women’s Development Fund	-	22 150
Ministry of Tourism and Hospitality Industry	Zimbabwe Tourism Authority	-	10 290
Ministry of Information Communication Technology, Postal and Courier Services	POTRAZ and Net One	-	58 888
“	POTRAZ	-	10 289 564
Total		\$894 251	\$12 084 785

ANNEXURE I

SUSPENSE ACCOUNT BALANCES IN MINISTRY/ FUND ACCOUNTS AS AT DECEMBER 31 OF THE RESPECTIVE FINANCIAL YEARS

Ministry/Fund	Current year (\$)	Prior year (\$)
Ministry of Industry and Commerce Trade Measures Fund	-	6 944
Ministry of Agriculture, Mechanisation and Irrigation Development Agricultural Revolving Fund	52 614	115 427
Ministry of Environment, Water and Climate Metrological Services Fund	2 149	5 240
Ministry of Transport and Infrastructural Development New Vehicle Security Registration Number Plate Revolving Fund	3 568 817	3 573 953
Traffic and Legislation Fund	2 611 147	2 569 197
Ministry of Local Government, Public Works and National Housing National Housing Fund	-	360 046
Ministry of Health and Child Care Health Service Fund	93 444	6 909
Ministry of Higher and Tertiary Education, Science and Technology Amenities Fund	437 998	325 801
Public Service Training Centres Amenities Fund	14 687	47 308
Tertiary Education and Training Development Fund	-	1 186 551
Total	\$ 6 780 856	\$8 197 376

ANNEXURE J**OUTSTANDING PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES**

Ministry/ Fund	Current year Amount (\$)	Prior year Amount (\$)
District Development Fund	1 527 546	-
Ministry of Public Service, Labour and Social Welfare	7 128 128	-
Ministry of Finance and Economic Development	-	2 195 612
Ministry of Environment, Water and Climate	1 940 718	1 878 022
Ministry of Transport and Infrastructural Development	2 595 156	-
Ministry of Health and Child Care	70 112 498	46 254 732
Ministry of Primary and Secondary	93 212	-
Ministry of Youth, Indigenisation and Economic Empowerment	-	110 126
Ministry of Home Affairs	-	1 090 165
Ministry of Information, Media and Broadcasting Services	-	1 551 790
Ministry of Tourism and Hospitality Industry	688 246	-
Ministry of Sport, Arts and Culture	-	430 962
Total	\$84 085 505	\$53 511 409

ANNEXURE K

UNSUPPORTED EXPENDITURE

Ministry/Fund	Current Year (\$)	Prior Year (\$)
Ministry of Defence	-	4 879 774
Ministry of Mines and Mining Development		
Mines and Mining Development Fund	87 586	746 299
Mining Industry Loan Fund	31 650	-
Ministry of Environment, Water and Climate		
National Co-ordinating Unit Fund	101 547	6 988
Water Fund	4 062	-
Ministry of Foreign Affairs	44 483	-
Ministry of Local Government, Public Works and National Housing	424 565	2 304 541
Ministry of Health and Child Care	-	10 184 727
Health Services Fund	299 287	382 097
Medical Research Council of Zimbabwe Fund	-	20 862
Ministry of Higher and Tertiary Education, Science and Technology Development	121 000	-
Ministry of Home Affairs	-	1 645 628
Zimbabwe Republic Police Revolving Fund	-	738 050
Ministry of Justice, Legal and Parliamentary Affairs	-	17 577
Attorney-General's Office Administration Fund	14 684	-
National Prosecuting Authority Courts Retention Fund	2 700	-
Ministry of Information Communication Technology, Postal and Courier services	-	53 496
Ministry of Lands and Rural Resettlement	7 175 000	-
Ministry of Sport, Arts and culture	-	633 546
Ministry of Welfare Services for War Veterans, War Collaborators, Former Political Detainees and Restricttees	8 500	-
War Veteran Fund		
Total	\$8 315 064	\$21 746 501

ANNEXURE L

ACCOUNTS THAT HAD EXCESS EXPENDITURE OVER INCOME

Fund Accounts	Current year Amount (\$)	Prior year Amount (\$)
District Development Fund	(116 601)	(551 616)
Public Service Labour and Social Welfare National Heroes' Dependants Assistance Fund	(691)	-
Defence Defence Procurement Fund	(8 391)	-
Finance and Economic Development State Enterprises Restructuring Agency Fund	(65 932)	-
Industry and Commerce Trade Measures Fund	(102 115)	-
Mines and Mining Development Mines and Mining Development Fund 2015 Mining Industry Loan Fund 2015 Special Gold Unit Fund 2015	(546 673) (45 983) (132 514)	(1 917 095) (21 532) -
Environment, Water and Climate National Coordinating Unit Fund 2015 Secretary's Fund 2015 Water Fund 2015	(67 042) (4 122) (75 208)	- - -
Higher and Tertiary Education, Science and Technology Development Amenities Fund 2011 Innovation and Commercialisation Fund 2014 Innovation and Commercialisation Fund 2015	(257 189) (1 304) (48 159)	- - -
Home Affairs Immigration Services Fund National Archives of Zimbabwe Retention Fund Registrar General Retention Fund Zimbabwe Republic Police Revolving Fund	(166 204) (882) - (2 559 128)	- - (3 421 485) (3 221 875)
Justice, Legal and Parliamentary Affairs Deeds and Companies Office Fund Zimbabwe Prisons and Correctional Services Fund	(17 268) (877)	(1 051 498) (71 762)
Energy and Power Development Noczim Debt Redemption 2016	(55 632 327)	-
Women's Affairs, Gender and Community Development Women Development Fund 2015	(221 660)	-
Judicial Service Commission Guardian Fund 2015	(371 024)	-
Public Service Commission Funeral Assistance Fund 2015 Skills Retention Fund 2015 SSB General Purpose Fund 2015 Pension Office Retention Fund 2014	(42 340) (99 567) (139 047) (973 738)	- - - -
Total	\$61 695 986	\$10 256 876

ANNEXURE M

UNCOLLECTED DEBTORS AS AT DECEMBER 31 OF THE RESPECTIVE FINANCIAL YEARS

Ministry/Fund	Amount \$	
	Current year	Prior year
Office of the President and Cabinet	-	12 805
District Development Fund	816 237	365 112
Parliament of Zimbabwe	-	16 400
Ministry of Public Service, Labour and Social Welfare		
Disabled Persons Fund	28 293	-
Public Service Training Centres Amenities Fund	441 940	213 527
Public Service Training Loan Fund	49 890	504 397
Ministry of Defence	467 656	2 088 079
Ministry of Finance	1 000	-
National Development Fund	18 068 044	-
Senior Officer Housing Fund	1 734 201	-
Industry and Commerce	55 877	-
Standards Development Fund	-	677 122
Ministry of Agriculture, Mechanisation and Irrigation Development		
Agriculture Revolving Fund	273 606	-
Agriculture Revolving Fund (Meat grading fees)	290 929	-
Ministry of Mines and Mining Development		
Mines and Mining Development Fund (Three Provinces only)	6 244 026	1 823 320
Mining Industry Loan Fund	710 160	262 650
Ministry of Environment, Water and Climate		
Meteorological Services Fund	1 684 443	1 406 526
Rhodes Nyanga Estate Fund	246 467	-
Rhodes Matopos Estate Fund	-	757 581
Secretary's Fund	-	10 511
Water Fund	-	2 074
Ministry of Local, Government, Public Works and National Housing	6 005 010	9 771 903
Housing and Guarantee Fund	706 457	648 843
Public Service Housing Fund	-	68 577
Ministry of Health and Child Care		
Health Services Fund	23 634 749	20 188 149
Ministry of Primary and Secondary Education	1 574 134	-
Ministry of Higher and Tertiary Education, Science and Technology Development		
Amenities Fund	1 934 316	-
Innovation and Commercialisation Fund	201 344	-
National Education Training Fund	1 221 500	-

ANNEXURE M (continued)

Ministry of Small and Medium Enterprises and Co-operative Development	3 075 000	-
Indo Zimbabwe Fund	-	210 000
Small and Medium Enterprises Revolving Fund	93 596	-
Ministry of Energy and Power Development	3 699	2 863 321
Ministry of Women Affairs, Gender and Community Development		
Women Development Fund	1 307 948	976 547
Ministry of Tourism and Hospitality Industry	832 970	57 621
Ministry of Information Communication Technology, Postal and Courier Services	3 555 128	-
Ministry of Lands and Rural Resettlement		
Lands and Resettlement Fund	342 128	-
Public Service Commission	10 094 245	-
Public Service Commission (Surcharges)	3 817 344	-
Rural Development, Promotion and Preservation of National Culture and Heritage	659 438	-
Ministry of Foreign Affairs	-	189 086
Ministry of Primary and Secondary		
School Service Fund		574 976
Ministry of Youth Indigenisation and Economic Empowerment	-	142 823
Ministry of Justice, Legal and Parliamentary Affairs	-	882 277
Deeds and Companies Office Fund	-	6 746
Ministry of Home Affairs	-	1 275 267
Ministry of Information, Media and Broadcasting Services	-	2 875 000
Ministry of Transport and Infrastructural Development		
New Vehicle Security Registration Number Plate	1 238 089	-
Total	\$91 409 864	\$48 871 240

ANNEXURE N

PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

MINISTRY	NUMBER OF AUDIT RECOMMENDATIONS/ FINDINGS			
	IN YEAR 2015	IMPLEMENTED	IN - PROGRESS	NOT IMPLEMENTED
Office of the President and Cabinet	2	2	-	-
Parliament of Zimbabwe	6	2	3	1
Public Service, Labour and Social Welfare	2	-	-	2
Defence	5	3	-	2
Finance and Economic Development	6	1	2	3
Industry and Commerce	3	2	1	-
Agricultural, Mechanisation and Irrigation Development	15	5	2	8
Mines and Mining Development	3	-	-	3
Environment, Water and Climate	5	3	-	2
Transport and Infrastructural Development	3	2	-	1
Foreign Affairs	8	3	1	4
Local Government, Public Works and National Housing	6	-	1	5
Health and Child Care	5	2	1	2
Primary and Secondary Education	8	5	1	2
Higher and Tertiary Education, Science and Technology Development	5	5	-	-
Youth, Indigenisation and Economic Empowerment	2	1	-	1
Home Affairs	4	4	-	-
Justice, Legal and Parliamentary Affairs	5	1	3	1
Information, Media and Broadcasting Services	4	-	2	2

Small and Medium Enterprises and Cooperative Development	7	3	1	3
Energy and Power Development	5	3	-	2
Women's Affairs, Gender and Community Development	6	2	1	3
Tourism and Hospitality Industry	3	2	-	1
Information Communication Technology, Postal and Courier Services	8	3	-	5
Lands and Rural Resettlement	11	6	-	5
Public Service Commission	4	4	-	-
Sport, Arts and Culture	5	5	-	
Macro-Economic Planning and Investment Promotion	2	2	-	-
Welfare Services for War Veterans, War Collaborators, Former Political Detainees and Restrictees	3	1	-	2
TOTAL	151	72	19	60